STOCKS		COMMODITIES		ASIAN MARKETS			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
0.11%	Flat	$1,764.10 (per ounce)	$40.36 (per barrel)	0.08%	1.22%	1.46%	0.30%
3,969.28	6,818.26			34,842.10	22,259.79	2,590.15	2,979.55

CURRENCIES	USD	EUR	GBP	CNY
BUY TK	83.95	93.14	103.01	11.69
SELL TK	84.95	96.94	106.81	12.29

STANDARD CHARTERED BANK

Star BUSINESS

DHAKA FRIDAY JUNE 26, 2020, *ASHAR 12, 1427 BS* ● starbusiness@thedailystar.net

You suffer, we survive

2,800 brands bent on shifting $3.7b contagion losses to Bangladesh garment exporters; they turn a deaf ear to compliance, global outcry

SUSHMITA S PREETHA *and* ZYMA ISLAM

You may have already seen the social media campaign '#payup', asking Kardashian celebrities Kendall and Kylie Jenner to pay up their suppliers in Bangladesh.

You may have also read about British brand, Debenhams, which is asking for a whopping 90 per cent discount on products from 40 suppliers in the country.

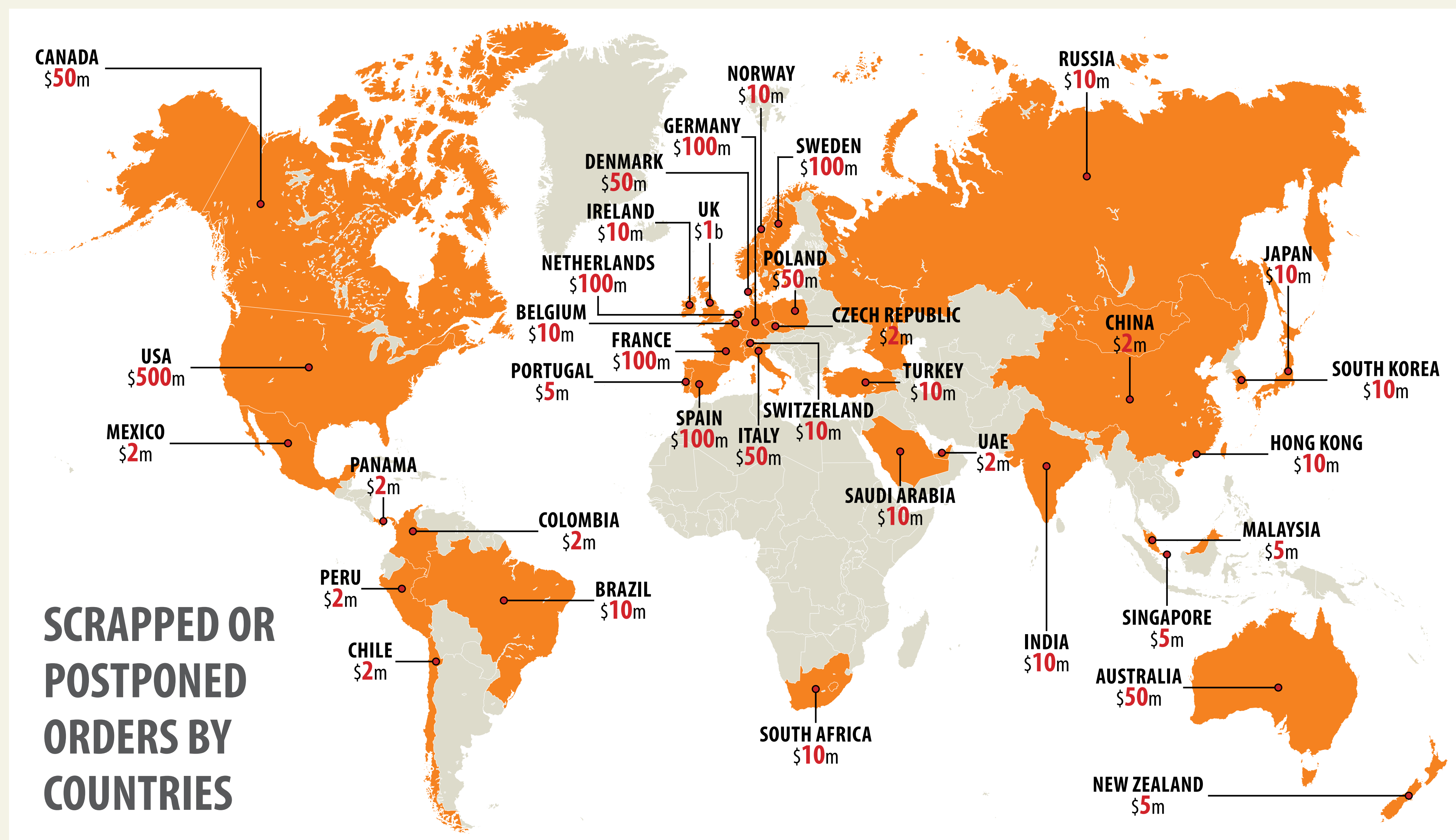
What you may not know is that these are only two of at least 1931 brands which have either delayed, put on hold, or straight up cancelled their orders since the onset of Covid-19, as per data received from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

The total value of these orders is around $3.7 billion. This includes everyone -- high street fashion brands, purse-friendly chain-stores and faceless buying houses.

About 470 of the buyers are from the US, and approximately 280 others from the UK. Italy and Canada follow closely with approximately 180 and 170 buyers fully or partially cancelling or putting their orders on hold. Fifth and sixth in line are Germany and France, with approximately 150 and 140 buyers.

At least 127 major brands cancelled contracts in various stages of production -- sometimes turning away finished products lying at the port -- or reneged on promised contracts. An overwhelming majority are asking for massive discounts for products already produced or delaying payments by six months to a year, or worse, indefinitely.

Following widespread international outcry and advocacy of rights watchdogs and global unions, some of these brands -- including H&M, Inditex, Adidas, VF, Next and Marks and Spencer -- made commitments to pay in full for orders completed and in production.



ORDERS CANCELLED OR POSTPONED BY BRANDS

- Primark: USD 330 million +
- **H&M** and C&A: USD 170 million + each
- **Inditex**: USD 87 million +
- Bestseller: USD 83 million +
- Mothercare: USD 56 million +
- Kohl's: USD 54 million +
- GAP: USD 38 million +
- JCPenney: USD 35 million +
- Walmart: USD 19 million +
- Debenhams: USD 18 million +
- **Ralph Lauren**: USD 10 million +

Brands in bold have committed to taking back all orders, according to Worker Rights Consortium Covid-19 Tracker, but are yet to fulfill all commitments. Others made no such commitments.

However, our investigation reveals that even some of these brands are reneging on their promises.

PRIMARK

Of all the brands cancelling contracts, Primark tops the list with over $300 million worth of orders held up, postponed or cancelled, according to BGMEA data.

Joarder Mohammed Hosne Quamar Alam, chairman of Faiza industries, was hit with $14 million worth of cancellations and postponements by Primark, the data shows.

"First, their offices were closed, so they made a flat announcement worldwide that they have cancelled all the orders," said Alam.

"In the middle of last month, they told us that some shops will open and that they would take about 25 per cent of what was already produced, worth about half a million dollars. Their response has been staggered. They have said that they will come back and pay for the liabilities but we do not know when that will be. We had made summer clothes," he said.

