

Business

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Vietnam's lockdown ensnares world's clothing manufacturers

Country's economy suffers record contraction in Q3

HANOI: From shoes and sweaters to car parts and coffee, Vietnam's strict and lengthy coronavirus lockdown has sparked product shortages among world-wide brands such as Nike and Gap which have grown increasingly dependent on the Southeast Asian nation's manufacturers.

The snarl-ups at Vietnam's factories are part of a broader crisis around the planet that is sending inflation surging and raising concerns about the pace of recovery in the global economy. At a fabric mill east of Hanoi, Claudia Anselmi—the Italian director of Hung Yen Knitting & Dyeing, a key cog in the supply chain of several European and US clothing giants — worries daily if the factory can keep the lights on.

Its output plunged by 50 percent when Vietnam's latest devastating virus wave first struck in spring, and it faces perpetual problems securing the yarn it needs for its synthetic material.

"At first we were lacking people (to work) because everyone was stuck at home," said Anselmi, whose company's fabric is later used in swimwear and sportswear for customers including Nike, Adidas and Gap. Now, "travel restrictions have jeopardized all logistics in and out... this has created long, long delays," she told AFP. "We only survive if we have the stock." While lockdowns are gradually loosening across the country as infections steadily decline, millions of Vietnamese have been under stay-at-home orders for months.

And a complex web of checkpoints and confusing travel permit regulations have made life impossible for truck drivers and businesses trying to move goods across, as well in and out of the country.

Hamza Harti, managing director at FM Logistic Vietnam, said several drivers in the Mekong Delta

had been forced to wait three days and nights in their vehicle to enter the city of Can Tho. "They were without food, without anything," he told a French Chamber of Commerce panel discussion in Hanoi.

Shifting production

The delays and restrictions are a major headache for foreign businesses, many of which have pivoted to Southeast Asia from China in recent years—a trend accelerated by the bruising trade war between Washington and Beijing. In the south—the epicenter of Vietnam's fight against COVID-19 — up to 90 percent of supply chains in the garment sector were broken, the Vietnam Textile and Apparel Association (Vitas) said in August, according to state media.

Nike—which warned last week it was struggling with shortages of its athletic gear and cut its sales forecasts—pointed the finger at Vietnam, among others, saying 80 percent of its factories in the south and nearly half of its apparel plants in the country had shut their doors. The sports colossus sources around half of its footwear from the communist country.

Although some factories were able to set up a system where staff could eat, work and sleep on site to get around lockdown restrictions, Vitas said that the cost was prohibitive for many. Japan's Fast retailing, which owns the popular Uniqlo brand, also blamed the situation in Vietnam for hold-ups on sweaters, sweatpants, hoodies and dresses, while Adidas said supply chain issues—including in the country—could cost it as much as 500 million euros (\$585 million) in sales by the end of the year.

Even with the prospect of lockdowns easing, many are fretting over the long-term impact on Vietnamese manufacturing, with Nike and Adidas



HANOI, Vietnam: This photograph taken on September 21, 2021 shows workers working at the Maxport factory, which makes activewear for various textile clothing brands, in Hanoi. —AFP

admitting they were looking to temporarily produce elsewhere. In a letter to Prime Minister Pham Minh Chinh, leading business associations representing the United States, the European Union, South Korea and Southeast Asian nations sounded the alarm over production shifting away from Vietnam, warning 20 percent of its manufacturing members had already left.

"Once production shifts, it is difficult to return," they wrote. Nguyen Thi Anh Tuyet, deputy general director of Maxport Vietnam, whose 6,000 workers churn out activewear for the likes of Lululemon, Asics and Nike, told AFP the firm had "been very worried" about clients withdrawing orders—even though it was

one of the lucky few to have navigated recent brutal months largely unscathed. Without foreign customers "our workers would become jobless", she said.

The pandemic has not only hit the country's textile industry but is also threatening global coffee supplies, with Vietnam the world's largest producer of robusta beans—the variety used in instant coffee. Prices for the commodity are now sitting at a four-year high. Car companies have not escaped either—Toyota slashed production for September and October owing partly to virus issues, telling AFP "the impact has been big in Vietnam", as well as Malaysia. —AFP

Amazon unveils 'science fiction' robot that can patrol homes

SEATTLE: Amazon revealed a camera-equipped home robot Tuesday that users can deploy to patrol their homes, a device that one of the project's developers said was making science fiction a reality.

The tech giant cheered the "Astro" robot as a breakthrough for security and convenience, but digital watchdogs raised concerns for potential risks to people's most private moments at home. Astro is a roughly two-foot (60 centimeters) tall and 20-pound (nine kilograms) device that can map out a house floor plan and obey commands to go to a specific place to take a closer look with its telescoping camera.

"Now when you are away, you can use it to proactively patrol your home and investigate activity," Amazon executive Dave Limp said in a product launch clip. The device, which can work with Amazon's digital home assistant Alexa, can be taught to recognize faces and learn the habits of

household members.

Digital privacy trade-off?

Amazon said Astro could also be useful to help remotely check on elderly relatives or deliver reminders for certain activities. "It's taking science fiction and making it a reality," Suri Maddhula, who worked on the project, said in a video. Matthew Guariglia, a policy analyst at digital watchdog group Electronic Frontier Foundation, raised concerns about the device potentially allowing hackers to see into a user's home or police seeking access to it via a search warrant.

