Wistron violence could sour Apple's 'Make In India' plans

Reuters, *New Delhi*

Violence at a Wistron Corp factory in southern India is likely to stall the company's and its client Apple Inc's drive to expand local manufacturing, while forcing the government to redouble efforts to encourage foreign investors.

Thousands of contract workers angry over the alleged non-payment of wages, destroyed equipment and vehicles at a Wistron plant in southern India on Saturday, causing an estimated $60 million in damages.

The Taiwanese company, one of Apple's top suppliers, had been hiring in significant numbers at the plant that became operational earlier this year.

It assembled the second-generation iPhone SE there and was expected to start producing newer models, but the violence has led the company to shut the site and file a police complaint against more than 5,000 contract workers for destruction of property.

Wistron has not disclosed details, but one source familiar with the situation, speaking on condition of anonymity, said the area where smartphones are assembled and lines where delicate components, such as printed circuit boards, are mounted, have been damaged.

The company did not respond to a request for comment from Reuters. It said in a regulatory filing in Taiwan that it was doing its best to get the plant running again.

Apple also did not respond to a request for comment.

Two sources close to the situation, who asked not to be named because they were not authorised to speak to the press, said restarting could be difficult.

REUTERS/FILE

Men wearing protective face masks walk past broken windows of a facility run by Wistron Corp, a Taiwanese contract manufacturer for Apple, in Narsapura near the southern city of Bengaluru, India.

"It disrupts business for Wistron massively," one of the sources said.

"The company was looking to hire between 15,000 to 20,000 workers over the next one year, had plans to assemble another iPhone device but the company could take several weeks, or even months to get back on its feet again."

Wistron committed earlier this year to invest roughly 13 billion rupees ($176.74 million) for smartphone manufacturing over the next five years to qualify for the government's production-linked incentive plan.

Three sources familiar with the matter said Wistron could lose most of this year's incentives if operations stay suspended, although they did not give figures.

An Apple investigation into whether Wistron flouted supplier guidelines and a labour department enquiry into the alleged non-payment of wages could add to its problems in India.

Wistron's issues are also a setback to Apple, which has in turn committed to expanding manufacturing in India and lobbied for incentives.

Apple has used India as a base to widen assembly beyond China as it adapts to a trade war between Beijing and Washington.

In India, it uses Foxconn's unit in southern Tamil Nadu state as well as Wistron's factory to make smartphones for the domestic market and for export.

Industry executives and tech analysts said Apple may seek to deepen ties with other contract manufacturers in India.

Pegatron Corp, another of Apple's Taiwan-based global suppliers, is expected to begin India operations soon.

Apart from any inconvenience to the companies, the fall-out from Saturday's violence in the southern Indian hub for automobile and electronics production, is a blow to Prime Minister Narendra Modi's Make In India campaign to lure international manufacturers.

Officials are already working to limit the damage.

The technology ministry said in a statement the Wistron plant was an aberration.

Officials from New Delhi and the government of Karnataka state, where the plant is located, said they have assured Wistron of their support.

Analysts predict India can prevail.

"The episode could dent India's potential as a source base for larger corporations, but the overall attractiveness of this market will stand the test," said Abheek Barua, the chief economist at top Indian private lender HDFC Bank.

"I also believe it will induce companies like Apple to take a closer look at their vendors and their policies, instead of driving them to an exodus."

Amazon urges judge to set aside $10b cloud contract award to Microsoft

Reuters, *Washington*

Amazon.com urged a US judge to toss out the Pentagon's $10 billion JEDI cloud computing contract award after the Defense Department said in September a court-ordered re-evaluation had determined Microsoft Corp's proposal still represented the best value for the government.

The company's Amazon Web Services (AWS) unit said in a redacted Oct. 23 court filing unsealed on Tuesday that the award to Microsoft must "be invalidated because it is the product of systematic bias, bad faith, and undue influence exerted by President Trump to steer the award away from" the company. It called it a "flawed and politically corrupted decision."

The White House declined to comment, referring questions to the Justice Department. The Pentagon did not immediately comment.

Microsoft said in a statement Tuesday "career procurement officials at the DoD decided that given the superior technical advantages and overall value, we continued to offer the best solution."

It added "it is time we moved on and got this technology in the hands of those who urgently need it: the women and men who protect our nation."

AWS said in a statement Tuesday that as a result of the Pentagon revision in September "the pricing differential swung substantially, with AWS now the lowest-priced bid by tens of millions of dollars."