There were many orders placed six months ago that the factory was supposed to produce now, but they have not communicated about those, he added.

"This is having a serious consequence on our productivity. Every month we used to produce 400,000-500,000 pieces for them; now, I am doing nothing.

"There's no opportunity for us to delay paying for the raw materials. The factory is open and we are paying the workers by borrowing funds from the government. We borrowed from the stimulus fund to pay the salaries for April, May and June, but I don't know what will happen in July," Alam said.

On April 20, Primark, which recorded $8.86 billion in revenues in 2019, put out a statement saying it would commit to paying for $460 million dollars in orders it had previously cancelled globally. However, it made no mention of what percentage of its orders it's still cancelling.

When asked to specify the amount of cancelled or postponed orders from Bangladesh, the brand did not provide any specifics to The Daily Star. Rather, it sent a press statement in which its CEO, Paul Marchant, is quoted as saying: 'We have been in close and regular contact with our suppliers over the last few weeks to find a way forward, and to pay for as much of the previously ordered product as possible'.

According to DC-based rights watchdog, Worker Rights Consortium (WRC), even for the orders it is taking, Primark has not paid its suppliers, nor does it intend to in the near future.

"Primark itself won't pay a penny for any of these clothes until autumn 2020, preserving its own cash flow, and that of its already cash-rich corporate parent, Associated British Foods, at the expense of suppliers a tiny fraction of their size," states Scott Nova, Executive Director of the WRC.

The organisation is monitoring which brands are acting responsibly toward suppliers and workers through its Covid-19 Tracker, which can be accessed online.

LA HALLE

Meanwhile, French fashion brand La Halle has not just cancelled over $8 million worth of orders from 14 suppliers, but also wrapped up their entire Asia operations over an email, that too without paying a dime in termination benefits to their employees.

France Bleu, a radio network in France, reported on May 26 that the brand is looking into buyouts citing Patrick Puy, CEO of Vivarte group which owns the brand.

According to Reuters, Vivarte, which has been selling various brands over the past three years as part of a broader financial and debt restructuring plan, has already received 25 bids for La Halle as of June 12.

Mohammad Abdul Momen, managing director of Fashion Knit Garments, informed that La Halle cancelled $1.19 million worth of orders from them. Of all the suppliers, his had the largest amount of orders with this brand, according to BGMEA data.

"On March 25, 2020 they told us to hold the production. At that point we were in various stages of production. The stitching line was in a half-done state. There were lakhs of pieces that were cut up, and dyed," Momen said.

"Finally, on April 18 [or April 19], a lawyer from La Halle's buying office in Hong Kong sent a letter saying they are voluntarily liquidating. There was an online meeting the next day and they said they are cancelling the orders," he added. "All the cloth is now going to waste. All orders are buyer, season and style specific. This was a children's style. Whatever I have already cut up, has now become jhut [scrap] cloth."

About 70-80 percent of the $1.19 million order was money he had already used to purchase raw materials, informed Monem.

READ MORE ON B3

BB relaxes rules of stimulus loans for large borrowers

AKM ZAMIR UDDIN

The central bank yesterday relaxed the rules of the Tk 30,000 crore stimulus package for large corporate entities in the industrial and service sectors as it allowed banks to disburse loans to the pandemic-hit borrowers in phases.

On April 12, the Bangladesh Bank had said that a large borrower of the two sectors would avail a maximum of 30 per cent of their outstanding working capital as of December 2019.

It had set the repayment tenure of the loan at the highest one year and made available the financing for just once for a borrower.

But the banking watchdog yesterday said lenders would be allowed to disburse loans in phases in the second and third year during the tenure of the package.

The duration of the stimulus package has remained the same at three years.

The latest instruction would help banks lend to many borrowers in the first year of the package, according to a central bank notice.

Under the stimulus package, banks will get an interest subsidy of 4.50 per cent on disbursed loans, which the end-users will avail at 9 per cent.

As of June 18, 75 companies, which include Bangladesh Steel Re-Rolling Mills (BSRM), the largest steel-maker in the country, GPH Ispat, another steel-maker, Runner Automobiles and Shanta Holdings, secured approval from the BB to borrow nearly Tk 2,080 crore combined.

READ MORE ON B2

Spotlight shifts to fairness product market as Unilever rechristens its Fair & Lovely brand

MAHMUDUL HASAN

Equating fairness with beauty has been an agelong practice in the Indian subcontinent and much of Asia, one which spawned an immensely booming market for skin lightening creams and perpetuated the myth further with their advertisements.

But a seismic shift appears to be on the horizon on the concept of fairness after the undisputed market leader in the category, Unilever, yesterday announced dropping the word 'Fair' from its iconic brand 'Fair & Lovely', which pitched itself as a safe alternative to skin bleaching products.

Launched in India in 1975 to cater to the South Asian preference for light skin that some researchers link back to the region's colonial legacy, Fair & Lovely today generates annual sales of more than $560 million, largely in countries such as India, Bangladesh and Pakistan, according to the Wall Street Journal.

Unilever's move comes a week after another personal care giant Johnson & Johnson announced taking down its skin lightening products under its Clean & Clear and Neutrogena brands, both of which can be found in the supermarket shelves and e-commerce sites in Bangladesh.

And the catalyst for the climbdown? It is the Black Lives Matter movement that is blazing across the US and others parts of the world, sparked off by the killing of African-American George Floyd in Minneapolis last month in the hands of white law enforcement agents.

A customer picks up "Fair & Lovely" brand of skin lightening product from a shelf in a shop in Ahmedabad, India yesterday. REUTERS

The protests, which are taking place disregarding the social distancing measures demanded by the raging coronavirus, made many re-evaluate their views on colourism and pile on the pressure on brands whose products are deemed to carry racist connotations.

And some companies are paying heed to the legitimate grievances, reassessing their businesses and marketing for signs of discrimination.

Last week, oral care major Colgate said it would review a top-selling Chinese brand called Darlie, whose name translates to mean 'black person toothpaste'.

American food and beverage giant PepsiCo Inc. said it is retiring the Aunt Jemima brand of syrups and pancake mixes, while Mars Inc. is changing the name of its Uncle Ben's rice.

In the Indian subcontinent, brands were yet to acknowledge the issue until Unilever's stunning announcement yesterday, which could also be viewed as a culmination of a years-long campaign on social media.

Since 2016, there has been a #unfairandlovely hashtag circulating on social media ripping apart the beauty stereotypes promoted by the brand.

But calls against the Anglo-Dutch consumer goods giant to take down the product grew louder in recent weeks, with scores of petitions popping up on the Change.org website and gaining traction, too.

Earlier on June 9, American celebrity host and cookbook author Padma Lakhsmi tweeted: "For years I've been saying that "Fair & Lovely" needs to pack their fake cosmetics and GO!! Anyone else out there sick and tired of being told that fair=lovely? Because I sure as hell am." The product did a number on her self-esteem as a young girl, she wrote.

READ MORE ON B3

Marginalised people yet to get clean energy

A report by Practical Action reveals

Star Business Desk

A lack of understanding about the best methods for delivering electricity and clean cooking for poor people prevails and many of the most marginalised people are still left behind, according to a new report released by global development charity Practical Action.

The report "Poor People's Energy Outlook (PPEO) 2019" was launched on Monday in the virtual inaugural ceremony of the 20th National Renewable Energy Conference and Green Expo 2020, which stressed on achieving energy access from the village to the nation.

