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GLOBAL ECONOMY IN A VICIOUS DOWNWARD SPIRAL



With the pandemic intensifying across the globe, and almost all countries bearing the blunt of COVID 19, it's hard to refrain from being the most talked about topic at any forum. A crises like none ever experienced before, coupled with its unpredictability and uncertainty, leaves us with speculations, assumptions, untested theories and scenario's. Through this article we try to touch upon the facts and data, released by the world's accredited authority on the subject - the International Monetary Fund [IMF]; taking inputs from its recent update, on the pandemic's foreseeable effect, on the global economy.

Prior to the pandemic, the World Economic

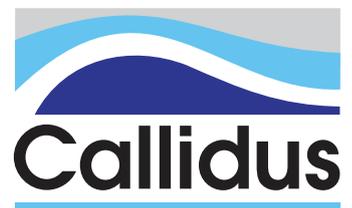
Outlook [WEO] projected the global Gross Domestic Product [GDP] to be around 12%, for January 2021, however with the symptoms of the epidemic, in early January this year, which soon metamorphosized into a pandemic, we are now looking at a revised GDP estimate of around 5.4%, which is also tentative in nature. The pandemic has clearly spun the global economy into an unanticipated and unprecedented recession. In effect what does this mean for the common man in general?

The pandemic has caused a steep decline in global activity; with the relentless widespread of the virus, most countries with sizable population, are witnessing exponential increase in number of infected



When I stand before God
at the end of my life, I
would hope that I would
not have a single bit of
talent left and could
say, I used everything
you gave me.

- ERMA BOMBECK



people; while a handful of countries are also presently experiencing a flattening of the curve. In a large number of developing economies the intensity and rapid spread has caused governments and local bodies to implement curfews and strict lockdown measures; this in turn has a direct bearing and a huge impact on the economy. The world monitor of the GDP figures, for the first half of the current year, showed that most nations did much worse than what was predicted; the countries that were initially in the exceptional category, like Australia, Chile, China, Germany, India, Japan, Malaysia and Thailand, in line with the present prevailing conditions, are not likely to be spared in the second half of this year. The only country as of now, which is on the road to aggressively reopening its economic activities and lifting restrictions, is China.

On the whole, the pandemic has affected the consumers the world over. Lockdown measures and the cash crunch faced by the consumers due to layoffs and pay cuts, as well as, the steps taken by the industries to slow down production as a consequence of supply chain disruptions, results in a marked drop in production and consumption.

Mobility restrictions and social distancing measures, adopted by various government bodies, in almost all countries between mid-March to mid-May, have curtailed movement, with great number of individuals voluntarily deciding to stay safe by avoiding travel and even opting to work from home, so as to minimise and reduce their chances of exposure. Educational institutions, factories, retail outlets, shopping mall, theatres etc, were order to be shut down. The Mobility data from cellphone tracking, indicates that outdoor activity in retail, recreation, transit stations, workplaces etc remains dampened in a majority of countries; of late however there appears to be a slight return to normalcy with the re-opening of workplaces, shops and establishments to test waters; while most educational institutions have adopted the eLearning module.

All said and done, the sector that had been assertively affected, since the outbreak of the virus, by far, has been the labour category, more specifically the un-skilled or low-skilled labour, as they do not have the alternative option to work from home. In the figures and reports recently released by the International Labour Organization [ILO], the global decline in work hours in 1st quarter of 2020, compared to the 4th quarter of 2019, was equivalent to the loss of 130 million full-time jobs. The decline in the 2nd quarter of 2020, is likely to be equivalent to more than 300 million full-time jobs.

Trading, amidst countries, which was already deteriorating, has further declined with the drop in demand and pandemic interference; travel restrictions across borders, tourism, leisure activities and cross country movement, has also fallen steeply.

Inflation is on the rise, with developed nations equally facing downward plunges, though not, as much as, the developing and under developed nations. In the light of the effects and global area coverage of the pandemic, there seems to be no respite in the inflation rates.