"There are some scenarios in which (Astro) could be useful; there are some scenarios in which a surveillance camera on your house could be useful, too," he said. "But the problem is that you need to know that it comes off with a trade-off of vulnerability," he added. Limp, the Amazon senior vice president for devices and services, in a call with



SEATTLE: This handout image courtesy of Amazon.com, Inc released Tuesday shows the camera-equipped home robot "Astro" following a person at home. —AFP

journalists said Astro has built-in features to guard against abuses.

He said users can shut down Astro's cameras and microphones, also noting that the device issues a warning sound and message on its display when someone is trying to access the cameras remotely. "If somebody hacked your account or

something, and that could be a bad person obviously, we want to notify anyone that might be at home," he said. He went on to say that Amazon does not have remote access to the cameras on its machines, and thus "would never allow a police department or a first responder to have access to that device." —AFP

\$80 oil sparks mixed fortunes for world economy

LONDON: Oil prices jumped above \$80 this week for the first time in almost three years, handing a major boost to producers—but fuelling more inflationary pain for consumers, analysts say. The price of European benchmark Brent North Sea crude for delivery in November hit \$80.75 per barrel on Tuesday, attaining the highest level since October 2018, but edged lower yesterday.

The market has surged on expectations for strong demand and concerns about tight supplies as the world slowly emerges from the pandemic crisis. Global supplies have been disrupted because US production remains hampered by ongoing fall-out from Hurricane Ida in the Gulf of Mexico and Louisiana. The United States is both the world's largest consumer and producer of crude oil. Oil demand has also leapt in recent weeks due to soaring natural gas prices around the world, and coal supply disruption in China.

Winners and losers

"Higher oil prices will benefit the net producers of petroleum products by boosting their export and tax revenues," Capital Economics analyst Simon MacAdam told AFP. "Net consuming economies will lose out, since higher fuel costs will eat into the real value of disposable incomes and could impinge on production just at a time when businesses are facing a plethora of mounting cost pressures."

Crude oil greases the wheels of the world econo-



ELLESMERE PORT, UK: A general view of Essar Oil UK's Stanlow oil refinery near Ellesmere Port, north west England, yesterday. —AFP

my, boosting the coffers of major producer nations both inside and outside the OPEC exporters' cartel. The soaring market also lifts the profits of energy majors like BP, ExxonMobil, Shell and Total. However, runaway oil prices threaten the global recovery and stoke inflationary pressures because they lift manufacturing costs—which translates into higher consumer prices.

Inflation is already soaring higher on the back of a worldwide supply crunch, record-high natural gas prices and reopening economies. Markets have wobbled this year over concerns that central banks will withdraw stimulus measures and hike record-low interest rates to tame rising prices.

Inflation threat

"Rising oil prices add yet further upwards

pressure on inflation," noted Josie Dent, economist at UK-based research group the Centre for Economics and Business Research (CEBR). "Businesses and households in Europe and the United States (are) set to experience rising costs associated with using oil and energy." Many businesses had already been hit hard by lockdown-related closures and ongoing supply-chain disruption.

"This comes at a time that most countries are still early in the recovery phase from the coronavirus pandemic, with many households in a vulnerable financial position due to higher unemployment rates over the past 18-months," Dent added. Oil has rebounded strongly since April 2020 when prices collapsed at the outset of the pandemic as economic activity was disrupted by lockdown measures. —AFP

British soldiers to deliver fuel to ease supply crisis

LONDON: British troops are expected to be deployed within days to help ease a fuel supply crisis, the government said yesterday as the retail and hospitality sectors called for foreign workers to be allowed to fill post-Brexit vacancies. The week-long crisis has triggered panic-buying and sparked violence at forecourts as critics blame Britain's exit from the European Union, the coronavirus pandemic and a lack of foresight in replacing thousands of foreign drivers leaving the country.

Business Secretary Kwasi Kwarteng told Sky News that soldiers could be delivering fuel supplies to forecourts "in the next couple of days", to cut long queues that have clogged up filling stations. The government's reserve tanker fleet, driven by civilians, was also due to be sent out to deliver fuel yesterday afternoon, he added on Twitter.

A total of 150 military drivers have been put in a "state of readiness", with another 150 to deploy "in the coming days", a source told Britain's domestic Press Association news agency. Officials from Kwarteng's department and the Ministry of Defense are reportedly working with the petrol industry on where best to send resources.

Prime Minister Boris Johnson on Tuesday sought to reassure the public there was enough fuel in stock and the situation was returning to normal. The shortage of tanker drivers last week sparked fears of pumps running dry, triggering panic-buying and some desperate motorists filling plastic bottles with fuel. Frustrations even spilled over into threats and violence on some forecourts, while frontline healthcare and public sector personnel pleaded for priority access to get to work. The government campaigned for an end to free movement across Europe during Brexit, promising to "take back control" of what it saw as unchecked immigration.

But last weekend it reversed entry rules to offer foreign truckers a three-month visa waiver, hoping to ease a wider shortage of drivers that has hit supply chains. Some supermarkets have had empty shelves for several weeks and fears are growing about the effect on the upcoming Christmas period.

Gordon Balmer, executive director of the Petrol Retailers Association, said only 27 percent of its members were still out of fuel compared to 37 percent on Tuesday. The PRA represents independent forecourts which make up 65 percent of Britain's 8,380 total. —AFP