This year, as in previous years, the PPEO is critical reading, providing an important perspective on showing the connections between planning, finance, and delivery.

The report offers a comprehensive framework for a more bottom-up approach to providing energy access. It demonstrates that a range of energy access interventions is needed to achieve SDG7.

Salman F Rahman, private sector industry and investment adviser to the prime minister, emphasised on the government's effort on promoting renewable energy as a major tool to combat climate change and urged to scale up the innovative and adaptive technologies.

"Tackling the energy access challenge, and ensuring it meets the needs of energy-poor communities, will require a holistic effort," said Shawkat A Begum, Bangladesh country director of Practical Action, while discussing the report in detail.

"Countries like Bangladesh that are fear to be amongst the worst affected countries by climate change need to promote green energy strategies to replace the fossil fuel-powered energy."

Akhtaruzzaman, vice-chancellor of Dhaka University, chaired the virtual conference while Atiq Rahman, executive director for Bangladesh Centre for Advanced Studies, presented the keynote.

BB relaxes rules of stimulus loans for large borrowers

FROM PAGE B1

"The economic fallout has kicked up a storm in the financial sector. But it is hoped that there would be a gradual recovery out of the crisis from the second half this year. So, the decision will yield good results for the industrial and service sectors," said a central bank official.

In addition, banks would get a room to judge the behaviour of the borrowers before extending any further credit facility to them.

The banking regulator has formed a refinance scheme of Tk 15,000 crore for the implementation of the stimulus package smoothly, giving a huge relief to the cash-strapped banking sector.

Under the refinance scheme, lenders will get funds in the form of working capital at 4 per cent interest from the BB. In order to receive funds from the refinance scheme, banks will have to give at least 50 per cent of each loan from their own coffer.

UTTARA BANK

Uttara Bank Chairman Azharul Islam presides over the 37th annual general meeting of the bank organised through a digital platform yesterday. The bank declared 23 per cent stock and 7 per cent cash dividends for 2019. Vice Chairman Iftekharul Islam and Managing Director and CEO Mohammed Rabiul Hossain also took part in the event.

Dhaka Bank wins IFC's 'Best Issuing Bank in South Asia' award

Star Business Desk

Dhaka Bank has recently won the "2019 Best Issuing Bank in South Asia" award, given by International Finance Corporation (IFC), World Bank Group.

IFC announced the award at the ninth IFC Trade Awards to recognise its partners' leadership in providing trade finance in emerging markets.

The award recognises Dhaka Bank for best utilization and performance of the Global Trade Finance Programme (GTFP).

At the eighth IFC Trade Awards programme held last year, Dhaka Bank was also awarded as the '2017 Best Issuing Bank Partner for Climate Smart Trade' under the GTFP of IFC.

This award was given to Dhaka Bank for its contribution to climate friendly trade transactions.

Global housing markets ensnared by pandemic's high unemployment

Reuters, *Bengaluru*

The outlook for major global housing markets looks subdued, with high unemployment from the coronavirus pandemic and lockdowns and low immigration the biggest hurdles over the coming year, according to a majority of analysts polled by Reuters.

The coronavirus has killed more than 480,000 people worldwide, infected about 9.3 million and left many millions jobless. It has also pushed the global economy into a deep recession with the rebound expected to be slow and long as the pandemic still spreads in stages.

That comes despite an unprecedented amount of fiscal and monetary stimulus, sparking a rally in stock markets from late-March troughs, along with steady re-openings of many economies from lockdown.

While average home prices in a few countries polled were forecast to rise this year or next or both, fears of a prolonged drop in activity increased in the June 9-24 global poll of more than 100 property market experts compared with just three months ago.

With several risks still at play, house prices in Australia, India, Dubai, Britain, Canada and the United States were forecast to fall this year and next under a worst-case scenario. "Our general view is that prices across most major markets will fall, probably around 5%...and in some it could be more significant," said Liam Bailey, global head of research at Knight Frank in London.

"The risks are to the downside. The big thing that we don't know is the potential for a second outbreak and lockdown. And if we get another significant lockdown, then there is every chance that prices would fall again."

The U.S. housing market, at the epicenter of the previous financial crisis that led to a global recession, was expected to remain a bright spot and defy the economic downturn, supported by record low mortgage rates and limited supply.

While the availability of affordable homes has been a chronic problem there for several years, the main risk is unemployment, which has jumped from record lows to record highs within a couple of months and is expected to remain well above pre-COVID levels until at least 2022.

High joblessness is the biggest hurdle housing markets will face over the coming year, according to two-thirds of more than 100 analysts across the countries surveyed. More than 10% said lower immigration will dampen housing markets.

"Rising unemployment and the risk of redundancies is likely to have a negative impact on the housing market over the coming months. Many people will choose to put off any major financial decisions, including buying or selling a house, until they are clearer on their income security and the economic outlook has improved," said Jamie Durham, economist at PwC in London.

"The impact on the housing market is likely to be felt disproportionately in areas with large hospitality and tourism sectors, which have been most affected by the virus." More than 80% of nearly 100 respondents said the recovery to pre-COVID-19 levels would be "gradual," or "slow and long." The rest said it will be quick or it already has.

Indian and Australian house prices were forecast to fall this year and next on higher unemployment, while weak consumer confidence and fears of a second wave of infections has dampened chances for a sustainable rebound in China.

British home prices were forecast to fall this year. In Canada, they were expected to rise at a much slower pace than predicted three months ago and fall next year, with high household debt a real challenge.

"Supply (of homes) will increase when public emergency payments end as certain households will face higher debt payments as a result of mortgage payment deferrals," said Marc Pinsonneault, senior economist at National Bank of Canada in Montreal, noting an additional risk to outright job losses.

"Add to that those who used to list houses on the Airbnb platform and could not rent them because of international travel restrictions. Some might also (just) want to sell." Migration to the suburbs from city centers as more people accustomed to working from home and who can seek space and gardens might ease some housing shortage in major urban areas.

Just over half of 72 analysts who answered an additional question predicted a move out of major cities in the medium- to long-term.

"It will be fine-tuning rather than mass-exodus," said Miles Shipside, director at UK property website Rightmove. "Cities are convenient as the commute is shorter, but access to outside space and space internally are bigger factors. That might mean finding that in cities, or moving further out."

REUTERS/FILE

A general view of a construction site for luxury residential apartments at the reclaimed West Kowloon in Hong Kong.

UK retailers gloomy before lockdown eased in June: CBI

Reuters, *London*

British retailers remained gloomy in the run-up to non-essential stores being allowed to reopen to the public on June 15, a survey from the Confederation of British Industry showed on Thursday.

The CBI said 62% of the retail chains it surveyed between May 27 and June 12 feared that weak consumer demand would hamper recovery from the slump in sales that occurred for most items other than food and drink after the lockdown began in late March.

The CBI's headline retail sales barometer rose to -37 in June from -50 in May, slightly short of economists' average expectation in a Reuters poll and far below its level at the start of the year.

"Despite retailers working flat out to make sure they are safe and ready to open their doors, outside the grocery sector most retailers expect sales to be far below where they were this time last year," CBI chief economist Rain Newton-Smith said.

REUTERS/FILE

A woman carrying shopping bags walks by Regent street after the reopening of retail stores, amid the spread of the coronavirus disease, in London, Britain.