A judge in February granted Amazon's request to temporarily halt the deal from moving forward; that remains in place.

The court is considering motions to dismiss Amazon's amended complaint that have been filed by the government and Microsoft. The motions have not been made public and it is not clear when the judge might rule.

Amazon, which had been seen as a front-runner to win the contract, filed a lawsuit in November 2019 after the contract was awarded to Microsoft. Trump has publicly derided Amazon head Jeff Bezos and repeatedly criticized the company.

Amazon's new filing said Trump and his administration "intensified a campaign of interference and retribution against those in DoD perceived as disloyal to the president or capable of reaching conclusions at odds with his personal interests."

India approves subsidy to export 6m tonnes of sugar in 2020/21

Reuters, *Mumbai*

India's cabinet on Wednesday approved a subsidy of 35 billion rupees ($475.78 million) to encourage cash-strapped mills to export 6 million tonnes of sugar in the 2020/21 year that started on Oct. 1.

REUTERS/FILE

A labourer carries a sack filled with sugar to load it onto a supply truck at a wholesale market in Kolkata, India.

The export subsidies are designed to increase shipments from the world's second biggest sugar producer, reducing brimming inventories. But that could pressure global prices which are already trading near their lowest level in 7-weeks.

An outstanding export subsidy amount of 53.6 billion rupees from the previous year will be transferred to the accounts of sugar cane farmers within a week, information minister Prakash Javadekar told reporters after the cabinet meeting.

The allocation of 35 billion rupees for exports of 6 million tonnes translates into subsidy of 5,833 rupees per tonne, which is lower than the industry's expectation of 8,000 rupees and last year's subsidy of 10,448 rupees, said a sugar miller.

The subsidy helped India to export a record 5.7 million tonnes of sugar in the 2019/20 season ended on Sept. 30.

Despite the lower subsidy, India could export 6 million tonnes of sugar as prices have risen in the world market, said Abinash Verma, the director general of the Indian Sugar Mills Association (ISMA).

"The drop in sugar production from Thailand gives an opportunity for India to export to their traditional markets like Indonesia, Malaysia," Verma said.

Sugar output in Thailand, the world's second-largest exporter after Brazil, is expected to fall to the lowest level in a decade as drought hit cane plantation.

However, some Indian industry officials said the country could export between 4 to 5 million tonnes as the subsidy announcement was delayed this year by nearly three months.

"There was export demand but mills could not sign contracts due to uncertainty over the subsidy. Now they will start making raw sugar for exports," said Praful Vithalani, president of the All India Sugar Trade Association (AISTA).

Indian mills traditionally produce white sugar for local consumption.

Australia ups ante in China trade row with appeal to WTO over Beijing barley tariffs

Reuters, *Sydney*

Australia will launch a formal appeal to the World Trade Organization (WTO) later on Wednesday seeking a review of China's decision to impose hefty tariffs on imports of Australian barley, Minister for Trade Simon Birmingham said.

Acknowledging the appeal may take years to be resolved, Birmingham told reporters that Australia had little choice after Beijing in May imposed five years of anti-dumping and anti-subsidy duties totalling 80.5% on Canberra's barley - effectively stopping a billion-dollar trade in its tracks.

"Australia has an incredibly strong case to mount in relation to defending the integrity and proprietary of our grain growers and barley producers," Birmingham said.

The appeal to the independent trade body threatens to further stoke bilateral tensions that have already seen China impose tariffs on a range of Australian commodities, while diplomatic communication is limited.

