TPP deal and its impact on Bangladesh's apparel

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THE Trans-Pacific Partnership (TPP) is an agreement to form a free trade region within 12 countries -- the US, Brunei, Chile, Singapore, New Zealand, Australia, Malaysia, Peru, Vietnam, Mexico, Canada and Japan -- supposedly linking 40 percent of the global economy.

Chief negotiators reached a final agreement in Atlanta following a ministerial meeting held on September 30 to October 4.

Though negotiators have reached an agreement, the final TPP text cannot be signed until at least January 2016.

Though the textiles and apparel chapter of the agreement is programmed with a strict yarn-forward rule of origin (ROO), it is certain that the TPP countries will have the privilege of lower or zero tariff for exporting goods to member countries which will greatly impact the garments and textile sector in Bangladesh.

Mostly the high-duty items under the current import duty structure will come under risk against the preferential duty advantage to be enjoyed by other TPP countries exporting to the USA.

Upon implementation of the TPP, duties will be eliminated immediately on non-sensitive products. Apparel, the most import sensitive item, may receive immediate duty reduction of minimum 35 percent; lesser import sensitive items will be subject to a 50 percent reduction and will enjoy the facility for a lengthy period of time.

A complete duty phase-out period will be effective at some point of time among the TPP countries but it is not clear if it will be in effect for 10 years for all apparel or will be different for knit and woven apparels.

Infants' wear, bra, outwear, suits and dresses could be excluded from the yarn-forward ROO and instead are subject to a cut-and-sew ROO. This means an importer will get the duty-free benefit even if he just imports yarn and makes the clothes. Women's woven cotton trousers that are cut and sewn in Vietnam were provided a special one-for-one rule with no quantitative limit, meaning that for every square metre of US originating fabric, one square metre of non-TPP sourced fabric can be used.

Products such as T-shirts, fleece, socks and denim that are largely produced in the Western Hemisphere and were deemed sensitive will remain subject to the strict yarn-forward ROO.

The structure of duty phase-outs for footwear will be similar to apparel, although some items may have no duty reductions until eight years after implementation, and then phased out over the next four years. Duties on non-sensitive footwear will be eliminated on day one.

Vietnam which is the second largest exporter of readymade garments to the USA has reportedly agreed to a labur "consistency plan" that will require it to make a wide range of improvements to bring its labour regime into compliance with TPP requirements. Some changes must be completed before entry into force, specifically for freedom of association, while others must be implemented within a five-year time frame.

After this time is up, the US has an additional two years to assess whether Vietnam has successfully implemented all changes and is in full compliance with the agreement. If the US finds that they have not done so, preferential market access benefits on all products exported from Vietnam to the US could be unilaterally suspended.

The 2016 Presidential and Congressional elections will impact timing of implementation of the TPP agreement. It is now unlikely this can be accomplished until after the November 2016 elections or in the first half of 2017.

"The US interest in the TPP is based on strategic consideration: by providing substance, beyond just military allocation and reinvigorating alliances, to its pivot towards Asia. We are living in interesting times," a Dhaka-based diplomat representing one of the Asian members of TPP signing countries emailed me recently after the final progress of the agreement in Atlanta.

It is high time for Bangladesh to assess the risk and volatility in the garment and apparel sector due to the final implementation of the TPP agreement.

The writer is the managing director of an apparel buying company.

Duty rates and export turnover of some high import-duty categories of apparel that are expected to be impacted when TPP agreement will be effective

HS CODE	DESCRIPTION	AMOUNT US$	DUTY
62046900:	Women's or girls' trousers, bib & brace overalls, breeches & shorts, not knitted or crocheted, of textile materials, other than wool, fine animal hair, cotton & synthetic fibres	$108,394,276	28.60%
62019300:	Men's or boys' anoraks (including ski-jackets), wind-cheaters, wind-jackets & similar articles, not knitted or crocheted, of man-made fibres	$97,610,428	27.70%
62034900:	Men's or boys' trousers, bib & brace overalls, breeches & shorts, not knitted or crocheted, of textile materials, other than wool, fine animal hair, cotton & synthetic fibres	$95,845,270	27.90%
62034300:	Men's or boys' trousers, bib & brace overalls, breeches & shorts, not knitted or crocheted, of synthetic fibres	$90,306,739	27.90%
61052000:	Men's or boys' shirts, knitted or crocheted, of man-made fibres	$63,283,382	32%
62043300:	Women's or girls' jackets & blazers, not knitted or crocheted, of synthetic fibres	$60,441,260	27.30%
61103000:	Jerseys, pullovers, cardigans, waist-coats & similar articles, knitted or crocheted, of man-made fibres. Wind jackets & similar articles, knitted or crocheted, of man-made fibres	$51,000,684	32%
61034300:	Men's or boys' trousers, bib & brace overalls, breeches & shorts, knitted or crocheted, of synthetic fibres	$39,291,082	28.20%
62029300:	Women's or girls' anoraks (including ski-jackets), wind-cheaters, wind-jackets & similar articles, not knitted or crocheted, of man-made fibres	$35,531,670	19.70%
62046300:	Women's or girls' trousers, bib & brace overalls, breeches & shorts, not knitted or crocheted, of synthetic fibres	$31,180,107	28.60%

SOURCE : EPB (PERIOD: JULY 2014 TO SEPTEMBER 2015)

UK employers see risks in alternatives to EU membership

REUTERS, *London*

A leading British employers group stepped up its push to keep the country in the European Union on Wednesday, saying the alternatives would hurt trade.