China tech giant Tencent expands into streaming in Asia

AFP, *Kuala Lumpur*

Chinese internet giant Tencent said Thursday it had bought some assets of struggling Asian streaming service iflix, in a major expansion of its online video presence in the region.

Western firms, led by Netflix, dominate streaming globally but companies from the world's number two economy have been taking tentative steps outside their home market recently.

Tencent said it had purchased the "content, technology and resources" of Malaysia-headquartered iflix, which operates in 13 markets in South and Southeast Asia.

"This is in line with our strategy to expand our international streaming platform, WeTV, across Southeast Asia and provide users with international, local and original high-quality content," the company said in a statement.

The company did not reveal the value of the deal but entertainment outlet Variety said it was worth "several tens of millions of dollars", citing sources familiar with the agreement.

The range of content on iflix includes many original shows catered for local audiences. It gives away some content for free while making money from ads, while also offering a subscription-based premium service.

13pc people lost jobs due to pandemic: BIDS

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"We ran several scenarios - representing successive severity of lockdown - under the "wealth plus labour status" approach. In a scenario where there is an 80 per cent drop in income for labour class in urban areas and 10 per cent drop in income for labour class in rural areas in the "hard lockdown" exercise, we would have 16.4 million new poor," Binayak said in his presentation.

"If we consider a 25 per cent higher poverty line, then an additional 16 per cent to 20 per cent of population would be in poverty in rural and urban areas. If we update our age-old poverty line accordingly, it will result in a much higher poverty where rural poverty would be 45 per cent, and urban poverty would be 36 per cent," he added.

"To sum up, we have two kinds of vulnerability in poverty -- one relates to the risk of slippages of the near-poor into poverty, and the other pertains to the risk of slippages of the moderate poor into extreme poverty, said the economist.

You suffer, we survive

FROM PAGE B1

"As a factory owner, I don't have any bargaining strength during this pandemic," he said.

"Some of the orders have been shipped and La Halle is refusing to pay, while other orders are ready, and La Halle is not taking them," informed the country manager of La Halle, Rashedul Islam.

The Bangladesh office he is in charge of got an email on April 27, which stated that the company was liquidated three days back.

"We got to know from the liquidator company Duff & Phelps that the hub office in Hong Kong along with country offices in Bangladesh, India and Pakistan are going to be shut down," he said.

The 29 employees of the office did not receive any termination benefits stipulated by the labour law of the country.

"They let us know that the liquidation could take between 9 to 12 months and only then we will get some termination benefits, but we don't know how much that will be," said Islam. This is a violation of domestic labour laws, which require the benefits to be paid within a month.

Rubana Huq informed that the BGMEA had engaged a lawyer to deal with bankrupt brands like La Halle, Nygard (Canada), Camaieu (France), JCPenney, Sears (US) and Debenhams (UK).

"We have made a formal request to the Bangladesh Bank regarding liabilities of factories who supplied goods to bankrupt buyers," Huq said. "We have requested Bangladesh Bank to create a blocked account for 10 years and to relocate the liabilities to that account interest-free while keeping the single exposure limit unaffected."

GAP INC

Gap Inc, the largest specialty retailer and second largest apparel e-commerce business in the US, has cancelled or postponed orders worth over $38 million. In addition to its namesake banner, the company also operates five other major brands, Banana Republic, Old Navy, Intermix, Hill City, and Athleta.

In Bangladesh, Gap cancelled orders worth $32 million from 15 suppliers and Old Navy worth $6 million from 4 suppliers.

Sharif Zahir, MD of Ananta Apparels, informed that Gap cancelled orders of products that were in its final stages of production, worth $1.2 million.

"We've been working with Gap for the last 20 years. We never expected such behaviour from them. All the products we made for Gap were in their completed stages. We make these orders according to the brand's specifications, and they also put restrictions so that we don't duplicate the designs for others. Once we receive an order, it's really their product and their responsibility," said Zahir.

According to suppliers, Gap has simply refused to take any responsibility for the orders it has cancelled or postponed.

"It's very shocking the way they have declined to share the liability," he added.

Gap did not respond to requests for comments and, in fact, has not yet made any public statements regarding its commitments, or lack thereof, to its suppliers.

However, Gap CEO Sonia Syngal told analysts after revealing the retailer's first-quarter earnings, that the coronavirus pandemic has required a "radical shift" in its priorities.

The company further revealed that it had asked vendors to delay payment terms, tighten purchases and utilise 'pack and hold' inventory -- meaning it would pack up its products to sell in 2021 instead -- to maintain its margins.

Notably, the company reported revenues worth $16.6 billion in 2019 and ended the fourth quarter of the year with $1.7 billion in cash, cash equivalents, and short-term investments.

While it reported that its net sales for the first quarter of 2020 were down by 43 per cent year-over-year, it also stated that there was a 40 per cent increase in online sales in April.

"While net sales and store sales continued to reflect material declines in May as a result of closures, we saw over 100 per cent growth in online sales during the month," said Sonia Syngal, president and CEO of Gap. "This online momentum, enabled by new omni-capabilities that have expanded the way customers can shop with us, leaves us well-positioned to fuel our brands going forward."

BESTSELLER

Danish fashion retailer Bestseller postponed or cancelled $83 million worth of orders in Bangladesh, and Hannan Group is one of them left to hang dry.

The brand's decision impacted orders worth $3 million with Hannan, according to BGMEA data.

"Around March 15-18, they told us over email that they are cancelling the orders. They don't need any grounds to cancel any orders. Say I am mid-way through a meal. They ask me to stop, I have to stop eating," said ABM Shamsuddin, the managing director of Hannan Group.

"Most of our orders were in still in the yarn stage -- but we had to pay for the raw materials. The bank paid on our behalf when the LCs matured, expecting that they will recover the money when Bestseller pays for the orders.

"But now that the brand has cancelled the orders, I have become a defaulter. I will try to sell the raw material…but will probably get a tenth of the price. How long can I keep them in stock, without the products losing strength and stability?" Shamsuddin said.

Howver, Morten Norlyk, Press & Media Responsible at Bestseller, claimed that the brand has cancelled orders in mutual agreement with suppliers and has also paid them for liabilities.

"Bestseller have not cancelled orders unless it was in agreement with the given supplier. Any changes in terms and volumes have been agreed upon with all our suppliers through these individual negotiations and all due invoices to suppliers have been paid enabling suppliers to cover their expenses. All invoices up to April 6 were paid in full and as per initially agreed payment terms," Norlyk told The Daily Star.

Suppliers say that when brands claim they have cancelled orders through 'mutual agreements,' they very rarely have a say in the matter.

"Truth be told, if a buyer with whom you have been in business with for a long time and with whom you need to continue your business in the future, tells you he can't take his orders because of declining sales, you can plead with him, but can you really challenge them?" said a supplier, who produces for multiple global brands, on condition of anonymity. "It's tantamount to agreeing to unable to figure out how to pay wages for July.

"If we get orders during this time, we will be able to pay wages in July. Otherwise we will have to take out a loan. The kinds of debt we got into by not working this month, it will take us 18 months to recover," he said.

BRANDS THAT MADE GLOBAL PROMISES TO TAKE ORDERS:

H&M and INDITEX

According to BGMEA statistics, H&M and Inditex were among the top 3 brands that had either cancelled or postponed their orders straight up at the beginning of the pandemic.

However, on March 29, H&M announced it would take delivery of already produced garments as well as goods in production, with Inditex making similar commitments within the week.