IMF revised forecast for 2020 and 2021

Preceding the pandemic, WEO had predicted Global growth at about 6.8% in April 2020, this has now been projected at 4.9%. In addition to the factors covered herein before, weakening private consumption with sentiments to cut on expenditure and set aside savings, is high amongst consumers. Firms and start-ups are deferring capital expenditure and if national policies do not have measures to counter the depreciating demand, the growth will be riddled with further uncertainty; at present the growth projection for 2021 is at 5.4%.

As per the Global Financial Stability Update [GFSR Update] June 2020 issue, reported by IMF, some of the key uncertainty factors, that make the predictability

of the growth so volatile are –

1. The length of the pandemic and required lockdowns
2. Voluntary social distancing, which will affect spending
3. Displaced workers' ability to secure employment, possibly in different sectors
4. Scarring from firm closures and unemployed workers exiting the workforce, which may make it more difficult for activity to bounce back once the pandemic fades
5. The impact of changes to strengthen workplace safety—such as staggered work shifts, enhanced hygiene and cleaning between shifts, new workplace practices relating to proximity of personnel on production lines—which incur business costs
6. Global supply chain reconfigurations that affect productivity as companies try to enhance their resilience to supply disruptions
7. The extent of cross-border spillovers from weaker external demand as well as funding shortfalls
8. Eventual resolution of the current disconnect between asset valuations and prospects for economic activity.

The report goes on to state that for the first time, all regions across the globe are likely to experience negative growth in 2020. The moderation or severity of the negative growth rate, in a particular economy is to be assessed on, the nature and progression of the pandemic and the effectiveness of containment strategies; the kind of economy and the core economic structure, like tourism based, oil based etc; dependence on external financial aid, assistance, remittances etc; and pre-existing growth trends. It is further stated that global trade will shrink further to (-) 11.9%, with expected

growth to increase to 8% by 2021.

Facilitation of Economic Recovery

Amidst the pandemic's new normal, there is a pressing need for the economy to be put back on the rails; for the crippled economy to regain its vim and vigour, the IMF recommends that government strategies, turn their focus from protecting jobs and firms to removing obstacles to worker reallocation; government policies should also put in place mechanisms for automatic, timely, and temporary support to combat the downturn. This can be divided into two kinds of approaches -

In countries where the pandemic is rapidly spreading, emphasis should be on containment, while minimizing damage to the economy, enabling activity to normalize more quickly, once the restrictions are lifted. To compensate for the financial losses suffered by the citizens, temporary tax benefits to affected people, wage subsidies, paid leave can be rolled out

by the government based on their ability to support the citizens. In addition temporary credit facilities, particularly for small, medium-sized enterprises, start-up's, and loan restructuring can aid sustenance and viable post pandemic. Enhancement of social security schemes to expand and include persons especially the unemployed, self-employed, informal workers, who can benefit from the schemes. Monetary assistance by national and central banking institutions to assist sick firms, by lowering rates, policy rate cuts and the like. These actions would also assist in alleviating bankruptcy, to a certain extent.

In countries gearing up to reopen their economy, the policy focus must shift towards recover through incentive programs, reallocation of employees and pumping in of resources where required to stimulate the economy. To assess and gradually step aside from support based initiatives to public investment; to incorporate plans for the labour class - the lower-skilled and lower-income group

accounting for their vulnerability and precariousness. To frame and review policies that facilitate reallocation based on higher demand thereby lowering the overall debt issue; strategize to restructure and dispose distress debts.

We can conclude by saying that, this pandemic cannot be fought in isolation, all nations must take initiatives to cooperate, support and encourage each other, to overcome this challenging crisis. Multilateral assistance and assurance, can benefit nations that are less equip to deal with this reality. The IMF on its part has enhanced the access limits to its emergency financing facilities, thereby increased its ability to provide grant-based debt service relief and is further helping vulnerable countries with new financing, through other lending facilities. The more prolonged the pandemic, the graver the aftermath and greater the need for nations to heighten their efforts, to support financially constrained economies.