As campaigning intensifies before a referendum on remaining an EU member, the Confederation of British Industry listed concerns among a sample of 29 member companies about leaving.

"Whilst it's not a uniform view, the majority of firms believe that the 'pros' of EU membership outweigh the 'cons,'" the CBI said in a report. "But they also recognise that, like most institutions, the EU is far from perfect."

The CBI, which represents 190,000 firms, backs British Prime Minister David Cameron's efforts to secure changes to Britain's relationship with the EU before the referendum. Cameron has promised a vote by the end of 2017; expectations are it will take place next year.

Dominic Cummings, campaign director of Vote Leave, one of the two campaigns pushing for Britain to leave the EU, said the CBI leadership did not represent business opinion and had been wrong on previous decisions concerning the EU.

"It's campaigning to stay in the EU regardless of the terms," Cummings said. "It has zero credibility on the EU."

"It campaigned for Britain to join the ERM (exchange rate mechanism) which was a disaster. It campaigned for Britain to scrap the pound which would have been a disaster," Cummings said. "They were wrong then and they are wrong now."

Campaign group Leave.eu also dismissed the CBI's stance. "If the CBI wants to stay in a reformed EU, then what will the CBI do if none of the reforms are achieved? It's crystal clear to everyone that Cameron will not achieve any reforms," said Richard Tice, one of Leave.eu's business ambassadors.

But the CBI said the kind of arrangements that give access to the EU market to some countries outside it failed to offer a better package than membership for Britain.

Switzerland took nine years to negotiate its first trade deals with the EU and only gained access to some parts of the single market, with no formal influence over the rules it must comply with, the CBI said.

A Norway-style arrangement would mean Britain still had to follow the bloc's rules, including those allowing workers from EU countries to come to the country, something many British critics of the EU object to.

A special EU-Britain trade deal - another idea supported by British opponents of EU membership - would put trade at risk and reduce Britain's influence over its terms, the CBI said.

HTC launches new phone to challenge Apple

AFP, *Taipei*

TAIWAN'S smartphone maker HTC Corp unveiled a new flagship model Wednesday -- taking on Apple's latest iPhones -- but analysts say it's unlikely to boost the struggling company's market share.

The HTC One A9 has a 13-megapixel camera, and is the first non-Nexus phone to use Google's newest operating system.

The homegrown Taiwanese brand, once a star of the smartphone sector, is suffering losses as it grapples with intense competition from Samsung, Apple and rising Chinese brands.

The company is taking action to turn its business around, which involves job cuts and streamlining its product offerings to focus on high-end phones.

The A9 -- which will go on sale next month -- will lift revenue in the fourth quarter as vendors start stocking the product, but consumers will not necessarily follow, said analyst Calvin Huang of Sinopac Financial Holdings Co.

"It may attract those who can't afford the iPhone but there are a lot of better phones as well on the market at cheaper prices," he told AFP.

"The smartphone market is getting increasingly crowded. I don't see any hope for a turnaround."

Observers have taken to social media to note how similar A9's appearance is to Apple's iPhone 6s, some calling it a "clone."

"(We're) unveiling a phone that stands apart in a market increasingly dominated by a company which controls every aspect of your phone," HTC's CEO Cher Wang said in a statement.

HTC is directly challenging Apple's dominance, marketing the A9 as a bridge between the iPhone and other Android devices that are not user-friendly.

HTC shares dropped 6.41 percent to close at Tw$75.90 in Taipei Wednesday.

"The product and price is pretty good, but the market is crowded with tons of product," said Richard Ko, an analyst for KGI Securities.

"Are the phone's differences going to get people to choose it? That's uncertain."

AFP

HTC is suffering losses as it grapples with intense competition from Samsung, Apple and Chinese brands.

Gulf should adjust to new oil price 'reality': IMF

AFP, *Dubai*

GULF economies need to adjust to the "new reality" of oil prices expected to remain low for some time, the International Monetary Fund says, recommending spending cuts and income diversification.

But the oil-rich monarchies remain in a strong position to make the necessary adjustments thanks to the large financial reserves they have built up during years of firmer prices, said the IMF regional outlook published Wednesday.

IMF Middle East and Central Asia chief Masood Ahmed, who was in Dubai for the outlook's release, said: "Not only this year, but for the years to come, these countries will need to make an adjustment to better balance their spending to the new reality of the oil prices."

The budgets of Gulf Cooperation Council members Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates are facing an average deficit this year of 13 percent of gross domestic product (GDP), Ahmed told AFP in an interview.