H&M, a Swedish multinational brand, operates in 74 countries with over 5,000 stores and is the second-largest global clothing retailer.

Each year, H&M sources orders worth $4 billion from more than 230 Bangladeshi factories.

Inditex is a Spanish multinational clothing company and the largest fashion group on the planet with 7,292 stores worldwide. The group's flagship label is Zara while other labels include Massimo Dutti, Bershka, Oysho, Pull and Bear and Stradivarius.

Both these brands have also publicly endorsed the call to action, developed with the technical support of the International Labor Organization, in collaboration with The International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC), IndustriALL Global Union and other brands for support for manufacturers and workers through the economic disruption caused by Covid-19.

Among other commitments, brands which have signed the call to action have agreed to pay manufacturers for finished goods and goods in production.

Despite these commitments, which have been lauded by manufacturers and international labour advocates alike, some Bangladeshi suppliers claim these brands are yet to retrieve all orders previously held or cancelled.

A supplier requesting anonymity said that H&M did cancel and postpone orders with them.

"H&M has cancelled and put on hold orders over $1.5 million with us," he said. "It is a difficult time for us to speak out too publicly against big brands because we are afraid of the repercussions and jeopardising our relationship in the future."

An official from Apex Spinning and Textile Mills stated that a total of $450,000 worth of orders placed with the company were cancelled by H&M.

"They did however pay us for the inventory we had already collected and that cannot be used elsewhere e.g. they paid us for the yarn and the foam cups needed to make bras.

"March 25 was our last working day before the lockdown. There was no work during the entirety of April, so these cancelled orders led to a problem in the cash flow," he added.

"Meanwhile whatever orders were put on hold, are on hold. They will talk about those orders when the pandemic blows over," he said.

H&M's communication department in Sweden told The Daily Star, "We will stand by our commitments and agreements by taking delivery of and paying for already produced goods as well as goods in production, if delivered within a reasonable timeframe. We have not cancelled any orders where the goods are already completed or in production."

"To help suppliers and minimise the negative impacts of lockdowns, we have taken the decision not to use our contractual right to immediately cancel delayed orders, but instead allow an extra month delay, or, if the products are not seasonal, even more time," stated the brand.

The 'contractual right' they mentioned refers to the 'force majeure' clause, common in contracts, which says that the parties don't have liability or obligation if there's an extraordinary event or circumstance beyond their control.

However, this clause is applicable to the party which has the most relevant contractual obligation -- in this case, the suppliers.

Abdul Monem, Director of H.R. Textile Mills, informed that Inditex cancelled with the company. According to data submitted to the BGMEA, $1.34 million of orders were either straight up cancelled, or put on hold.

"Inditex is a fast-fashion company. The reaction time to an order by them is between 15 and 45 days, so we always have to have the raw materials ready. But we have already shipped a shipment of Bershka men's underwear that they said they will not be able to take before August," he said.

Monem expressed optimism though that the company will place more orders in the future, and that he can use up the raw materials he already has in stock.

Speaking to this correspondent, an official of Apex Spinning and Textile mills also said that Inditex straight up cancelled their orders with the group. "They said our offices are closed, we cannot make the purchases. Since then, we have only exchanged courtesy emails but nothing related to the orders," he said.

According to BGMEA data, the orders were worth about $ 50,000 and were for Zara.

Inditex's communications department in Spain told The Daily Star that they are standing by their commitments.

"Inditex is committed to working with its suppliers through the impacts of Covid-19. Since the beginning of the outbreak, we have been fulfilling all our responsibilities to our suppliers by ensuring that all orders that have been produced or are currently in production are completely paid for according to the original payment terms," the brand claimed.

ORDERS HELD, DELAYED PAYMENTS AND DISCOUNTS

While a number of influential global brands have made public commitments not to cancel orders outright, there's no clarity on their position regarding orders which are on hold -- if and when they will be taken, and more importantly, when payments will be cleared.

"Order cancellation is only one of our headaches. Many brands say that they will take the orders, but at a later date, maybe in three months, six months or even a year," said Nafis Ud Doula, director, Impress-Newtex Composite Textiles, which had cancellations as well as postponements from Bestseller and C&A, among others.

"Meanwhile, we also have to deal with delayed payment, even for products we have already sent over, they are saying we'll pay four to eight months later. For orders that are on hold, it's so uncertain when, if ever, we'll be paid."

Polish brand LPP, Spanish brand Springfield and French brand Tape O' Loeil put contracts on hold with Torque Fashions, informed its managing director Kazi Hoque.

"Springfield cancelled 2,66,000 pieces worth $1.6 million. They said that they will take the goods next season, but we do not for sure know whether they will take it. We have to wait for a further four orders," he said. The brand belongs to Tendam Group, which owns around 2000 stores in 79 countries.

According to BGMEA data, the brand has cancelled or postponed $4.2 million worth of goods.

"The goods are ready, the goods are at port, but they told us, that if we send it now, they will not be able to catch the season. There were some orders that we had already sent to the Chattogram port, that we had to bring back to Dhaka," he said.

"They had initially even wanted to return the orders that had already reached Spain, but we said that our country's rules would make that impossible. It is better to cancel the orders," he added.

"These are all denim products. We are not prepared to store the goods for the next four or six months in our warehouses…if they are to be kept for the next season, they have to be kept in a humidity and temperature-controlled environment.

"Our warehouse is not like that. My prediction is, if the quality falls they will ask for a discount," he feared.

Hoque has reason to worry, because another buyer Terranova is already doing so. While the brand is taking all their orders, they are unwilling to accommodate the lockdown.

He has already sent goods worth $833,724 between mid-May till mid-June, but delays have ranged from 10 days to 40 days, and he is having to give Terranova a $236,890 discount.

Hoque wanted 45 days of extension to make his factories safe for his workers before opening but Terranova refused.

"They said they need the goods, so they will neither give an extension, nor cancel. According to the terms of the LC, there is a clause that says if we delay sending the products, it allows the buyers to claim a discount," he explained.

"Demanding discounts for the obvious lockdown period is a selfish thing to do. What will the brands or the suppliers do in a crisis of manpower? So, demanding discounts must be stopped as both the brands and the suppliers were in the same situation during the lockdown period.

"We urge the brands to look at the situation here with empathy, for sustaining the business," said BGMEA President Rubana Huq.

FUTURE ORDERS

Suppliers are now also worried about future orders -- and their fears are not unfounded. All the brands we reached out to admitted that there would be likely be some reduction in future orders, given the depressed state of the market and unsold stocks of products from this season.

"I don't know what will happen in July. The amount of orders we need will not come. The business will not be stable until March 2021," Shamsuddin claimed.

On this point, he and his buyer, Bestseller, are on the same page.

"We are placing orders for autumn, although a reduction in some volumes are sought to prevent over-production," said Bestseller.

"The projection we are looking at is alarming. It's less than 50 per cent of what our usual orders are. For example, usually we do 1 million pieces a month for H&M, now we are getting orders worth 4 lakh, 4.5 lakh.

"At this rate, it's difficult to guarantee how many of our suppliers will make it through the year without going bankrupt or downsizing significantly," said Sharif Zahir.

When asked if they would help pay for the costs of furloughing workers brought about by reductions of orders, none of the brands said they would assist the manufacturers directly.

Some, including H&M, Inditex, Primark, Bestseller, pointed us towards the ILO-Call to action which they have signed, which commits them to work with governments and financial institutions to mobilise sufficient funding to keep manufacturers in business including payment of wages, as well as income-support and job-retention schemes to address the impact of the crisis.