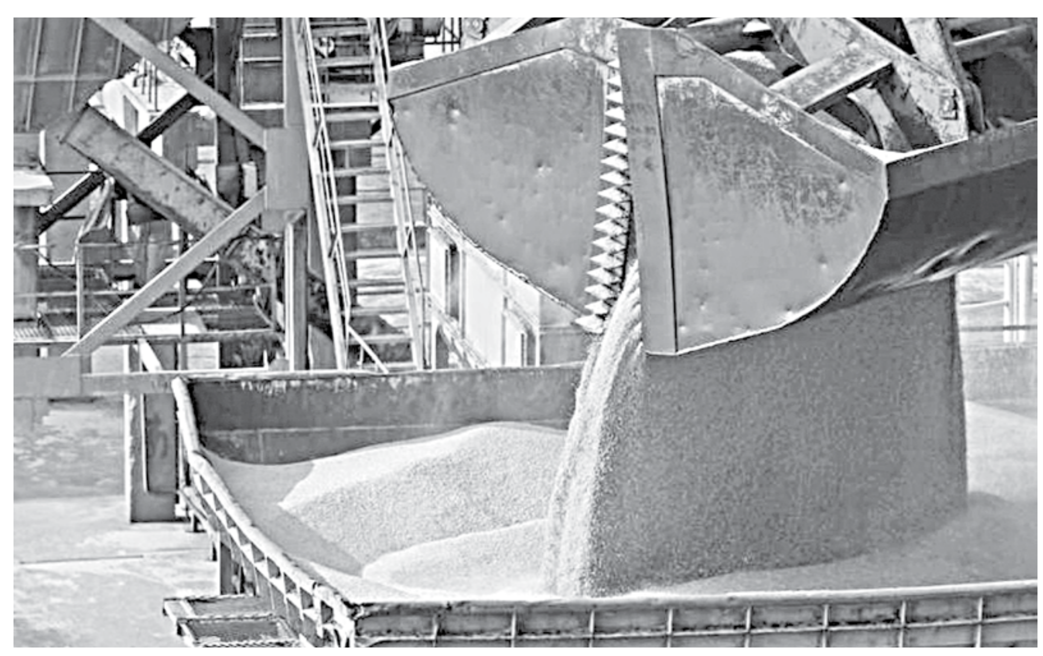
Already rocky after Australia in 2018 banned Huawei from its nascent 5G broadband network, the relationship with China cooled further after Canberra called this year for an independent investigation into the origins of the coronavirus pandemic, first reported in central China last year.

China has since limited beef imports, imposed tariffs on Australian wine and told its millers to stop buying Australian cotton.

The Chinese foreign ministry in Beijing declined to comment on Australia's planned WTO appeal.

"I just want to stress that the Australian government should take China's concerns seriously, and take concrete actions to correct its discriminatory actions against Chinese companies," said Wang Wenbin, a spokesman at the ministry, speaking at a regular briefing.

While some have said Australia should seek a truce with China, Canberra's conservative government is under growing pressure from farmers who face five years without being able to sell to what has been their most lucrative market.



REUTERS/FILE

Imported barley is transported from a cargo ship at the port of Nantong, Jiangsu province, China.

"It is imperative that we support the liberalisation of global trade and the rules that govern it," said Fiona Simson, chief executive of the National Farmers Federation, in an emailed statement issued after minister Birmingham announced the WTO move.

About 70% of Australian exports of the grain typically go to China, Australian data show.

The effective block on sales to China also comes as Australian barley production is expected to hit nearly 12 million tonnes this crop year, after rain revived some of the biggest growing regions following years of drought.

Government sources, however, warned the WTO action won't yield quick results.

The first stage of the appeal will seek formal talks between Australia and China, which are not expected until early next year.

Australia has low expectations of an immediate cessation of tariffs.

"We appealed a few months ago and they rejected that. So it seems unlikely that China will admit they were wrong," said one person familiar with the details of the case who declined to be named because he was not authorised to talk to media.

Should talks between Australia and China fail to yield a result, an independent panel of experts will be set up to look into the issue. Australia expects this could take several years, and even if that panel rules in Canberra's favour, China has the right to appeal.

BOJ to hold fire in hope extending aid programmes will keep pandemic pain at bay

Reuters, *Tokyo*

The Bank of Japan is expected to keep monetary policy steady on Friday and hope the extension of an existing fund-aid package will give companies enough time to weather the hit from a recent resurgence in coronavirus infections.

A stable yen, rising stocks and rebounding overseas demand have offered some breathing space for policymakers struggling to underpin a fragile recovery with a dearth of ammunition.

But lingering fears over the pandemic have kept service demand weak. Mounting COVID-19 cases forced the government to suspend a discount programme aimed at propping up spending on travel - but criticized for spreading the virus.

With the outlook highly uncertain, the BOJ is likely to decide on Friday to extend a range of steps aimed at easing corporate funding strains as a precaution against the deepening pain from COVID-19, sources have told Reuters.

The central bank, however, is set to keep its interest rate targets steady at the two-day rate review ending on Friday, and maintain the view the world's third-largest economy will improve moderately as a trend.

