IMF chief hopes for global policy response to mitigate coronavirus impact

Reuters, *Munich*

The International Monetary Fund hopes governments and central banks will work on a response to the coronavirus outbreak once the economic impact becomes clear, IMF Managing Director Kristalina Georgieva said on Friday.

Speaking at the Munich Security Conference, Georgieva said the next few weeks would be crucial to build up a "bottom-up" picture of the impact of the virus in China and worldwide.

"So then we can agree on synchronised, or even better, coordinated measures to protect the world economy from a more serious shock," Georgieva told delegates. "Can we do it? Yes. Are we going to do it? I actually think that we will."

The coronavirus outbreak has killed more than 1,100 people and infected more than 44,000 in China after it first emerged in Wuhan, Hubei province, late last year.

China's economy is struggling to get going after the annual Lunar New Year holiday, which was extended for 10 days to help contain the outbreak of the new and highly contagious respiratory virus, officially called 2019-nCov.

Georgieva warned against trying to make accurate predictions now because of a lack of information and said experts forecasting the economic impact were taking a risk.

Her main concern was a containment of the epidemic that led to an economic recovery but then was followed by another outbreak of the virus.

"We are looking at data very carefully ... we have to do what people in rapid response do: pray for the best and prepare for the worst," Georgieva said.

REUTERS/FILE

International Monetary Fund (IMF) Managing Director Kristalina Georgieva talks to Chinese Premier Li Keqiang before a news conference following the "1+6" Roundtable meeting at the Diaoyutai state guesthouse in Beijing, China.

Renault reports net losses of 141m euros in 2019

AFP, *Paris*

French carmaker Renault went into the red last year, the first time in a decade, with net losses of 141 million euros ($152 million) due to lower sales and a falling contribution from its Japanese partner Nissan.

Renault said its outlook for 2020 was bleak with a fresh fall in operational profitability, a statement said Friday.

Last year saw group operating margin drop from 6.3 percent to 4.8 percent, though Renault stated that it "achieved its targets, revised in October," despite "a troubled context."

The auto giant in 2019 marked its first full year without former emblematic CEO Carlos Ghosn, arrested in Japan in November 2018 over allegations of financial misconduct, including under reporting salary and misuse of company assets at Renault partner Nissan.

Brazilian-born Ghosn, who also has French and Lebanese nationality, is now in Lebanon, where he fled in December after jumping bail in Japan.

In a struggling global auto market Renault saw group revenues slide 3.3 percent to 55.5 billion euros while confirming sales dropped 3.4 percent at 3.75 million vehicles.

Unveiling operating income down almost a third to 2.11 billion euros, the group said it expected 2020 to bring a further profitability hit, with revenues of a similar order to 2019.

"Visibility for 2020 remains limited by expected market volatility ... and the possible impacts of the coronavirus," said acting CEO Clotilde Delbos.

Renault also took a hit from a decline in the financial contribution of a likewise struggling Nissan, in which it has a 43-percent stake, coming in at 242 million euros, down from 1.51 billion in 2018.

Thursday, Nissan said its net profit plunged more than 87 percent for the nine months to December as it struggles with weak demand and fallout from the Ghosn case.

Nissan also revised downwards its full-year sales and profit forecasts, but warned that the impact from the spreading coronavirus crisis was not yet included in their figures.

Friday's results marked the first time Renault -- which said it would slash its dividend by more than two thirds to 1.10 euros a share -- had plunged into the red since 2009 in the throes of the financial crisis when it made a 3.1 billion euro loss.

Last year saw further upheaval, post-Ghosn, in the Renault hierarchy as director general Thierry Bollore was forced out.

Delbos took the position on an interim basis but will give way to Italian Luca de Meo, most recently boss at Seat, Volkswagen's Spanish subsidiary.

One of his first tasks will be to restore flagging investor confidence in the marque with Renault's share price having slumped by around half over the past year to a 10-year low.

US raises tariffs on European aircraft in ongoing dispute over subsidies

Reuters, *Washington*

The US government on Friday said it would increase tariffs on aircraft imported from the European Union to 15 per cent from 10 per cent, ratcheting up pressure on Brussels in a nearly 16-year transatlantic dispute over aircraft subsidies.

The US Trade Representative's Office said it remained open to reaching a negotiated settlement with the EU on the issue, but could revise its actions if the EU imposed tariffs of its own in connection with a pair of disputes over the subsidies.