DSAA MARKS 20 SUCCESSFUL YEARS IN THE SHIPPING INDUSTRY

Dubai being the commercial hub of the Middle East and now in the past few years has excelled as a destination most sought after in the world for various activities inter alia, Shipping has been dominant in the region for decades. Most of the shipping companies operating in Dubai and the agents having the prime role in being the contractual party with all the relevant authorities for and on behalf of their Principal Shipping lines, it was imperative to have an association of the various shipping agencies in the region.

The Dubai Shipping Agent's Association (DSAA) was established in 1999 with the main objective of promoting the joint interests of the shipping agents' community in Dubai, and commenced operations in the millennial year 2000. A registered

shipping agent with DSAA has its role to play in the overall development of the shipping industry in the region catering to the various needs of the member and the endeavours for solutions with the relevant authority as and when addressed.

The DSAA had planned for various activities to commemorate its successful 20 years in Dubai, however due to the pandemic which had gripped the world, had to postpone the activities till the situation stabilizes. Having seen tough terrains and rough waters during its journey, DSAA is sure that they would sail through as in the past.

Ms. Nayana Nandkumar – Manager of DSAA, has successfully completed 20 years with DSAA, under the able leadership of the President – Mr. Saadi

Al Rais of Rais Hassan Saadi Group, for a similar period, and with the support of the various committee members.



She says - I've throughout the years endeavoured in the best of my capacity to get the ball rolling at every given opportunity to contribute to the shipping community in the region.

DSAA has made a good contribution and ably supported the shipping community over the years, by working closely with all government entities and personally would like to thank the Govt. bodies like DPW, Dubai Customs, Dubai chamber, Dubai

Maritime City Authority, JAFZA, Immigration etc. for their unstinted support given to all our esteemed members. Continued involvement from our members adds strength and we all continue to stand together to set higher strengths during this pandemic.

Shipping being the oldest transport mode in trade has always had a fascination for me. The seagoing

Captain and the multitude of problems he faces on daily basis, the courage of the seamen, the lively nature of the ports and stevedores at loading and unloading the different equipment used at various stages of sea transport and associated ones have always wanted me to live shipping.

Since shipping is a major part of Logistic Hub in UAE's economic

growth and females are integral part of every developed country, that's why I found this challenging field a great one to be part of. There is not a single day that we don't have a maritime problem to settle. Be it from the vessel operators, the agents, the cargo owners, the insurers and recently we have been dealing with the issues related to crew change too.



HOT TIPS

FIVE CREW KIDNAPPED BY PIRATES FROM PIL CARGOSHIP OFFSHORE BENIN

Five seafarers have been kidnapped by pirates from a Pacific International Lines (PIL) multipurpose vessel Kota Budi offshore Benin.

PIL confirmed that the Singapore-registered, 27,379 dwt Kota Budi had been attacked by pirates in the Gulf of Guinea on 2 July at 23-35hrs (local time). The shipowner said that five Chinese crew members, including the Master, had been taken and presumed kidnapped.

According to reports the vessel was around 150nm from Cotonou, Benin at the time of the attack. "The vessel and remaining 15 crew members on board are safe and healthy, and measures have been put in place to ensure their safety and the well-being of all on board," PIL said.

"PIL is currently working with the flag state, local authorities and contacts to establish the whereabouts of the missing master and crew, and is taking strenuous and urgent steps to ensure their well-being and safe return."

According to maritime security consultants the vessel



had been in the area following a call in Warri, Nigeria on 24 June.

"The current incident occurred in an 80nm wide SW shipping lane to/from Delta State that had seen little to no piracy incidents in the past few years. The position and the general sea conditions that characterize the Gulf of Guinea waters during this time of the year can indicate the possible presence of a supporting craft in the area," Praesidium International said in an alert.

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