

Qatari investments in Russia around \$13bn, says official



(MENAFN – Gulf Times) Amid strengthening political, economic, and cultural relations between Qatar and Russia, Qatar's investments in the Russian Federation are estimated at around \$13bn, according to an embassy official.

Rashid bin Majid Awad al-Suwaidi, first secretary of the embassy of the State of Qatar in Russia, made the statement on Monday in a meeting with Qatar Chamber officials, who received a visiting Russia delegation.

Citing the country's 19% share in Russian oil giant Rosneft, al-Suwaidi noted that Qatar's investments have witnessed a 'strong continuing in Russia.

The meeting, led by Qatar Chamber assistant director general for Government Relations Ali Busherbak al-Mansouri, discussed Qatar's participation in the St Petersburg International Economic Forum slated in Russia next year.

The forum is an annual Russian business event for the economic

sector, which has been held in St Petersburg since 1997 under the auspices of the Russian president since 2005.

Al-Suwaidi said the Russian delegation's visit to Doha aims to facilitate the participation of Qatar in the forum, which is attended by more than 20,000 participants and more than 1,000 Russian companies, as well as 500 companies from other participating countries.

He noted that the importance of Qatar's participation in the forum lies in the signing of trade agreements and enhancing co-operation between participating Qatari companies and their counterparts from other countries.

The forum, al-Suwaidi said, will witness the participation of officials and Qatari delegations comprising business owners, as well as on the cultural side, considering that last year was the year of cultural co-operation between Qatar and Russia.

Al-Mansouri said the forum represents an important opportunity to discuss the strengthening of co-operation relations between the Qatari private sector and its Russian counterpart, in addition to reviewing the attractive investment climate in Qatar and promoting the Qatari economy and private sector projects.

He also noted that the forum would explore the possibility of strengthening alliances between Qatari businessmen and their Russian counterparts to establish joint ventures whether in Qatar or Russia, adding that the Chamber will encourage Qatari companies to participate in the forum and the accompanying exhibition.

Other members of the visiting Russian delegation include Ekaterin Sharbatenko, Andrei Igorov, and Diana Charmadova, who delivered a presentation about the forum and its objectives, as well as its significance to Qatar and its participating companies.

The case for carbon tariffs



By backing tariffs that would reflect the carbon intensity of key imports, more than 3,500 US economists have broken with the free-market orthodoxy that national environmental policies should not impede global trade liberalization. They were right to do so.

AVIGNON – This January, 3,554 US economists – including 27 Nobel laureates, four former Chairs of the Federal Reserve, and two former Treasury Secretaries – proposed a previously heretical policy. The United States, they said, should combine a domestic carbon price with a “border carbon adjustment system.” By backing tariffs that would reflect the carbon intensity of key imports, they broke with the free-market orthodoxy that national environmental policies should not impede global trade liberalization.

They were right to do so. Absent carbon tariffs, concerns about industrial “competitiveness” will continue to constrain vital action to counter harmful climate change.

The fundamental obstacle to decarbonization is the apparent paradox that the costs are trivial at the final consumer level, but large for an individual company. As the Energy Transitions Commission's recent *Mission Possible* report emphasizes, the technology to achieve total decarbonization of the global economy by around 2050-60, with very small effects on households' living standards, already exists. If all steel used in car manufacturing were produced in a zero-carbon fashion, the price of a typical car would increase less than 1%. The total cost to decarbonize all the harder-to-abate sectors – heavy industries such as steel, cement and chemicals, and long-distance transport (trucking, aviation, and shipping) – would not exceed 0.5% of global GDP. Viewed from this perspective, there is no excuse for national policymakers failing to adopt policies that can drive progress to a zero-carbon economy.

But, viewed from the perspective of an individual company, the costs of decarbonization can be daunting. Producing zero-carbon steel could add 20% to total production costs, and producing zero-carbon cement might double cement prices. So any individual steel or cement company that committed to zero-carbon emissions, or was forced to do so by regulation or carbon pricing, could be driven out of business if its competitors did not face equivalent constraints.