In a statement released late on Friday, USTR said it would make minor modifications to 25 per cent tariffs imposed on cheese, wine and other non-aircraft products from the EU, including dropping prune juice from the list. It did not raise the tariff rates on those product, as it had suggested it might do in October. The higher aircraft tariff will take effect March 18.

The US action comes as US President Donald Trump, emboldened by agreement on a Phase 1 trade deal with China, has trained his sights on restructuring the more than $1 trillion US-EU trade relationship, raising the spectre of another major trade war as the global economy slows.

EU officials have said they want to negotiate with Washington but will not be bullied into submission.

European planemaker Airbus said the US move would hit US airlines already facing a shortage of aircraft and complicate efforts to reach a negotiated settlement with the European Union in the longstanding dispute.

Airbus said it would continue discussions with US customers to "mitigate effects of tariffs insofar as possible" and hoped USTR would change its position, particularly given the threat of EU tariffs on US products in its own case before the World Trade Organization.

"USTR's decision ignores the many submissions made by US airlines, highlighting the fact that they – and the US flying public – ultimately have to pay these tariffs," the company said in a statement. EU officials had no immediate comment on Friday's news.

The USTR had announced in December that it could increase tariff rates up to 100 per cent and subject additional EU products to tariffs, following a decision by the WTO that EU launch aid to Airbus continued to harm the US aerospace industry.

The WTO in October had awarded Washington the right to impose tariffs on $7.5 billion of annual EU imports in its case against Airbus. Washington then slapped 10 per cent tariffs on most European-made Airbus jets and 25 per cent duties on products ranging from cheese to olives and single-malt whisky, from Oct. 18.

Boeing, in a statement, said it was working with US federal and state officials to "promptly bring the United States into full compliance" with WTO rulings.

"The EU and Airbus could end these tariffs by finally complying with their legal obligations, ending these illegal subsidies, and addressing their ongoing harm. We hope they will," the company said in a statement.

The Wine & Spirits Wholesalers of America (WSWA) said it remains strongly opposed to tariffs on European-origin wine and spirits, and urged US and EU trade officials to negotiate an end to a trade dispute that was lowering revenues.

AFP

European planemaker Airbus believes the move to raise tariff would hit US airlines hard, as they are already facing a shortage of aircraft.

New budget plan sets stage for EU summit battle

AFP, *Brussels*

Brussels set the stage Friday for a fierce budget battle at next week's extraordinary EU summit, with a trillion-euro plan that meets no-one's demands.

The summit's host, European Council president Charles Michel, is seeking a compromise to clear a path to agreement on a seven-year budget framework for the bloc.

But the already fraught process has become more difficult as Brussels tries to plug the multi-billion-euro hole left in its finances by Britain's Brexit divorce. Initial reactions to the document in Brussels diplomatic circles suggested that next Thursday's summit will devolve into a fierce argument between member states that will likely end without agreement.

The richer mainly northern countries that are net contributors to EU programmes want to cap spending at around one percent of the union's total GDP. But the main parties in the European Parliament have demanded 1.3 percent and have threatened to block any proposal they feel won't cover their ambitions.

Late Friday European parliament head David Sassoli called Michel's proposal "unsatisfactory".

"It is a proposal that risks leaving Europe lagging not only behind its own objectives, but also other actors on the international scene, such as China and the US," Sassoli added.

For its part, the European Commission has proposed a budget of 1.11 percent of economic output to fund EU president Ursula von der Leyen's ambitious "Green Deal" agenda.

Von der Leyen has warned Britain's departure will leave the union short of 75 billion euros ($82 billion) over the seven-year budget period, and she wants a quarter of that ring-fenced for the fight against climate change.

Michel's compromise plan proposes a budget capped at 1.074 percent of the bloc's GDP, estimated at 1.1 trillion euros over seven years.

This number is close to the figure arrived at last year during the six-month Finnish presidency of the union -- a figure that member states have already rejected.

There will be cuts in agricultural spending, which France will not like; and in regional aid, riling newer members. Net contributors Germany, Denmark, the Netherlands, Austria and Sweden would not see their rebates abolished at a stroke as they had feared, but they will be reduced over the seven-year-period.

Union spending is small compared to the members' national budget, but tight-pursed members like Denmark and the Netherlands are resisting spending more to make up for the end of British contributions.