However, it does not obligate the signatory brands to commit to any payment themselves.

"The Call to Action is a non-binding document. Its main value is that it gets brands and retailers to sign and declare that they will pay for their orders.

"But the question remains, what happens beyond that to secure some of the commitments," Scott Nova said. "We are trying to make sure supply chain workers are included in the rescue packages being mobilised."

It is also unclear whether the funding being brought from financial institutions would come as loans, and if so, which party would pay the interest. Again, none of the brands provided a clear answer to this question.

"We think that all brands are trying to regain normalcy. We know that they are coming forward but getting the flow of order, shipment and payment back to normal will ultimately help both the brand and suppliers minimize losses in the long run," said Rubana Huq.

STAR/FILE

Many factory owners borrowed funds from the government's stimulus package to pay salaries of their workers for April, May and June.

their terms at gunpoint."

The WRC echoed similar concerns in its Covid-19 Tracker.

"Unfortunately, the balance of power in apparel supply chains allows buyers to impose their will on suppliers, a dynamic that is playing out across global supply chains, at enormous cost to suppliers and to workers," stated the organisation.

It also highlighted that Bestseller has cancelled up to 20 percent on orders already completed or in process, asking for up to 25 percent discounts on orders it is accepting and delaying on payments of invoices.

Meanwhile, in May, the sole owner of Bestseller, Anders Holch Povlsen, who has a net worth of $5.32 billion, entered the UK's Sunday Times Rich list (ranked by net wealth) at number 26.

Norlyk said that '100 per cent of suppliers that produce garments for Bestseller in Bangladesh, have paid March and April salaries'. However, Shamsuddin claimed that he had to borrow from the government's stimulus package to pay the wages of three months.

Bestseller has not yet disclosed its revenues from 2019, but it reported an annual profit of $357 million in 2018.

RALPH LAUREN

Even Ralph Lauren -- the very brand image of affluence and luxury -- has cancelled orders.

"We produce clothes for Chaps, which is a line of clothing by Ralph Lauren. Whatever we had produced completely, they took from us, but whatever was in production, they cancelled," said the managing director of Modiste Bangladesh, Mahmud Ali.

The orders were worth $7.8 million, as per BGMEA data.

However, Ali informed that the brand offered to pay for liabilities like raw materials.

"They said they are in the process and hopefully, they will pay in 90 days," he said.

But like all other suppliers, this has left him

Spotlight shifts to fairness product market as Unilever rechristens its Fair & Lovely brand

FROM PAGE B1

The name change, which is now awaiting regulatory approvals and will be ushered in over the next few months, can be viewed as a redemption of sorts.

"We are making our skincare portfolio more inclusive and want to lead the celebration of a more diverse portrayal of beauty," said Kedar Lele, managing director and chief executive officer of Unilever Bangladesh, in a press release yesterday.

In early 2019, the brand's communication moved away from the benefits of fairness, whitening and skin lightening, towards glow, even tone, skin clarity and radiance, which are holistic measures of healthy skin.

The cameo with two faces showing shade transformation as well as the shade guides were removed from almost all the packs.

"These changes were very well received by our consumers," Lele said.

The company will continue to evolve its advertising, to feature women of different skin tones, representative of the variety of beauty across Bangladesh, the press release added.

Whether this would have any effect on the thriving market for fairness products in Bangladesh remains doubtful.

According to industry insiders, the products are mostly popular in rural areas, where females remain oblivious to the First-World social media discourse, according to industry insiders.

In Bangladesh, skin lightening products are imported from India, Turkey, Malaysia, China and Thailand.

Other than Fair & Lovely, products from Indian brands Emami and Himalaya, Proctor & Gamble, Nivea, The Body Shop and L'Oreal are popular, according to general managers of two supermarket stores.

Frustration, fear and family: lockdowns test investment bankers

REUTERS, *London*

Lockdowns are sharpening the knives in the cut-throat world of M&A banking.

Stuck at home, armed only with a phone and a laptop, senior advisors are finding out just how strong their relationships with clients really are while frustrated juniors are left to crunch numbers in the shadows, deprived of the personal access to the rainmakers who could give their careers a boost.

With the dreaded "doughnut" or zero bonus almost a given this year, and some banks looking to cut jobs to weather the health crisis, the strains on bankers watching multi-billion dollar pre-pandemic deals go up in smoke is taking its toll.

"It's like a Darwinian selection," said a senior advisor at a Wall Street bank. "If you're a senior banker and you don't win a single pitch you can only blame yourself. You've failed to cultivate your relationships and now it's clear to everyone." "If you don't know them well enough, you will never win a mandate over Zoom," said the banker, who declined to be named.

A lack of face-to-face contact is not just exposing the shortcomings of some senior financiers, it is also making it harder for junior associates to learn on the job and progress, headhunters, lawyers and bankers said.

"Junior bankers are challenged by old problems long hours, excessive workload and lack of acknowledgement but this lockdown has made them more acute," said Anna Marietta, co-founder and managing partner of headhunter Vici Advisory. "Juniors especially analysts and interns can also learn through osmosis and they need physical interaction in the office. They need to see how their managers are handling client relationships and solving problems," she said.

Global M&A volumes are down 41% so far this year, a far cry from the champagne-popping records of recent years when bankers at Goldman Sachs, JPMorgan, Morgan Stanley, Citi and Bank of America - the top five dealmakers - were the toast of Wall Street. Massive government support for companies, particularly in Europe, is keeping many firms afloat and delaying the kind of lucrative takeover deals that have put M&A advisors at the top of the investment banking world, bankers and lawyers said.

Driving towards Digital Bangladesh in reverse gear

Shahed Alam

There is no doubt that the country has come a long way in fulfilling its vision of becoming Digital Bangladesh. With less than a year remaining in the timeframe, Bangladesh looks set to make good on its promise thanks to the visionary policy support from the government.

The government's commitment towards digitalisation encouraged the private sector to be a part of this history. In particular, the telecom sector stood out as the most impactful partner of the government in implementing the national vision.

But when you look at the taxation regime created by the tax authorities you begin to question whether they are playing their due role by creating fiscal space for the telecom industry to enable it to contribute fully.

If I were to pick the most unjust part of the taxation regime for the investors, it would be the 2 per cent minimum turnover tax. Telecom companies pay 2 per cent of their revenue to the tax authorities whether they make any profit or not.

Let's suppose an operator's revenue in 2019 was Tk 100 crore. That means the operator will have to pay Tk 2 crore as the minimum turnover tax for the year.

The operator has to finance the tax from the profit it had made. If the operator were to report losses, it would still have to pay the minimum Tk 2 crore from its capital or through borrowing.

This is outrageous! It is certainly not part of the recipe for creating a conducive investment climate in the telecom sector. The 2 per cent turnover tax is literally sucking the oxygen out of the industry like the coronavirus, especially the smaller operators, who are struggling to make a profit.

Apart from the telecom sector, no other sector is made to pay 2 per cent minimum turnover tax. The only other sector that comes near the telecom sector is the tobacco sector, but it is required to pay only 1 per cent.

Besides, the telecom industry and the tobacco industry are subjected to the same corporate tax rate of 45 per cent.