Their combined budget deficit over the next five years will exceed $1 trillion, he said, as oil prices have plunged to about $50 a barrel from about $115 in June 2014, pressured by oversupply and weak demand.

The IMF expects economic growth in the GCC to slow to 3.25 percent this year and to 2.75 percent in 2016 from 3.5 percent in 2014.

"Most people today believe that oil prices may come up a little bit from where they are today... By 2020, we are expecting to see oil prices in the low and mid 60s rather than the numbers they were used to," said Ahmed.

"That means that most of these countries will need to undertake a process of sizeable and sustained adjustment on the fiscal side."

Those adjustments should include finding ways to cut spending and diversify income away from oil, said Ahmed, pointing mainly at the need to cut subsidies and reduce the public sector wage bill.

"Most nationals of the GCC countries work in the public sector, and that's a model that has to change over the next few years," he said.

Ahmed applauded a recent move by the UAE to lift subsidies on fuel as a "good example" for other GCC countries.

Kuwait lifted subsidies on diesel and kerosene and other states are planning subsidy cuts.

Capital spending on projects should also be moderated with the focus on efficiency.

"Capital spending has increased a lot in many of these countries. Some of these projects are already being slowed down; others are being postponed. But in all cases you can look at the efficiency," he said.

As for income diversification, Ahmed said GCC countries, known for their low-taxation systems, could look at taxing consumption to raise revenues outside the oil sector.

"Many of the countries in the GCC have been looking at the possibility of a value-added tax... as a way of providing some income outside the oil sector," he said.

"There are difficult choices ahead. But it is important to set out for each country what they want to do in each of these areas and to lay out a medium-term plan."

Most GCC countries are in a strong position to adjust to the new reality of the oil market, thanks to their hefty financial reserves.

"GCC countries have very wisely built up financial savings during the time when oil prices were high. That puts them in a very strong position today to face the shock of the magnitude of lower oil prices that we are seeing today," said Ahmed.

These countries should use these some of those financial buffers "to make the process of adjusting to new oil price more gradual, (and) take more time to do it."

"These are strong economies with a lot of reserves and a lot of capital and a capacity also to go out and borrow from financial markets. They start from a position of strength."

AFP

Masood Ahmed, director of the International Monetary Fund's Middle East and Central Asia Department.

Intel may invest up to $5.5b in China memory chip plant

REUTERS

Intel Corp said it may invest up to $5.5 billion in manufacturing semiconductors in China, stepping up efforts to improve ties with Beijing as it seeks new revenue streams while demand for its core computer processing chips falters.

The US firm said it would convert a facility in Dalian, its first plant in China, for memory chip production. It didn't disclose a time period for the investment, but said it will start making advanced memory chips that can store data without using up power, called 3D NAND chips, in second-half 2016.

The move follows a flurry of deals in the global semiconductor industry, highlighting growing importance of the memory chips used to store data in increasingly popular mobile devices. Researcher TrendForce predicts China will consume $6.67 billion worth of NAND chips this year, or 29 percent of global NAND industry revenue.

Building a chip industry of its own has been deemed of strategic importance by China in its drive to modernize its economy. Intel's new investment follows a deal last year to buy 20 percent stake of two mobile chipmakers owned by state-backed Tsinghua Holdings Co Ltd.

For its part Tsinghua recently announced a plan to buy a 15 percent stake in US data storage company Western Digital Corp for $3.8 billion.

In separate deals, Western Digital is also in advanced talks to acquire US memory chipmaker SanDisk Corp, while Tsinghua is also trying to acquire Micron, though this deal is facing regulatory scrutiny.

Intel's latest move raises concerns that new memory supply from the chipmaker could undercut margins for leading industry players like South Korea's Samsung Electronics Co Ltd and SK Hynix Inx, and Japan's Toshiba Corp.

Analysts have said that healthy profits for the industry in recent quarters come partly due to careful capacity management among the dominant players.

EU set to give nod to FedEx/TNT Express tieup

AFP, *San Francisco*

The European Union is expected to approve FedEx's 4.4-billion-euro ($4.8 billion) deal to buy Dutch rival TNT Express, a key tieup for the e-commerce delivery business, the companies said Tuesday.

Brussels opened an investigation in July citing concerns the deal would lead to higher prices for consumers who are increasingly buying online and getting packages delivered directly to them.

"The internal deadline of the European Commission for issuing a Statement of Objections would have expired on 23 October 2015, but FedEx and TNT have been informed by the European Commission that no Statement of Objections will be issued," they said in a statement.

"FedEx and TNT continue to expect that the offer will close in the first half of calendar year 2016."

The deal announced in April came two years after the Commission, the European Union's powerful executive arm, torpedoed a bid by FedEx's US rival UPS to buy TNT Express. TNT Express went through extensive restructuring after the UPS bid failed, cutting 4,000 jobs.

FedEx employs more than 320,000 people worldwide with annual turnover of $47 billion.