"Considering the side effects on financial institutions' profits, we believe that digging further into negative interest rate territory will be avoided" unless the yen breaches the 100 mark against the dollar, said Naoya Oshikubo, senior economist at SuMi TRUST.

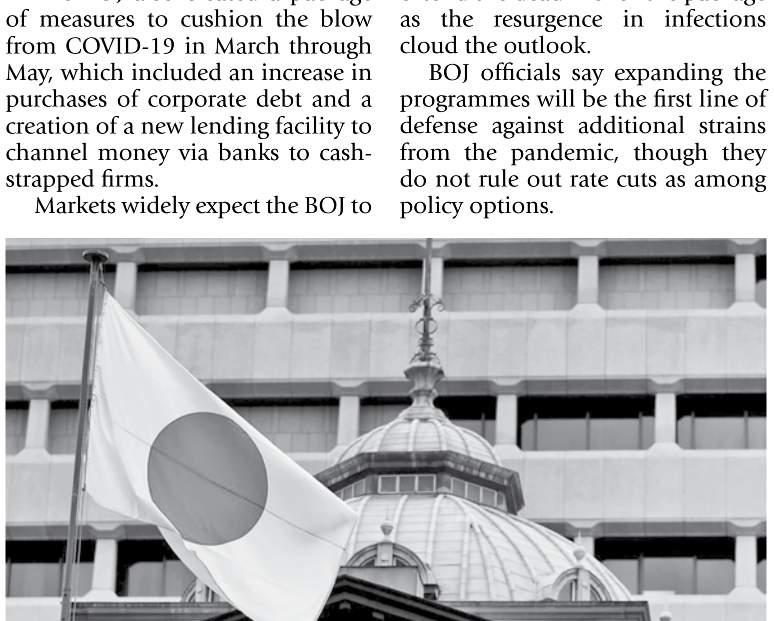
The dollar/yen has moved in a tight range recently and stood around 103.50 yen on Wednesday. A move below 100 yen usually triggers verbal warning by Japanese policymakers worried about the impact a strong yen could have on exports.

Under a policy dubbed yield curve control, the BOJ guides short-term rates at -0.1 per cent and 10-year bond yields around zero.

The BOJ also created a package of measures to cushion the blow from COVID-19 in March through May, which included an increase in purchases of corporate debt and a creation of a new lending facility to channel money via banks to cash-strapped firms.

Markets widely expect the BOJ to extend the deadline for the package as the resurgence in infections cloud the outlook.

BOJ officials say expanding the programmes will be the first line of defense against additional strains from the pandemic, though they do not rule out rate cuts as among policy options.



REUTERS/FILE

A Japanese flag flutters atop the Bank of Japan building in Tokyo, Japan.

Gold scales one-week high on US stimulus bets, Fed decision awaited

Reuters

Gold prices inched higher to a one-week top on Wednesday as the metal built on the previous session's gains on growing hopes for further US stimulus and ahead of a closely watched Federal Reserve policy decision.

Spot gold was up 0.1 per cent at $1,855.71 per ounce by 0323 GMT, after hitting its highest since Dec. 9 at $1,857.89. US gold futures rose 0.3 per cent to $1,860.30.

"The markets are just craving anything in terms of a US stimulus package and news that some bipartisanship emerged last night marginally lifted inflation expectations, benefiting gold," said IG Market analyst Kyle Rodda.

Top US congressional leaders met Tuesday evening in an attempt to end a standoff on coronavirus relief with one lawmaker saying talks were moving "in the right direction".

Investors now await the Fed's final policy statement of the year, due at 1900 GMT, where it is expected to keep interest rates pinned near zero and signal where rates are headed in the coming years.

"The unlikely magic ingredient that would see gold prices fly would be if the Fed potentially entertains a yield curve control programme to keep risk-free rates low," Rodda said.

Keeping gold's gains in check was news that Moderna Inc's COVID-19 vaccine appears set for regulatory authorisation in the United States this week.

While speculative interest in gold has waned as traders shift to buoyant equities, a combination of additional stimulus and asset purchases by the Fed would reignite gold bulls' faith in the metal, Avtar Sandu, a senior commodities manager at Phillip Futures, said in a note.

Gold is seen as a hedge against inflation and currency debasement.

Among other precious metals, silver rose 0.6 per cent to $24.63 an ounce, platinum climbed 0.5 per cent to $1,041.47 and palladium gained 0.7 per cent to $2,333.98.