Usually, the government tries to levy more tax on industries that are harmful or to discourage certain industries from policy perspective. If you apply that logic you have to conclude that the tax authorities consider the telecom sector more harmful or more non-conducive than the tobacco sector since we pay 2 per cent of our revenue as the minimum turnover tax while they pay only 1 per cent. Any sane person would term it an utter insanity.

Studies show a direct link between GDP growth and the growth of telecom and internet penetration.

A study conducted by the International Telecommunication Union (ITU) in 2019 shows a 10 per cent increase in mobile broadband penetration yielded a 1.8 per cent increase in GDP for middle-income countries.

Therefore, the tax authorities should make sure the telecom operators' revenue goes up so that they can invest more to deliver digital dividends to every citizen of the country.

That would mean the country will adopt the digital economy and we all know that is a far more efficient economy compared to the age-old analog economy. Hence, the ITU's finding is very much justified.

If anyone still has any doubt, they should imagine how we would have lived during this pandemic had we not had the digital infrastructure to deliver the services we are enjoying from home, rather than reaching out for it risking the prospect of contacting coronavirus in the process.

The sector creates one million job opportunities every year and contributes 7 per cent to the GDP right now. The telecom infrastructure put in place by the industry has become the key enabler for the blossoming mobile financial service (MFS) sector, e-commerce and the digital start-up community like Uber, Pathao and Shohoz. Literally, the digital economy is emerging on the back of the telecom infrastructure.

But looking at the minimum turnover tax, you may feel that the tax authority would rather want to have you take a large pull at the cigarette to ease your nerves than staying connected digitally during the pandemic.

The minimum turnover tax is certainly not the only tax that begs rethinking. But it surely is the most outrageous form of taxation that demands immediate correction. Just imagine, we are forcing the foreign investors of the sector who had brought the highest amount of foreign direct investment into the country over many years to park 2 per cent of their revenue as minimum tax payment. This flies in the face of all standard thinking around taxation and does not serve the country when it goes to the global market to look for potential foreign investors.

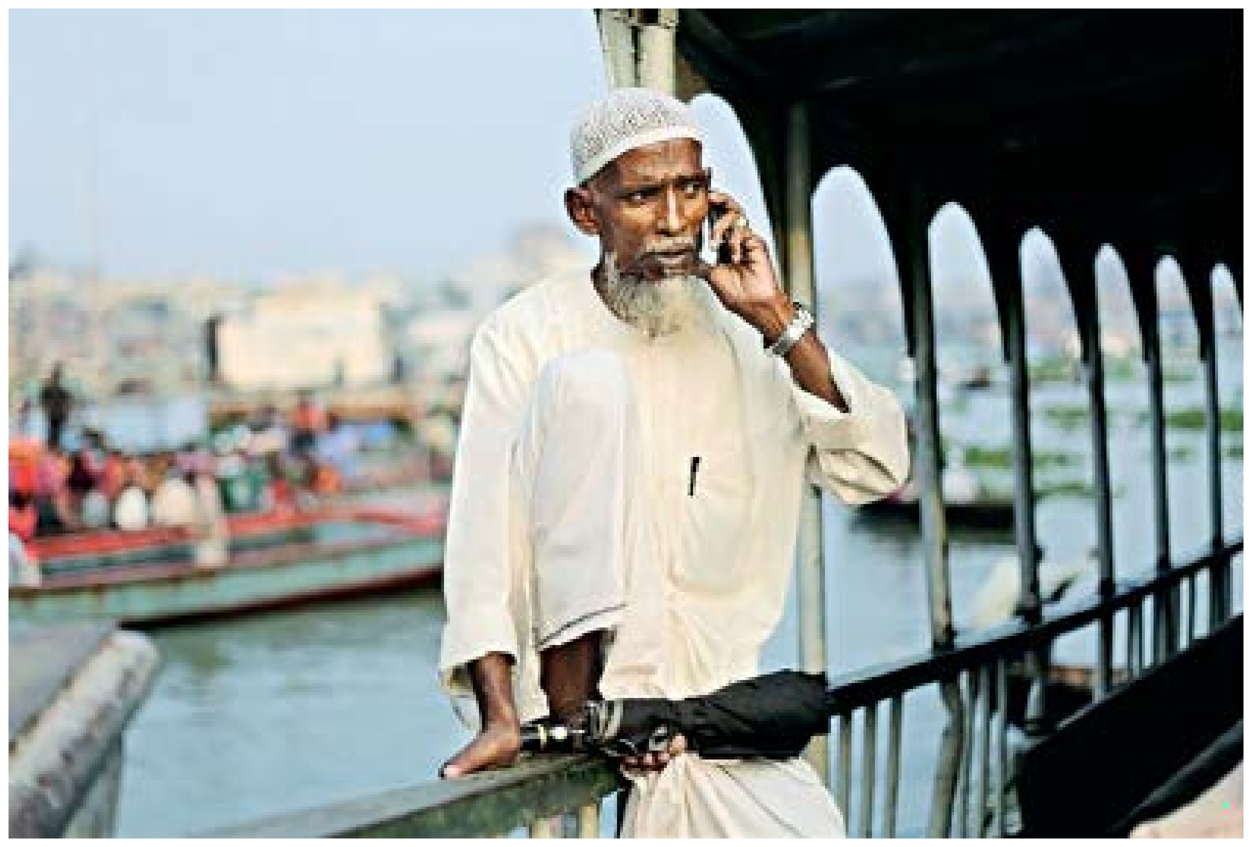
Bangladesh grabbed global attention when it outlined the vision for a Digital Bangladesh in 2009. The telecom sector responded to the clarion call from the government by reducing data prices by 99 per cent since then. On the contrary, the tax authority has raised the minimum tax rate by more than 150 per cent since 2012 and consumer tax (supplementary duty, VAT and surcharge) by more than 112 per cent since 2011. Something is seriously wrong here!

The minimum tax rate is reducing the breathing space for the sector, especially for the smaller operators that have no option other than passing the consumer tax entirely on the consumers.

Our unique mobile, internet and smartphone penetration stand at around 54 per cent, 30 per cent and around 40 per cent respectively whereas voice service is still contributing 60 per cent to the industry's revenue. So, there is a need for sustained investment to deliver the digital dividends to everyone in the society.

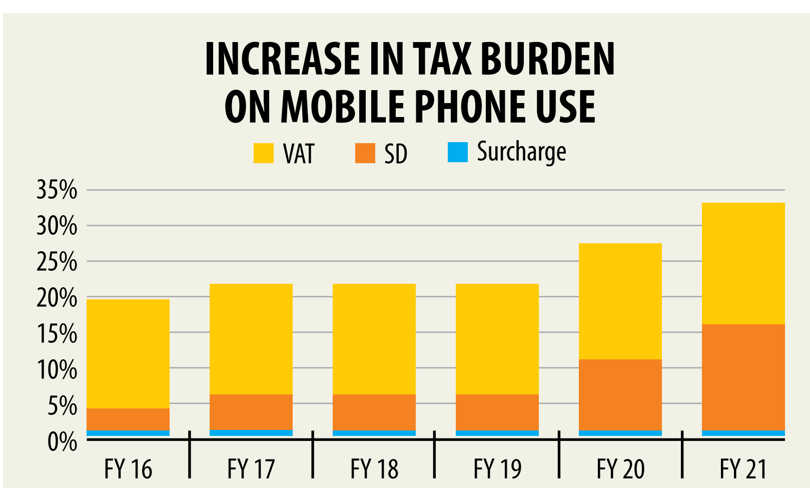
We hope that the tax authorities will acknowledge it by shifting the gear on the minimum tax rate, so that we can stop driving towards Digital Bangladesh in reverse gear.