In order to free up more money from outside the disputed budget, Michel's plan proposes increasing the capital held by the European Investment Bank by 100 billion euros.

This could mobilise 500 billion euros in loans to invest in climate change mitigation and the digital economy. But the battle lines are drawn.

"As one of the biggest net contributors, the Netherlands believes the EU should keep a tight rein on spending: clear choices must be made," Dutch premier Mark Rutte tweeted.

"Member states' positions are still far apart so there's lots of work to be done," he said, arriving in Paris to talk with French President Emmanuel Macron.

REUTERS

European Council President Charles Michel prepares to welcome guests for a meeting at the European Council headquarters in Brussels, Belgium.

Zuckerberg wants 'new framework' for digital tax

AFP, *Paris*

Facebook founder and CEO Mark Zuckerberg on Friday backed moves by the OECD group of free-market economies to reform the way online giants are taxed worldwide, even if that means companies like his own paying more to national governments.

"We also want tax reform and I'm glad the OECD is looking at this," Zuckerberg says in published extracts of a speech he will make in Germany on Saturday.

"We want the OECD process to succeed so that we have a stable and reliable system going forward," he added.

The digital tax has emerged as a key bone of contention between the US and France in particular, after Paris imposed its own tax on US digital giants such as Facebook, Google, Amazon and Apple last year.

Washington has slammed the move as discriminatory, but both sides agreed last month to pursue a global framework under the aegis of the Organisation for Economic Co-operation and Development (OECD), with Paris suspending its collection of the tax until December 2020.

Britain has, however, vowed to press ahead with its own digital tax despite the potential impact on its hopes of forging a trade deal with the United States as it exits the EU.

Things have got more complicated thanks to an alternative proposal by Washington for a so-called "safe harbour" option which analysts say would essentially render compliance optional and jeopardise the chances of reaching a comprehensive deal by the end of this year.

The next deadline facing the OECD negotiators is early July, when the 137 participating nations are to meet to agree on the main policy elements of the digital tax.

Zuckerberg will tell a security conference in Munich on Saturday that Facebook accepts that any new OECD system for online tax "may mean we have to pay more tax and pay it in different places under a new framework".

The OECD said in a statement on Thursday that the tax changes under discussion would bring in four percent more global corporate income tax worth $100 billion (92 billion euros) annually.

The revenue gains would be "broadly similar across high, middle and low-income economies, the OECD added in a statement.

"The aim is to ensure that multinational enterprises conducting sustained and significant business in places where they may not have a physical presence can be taxed in such jurisdictions," it explained.

This would put an end to the practice seen in Europe currently where multinational online companies operating in several countries base their headquarters in a low-taxing regime such as Luxembourg or Ireland to minimise their fiscal outlay.

Hong Kong unveils cash handouts as virus deepens economic woes

AFP, *Hong Kong*

Hong Kong announced a slew of cash subsidies on Friday to help businesses that have been battered by the coronavirus outbreak in a city already reeling from a recession.

The US-China trade war and months of seething pro-democracy protests last year had already pushed the business hub's economy into negative territory.

The virus has compounded those woes, leading to an even more stark drop in tourist arrivals and empty streets, pushing many smaller businesses towards bankruptcy.

On Friday night the city's pro-Beijing leader Carrie Lam said the government would dip into its financial reserves -- some of the world's healthiest -- to give cash subsidies to sectors hit hardest by the crisis.

"We hope to do our best to avoid large scale closures and lay-offs," she told reporters.

Lam, who has record low approval ratings, announced one-off subsidies for people such as construction workers, security guards and janitors to help them buy protective equipment.

The government will also issue HK$80,000 ($10,300) to licensed travel agencies, smaller restaurants and retailers as well as HK$5,000 to street hawkers,HK$200,000 to licensed restaurants and factory canteens and a further HK$5,000 to around 200,000 low income families.

From Saturday Hong Kong began enforcing a mandatory two-week quarantine for anyone arriving from mainland China to stop the deadly coronavirus from spreading.

Multiple airlines and governments have also blocked flights to and from Hong Kong, causing the arrivals to crash.

Earlier this week, neighbouring Macau announced plans to give all its residents store cards charged with 3,000 patacas ($374).

AFP/FILE

The Coronavirus, which originated in Wuhan city, has spread across 30 provinces in China.