The author is a telecommunications expert



REUTERS/FILE

A man talks on the phone as he boards a launch by the river Buriganga in Dhaka.



Dairy farmers suffer Tk 4,000cr loss for Covid-19

Bangladesh Dairy Development Forum demands subsidy for cattle feed, tax holiday for investment in dairy

Star Business Report

Dairy farmers and processors suffered nearly Tk 4,000 crore in losses, as they could not market milk in the last three months due to countrywide lockdown for coronavirus.

Daily sales of milk processors improved at the beginning of June after the end of the general shutdown, a devastating period when sales halved.

Sales figure is still much lower than the pre-Covid period when processors could sell over 13 lakh litres of milk daily, according to data of Bangladesh Dairy Development Forum (BDDF).

BDDF is a national level platform to carry out advocacy works that would mitigate the challenges and explore the opportunities of the dairy sector in Bangladesh.

As a result of the failure to sell milk, many small and marginal farmers are facing troubles buying feed for their cattle, the BDDF said in a paper presented at a virtual press conference yesterday.

The BDDF organised the event to share its views regarding the national budget for fiscal 2020-21 from the perspectives of the growing dairy sector.

The government has set aside Tk 3,190 crore for livestock and fisheries sector in the proposed budget for fiscal 2020-21, which is 26 per cent higher than that of the revised budget for the outgoing fiscal year.

The multi-stakeholder platform—comprising dairy producers, processors, input suppliers, development organisations and academia—demanded the allocation to be doubled to Tk 5,000 crore.

The BDDF said the fisheries and livestock sector's share in the GDP was more than 5 per cent. Only 0.56 per cent of total budget has been allocated, although fisheries and livestock is one of the worst hit sectors, it added.

It, however, lauded the government's decision to reduce import tariffs on ingredients of livestock feed -- soybean oil cake and soybean protein concentrate.

Feed cost is very high and feed accounts for 70-75 per cent of total production cost of dairy farmers, said the BDDF, adding that many countries provide subsidy for cattle feed.

Some Tk 9,500 crore have been allocated as subsidy in agriculture sector but no steps have been taken yet to provide subsidy for dairy sector, said the forum.

"It is necessary to provide subsidy for livestock feed to protect small and marginal producers," said BDDF Joint Secretary KBM Saiful Islam while presenting the paper at the event.

The BDDF also cited competition from imported powder milk and said unequal competition from imported milk was the biggest challenge for the sector.

Import duty on powder milk of up to 2.5 kilogrammes have been increased. However, the increase will not contribute to the dairy development in the country.

Import of bulk field milk should be controlled, said Islam, a teacher of Sher-e-Bangla Agricultural University.

Milk imports should be discouraged to help the nation become self-sufficient in milk, said BDDF President Umme Kulsum Smrity, also a lawmaker.

The BDDF urged the government for levying 25 per cent tariff on import of all milk and milk products.

The forum also demanded the government eliminate value added tax (VAT) on all sorts of milk and milk products so that domestically-produced dairy products can be competitive in the international market.

"The government should offer a 10-year tax holiday to encourage private investors to invest in the dairy sector," said the BDDF.

It also demanded for formation of a Tk 5,000-Tk 10,000 crore guarantee fund to encourage investment in the dairy sector and introduction of cattle insurance to protect farmers from losses.

At the event, BDDF Vice Presidents Uzma Chowdhury, Quazi Emdadul Haque and Communication Secretary Md Mutashim Billah were also present.

Sales figure is still much lower than the pre-Covid period when processors could sell over 13 lakh litres of milk daily, according to data of Bangladesh Dairy Development Forum

13pc people lost jobs due to pandemic: BIDS

UNB, *Dhaka*

About 13 per cent people have become unemployed in the country due to Covid-19 pandemic, according to a survey of Bangladesh Institute of Development Studies (BIDS).

The survey noticed expected and significant negative effects on employment, income and expenditures of people, especially those from low-income groups.

The 'coping with Covid -19 and individual responses: findings from a large online survey' was conducted on 30,000 people from May 5 to 29 covering all divisions and districts.

Some 19.23 per cent of the participants with income less than Tk 5,000 reported that their income reduced by 75 per cent, while 23.31 per cent of the participants with income between Tk 5,000 to Tk 15,000 reported an income reduction by 50 per cent relative to last month's income.

The survey was unveiled on Wednesday at a virtual conversation titled "In the shadow of Covid - coping, adjustments, responses" organised by BIDS.

Meanwhile, small and medium entrepreneurs in the rural areas are being hit the hardest due to the impact of Covid-19, as their revenue dropped by 67 per cent in 2020 compared to the previous year.

However, the average reduction of revenue for all SMEs is 66 per cent in 2020 compared to 2019.

The annual revenue was reduced by 67 per cent in 2020 compared to 2019, which is 66 per cent for all SMEs sectors, according to a survey titled "Covid-19 and SMEs: understanding the immediate impact and coping strategies".

BIDS conducted the survey on 375 enterprises and 360 workers during April 26 to May 10 this year. The report was unveiled on Wednesday.

As per the survey findings of the surveyed entrepreneurs, 76 per cent goods produced by the entrepreneurs remain unsold and the value of unsold goods is Tk 6.75 lakh each.

Economic activities were not completely shut down during the lockdown, while only 16 per cent of SMEs were open. However, it was 38.24 per cent in cases of handicrafts and rural SMEs were opened by 11.40 per cent, the report showed.

According to a survey, Bangladesh will have 16.4 million new poor in 2020 as the income of working class in urban and rural areas have fallen sharply due to the lockdown to stop the spread of Covid-19 pandemic.

A research paper titled "Poverty in the time of Corona: short-term effects of economic slowdown and policy responses through social protection" was conducted by Binayak Sen, research director of BIDS.

Under a post-lockdown optimistic scenario, the country's overall poverty will increase by 25.13 per cent, where rural poverty will be 24.23 per cent and urban poverty will be 27.52 per cent.

READ MORE ON B2

Hortex Foundation launches online market for fruits, vegetables

Star Business Report

Hortex Foundation, a state-sponsored agency promoting export of horticultural crops, on Wednesday launched its online market for fresh fruits and vegetables to facilitate both farmers and consumers to shop safe food during the Covid-19 pandemic.

Under the initiative, various seasonal fruits such as mango, jackfruit, pineapple, litchi, guava and aromatic rice are sold along with vegetables.

Consumers will be able to place orders from the site—hortexbazarbd.com—and pay the bill using debit, credit cards and mobile financial services like bKash, Nagad and Rocket, the agriculture ministry said in a statement.

Shoppers will be able to collect their purchased goods from the Hortex Foundation office in Dhaka. Steps for home delivery have also been taken, according to the statement. Agriculture Minister Muhammad Abdur Razzaque inaugurated the site through a virtual programme where Agriculture Secretary Md Nasiruzzaman was also present.

"We have to increase the popularity of fresh produce domestically, ensure their sales and establish developed market infrastructure if we want to boost exports," said Razzaque.

This online market for agricultural produce will play a vital role to increase exports, he said.

Expansion of exports is the main goal of the e-commerce site, Nasiruzzaman said.

This will also play an important role to market fruits and vegetables and enable consumers to get farm produce easily staying at home, he said.