This conundrum has so far stymied the effective use of explicit carbon prices to drive decarbonization. Almost all economists who accept climate science believe that carbon taxes, or prices set in an emission-trading scheme, must be part of any optimal policy response. But even in places where this theoretically desirable policy has been deployed – for example, within the European Emissions Trading System – carbon prices have played a less important role than either regulation or direct subsidization of renewable energy in driving decarbonization. The reason for this is either that carbon prices have been too low to make a major difference, or

that the most energy-intensive heavy industries have been exempted. And those weak policies reflect the fear that higher carbon prices and more complete coverage will make domestic industry uncompetitive with imports from countries without such policies.

The obvious response is to impose carbon taxes in one country, or in a customs union of multiple countries, with an equivalent tariff per ton of carbon on carbon-intensive imports, combined with rebates of the tax for exporters. Ten years ago, when I was Chair of the UK Committee on Climate Change, we debated this possibility. But it was met by a wall of opposition. Such policies, it was said, violated WTO rules, were undesirable in principle, and would unleash tit-for-tat tariff increases justified by whatever environmental priority each country wished to pursue.

Since then, we have successfully used other policy levers to drive large-scale deployment of renewable electricity systems, with costs falling dramatically as a result. But in the industrial sectors, the multiplicity of alternative possible routes to decarbonization, and the fact that different routes will likely be optimal in different circumstances, makes it essential to use the price mechanism to unleash a market-driven search for least-cost solutions. And to do that, we need an answer to the competitiveness problem.

That's why the ETC's *Mission Possible* report argues for the inclusion of border carbon adjustments (carbon tariffs) in policymakers' tool kit, and why so many leading US economists have reached the same conclusion. They now argue for a carbon price within the US, combined with border adjustments for the carbon content of both imports and exports. Such a scheme "would protect American competitiveness and punish free riding by other nations."

But while the economists couch their argument in language designed to play well in the US, the policy could equally be

applied by other countries to defend their industries against carbon-intensive imports from America, should the US choose to be a free rider in efforts to tackle global climate change.

Indeed, no country committed to addressing climate change should regard this policy proposal as a threat to its economy. If one country applies a tax of, say, \$50 per ton of carbon dioxide emitted, with an equivalent border tax on imports and with a rebate for exporters, any other country doing the same will leave its industries in exactly the same relative competitive position as before either country introduced the policy. But companies in both countries would now face an effective carbon price.

Global political agreement on carbon pricing has proven to be elusive. A carbon tariff could unleash a sequence of independent national decisions that drive a beneficial “race to the top” in which roughly equal carbon prices spread around the world.

Sometimes, intellectual taboos should be dropped. Border carbon adjustment is an idea whose time has come. It could play a major role in driving progress toward the zero-carbon economy that is technologically and economically possible by mid-century.

The inequality of nations



MILAN – The eighteenth-century British economist Adam Smith has long been revered as the founder of modern economics, a thinker who, in his great works “The Wealth of Nations” and “The Theory of Moral Sentiments”, discerned critical aspects of how market economies function. But the insights that earned Smith his exalted reputation are not nearly as unassailable as they once seemed.

Perhaps the best known of Smith’s insights is that, in the context of well-functioning and well-regulated markets, individuals acting according to their own self-interest produce a good overall result. “Good,” in this context, means what economists today call “Pareto-optimal”, a state of resource allocation in which no one can be made better off without making someone else worse off.

Smith’s proposition is problematic, because it relies on the untenable assumption that there are no significant market failures, no externalities (effects like, say, pollution that are not reflected in market prices), no major informational gaps or asymmetries and no actors with enough power to tilt outcomes in their favor. Moreover, it utterly disregards distributional outcomes, which Pareto efficiency does not cover.

Another of Smith's key insights is that an increasing division of labour can enhance productivity and income growth, with each worker or company specialising in one isolated area of overall production. This is essentially the logic of globalisation: the expansion and integration of markets enables companies and countries to capitalise on comparative advantages and economies of scale, thereby dramatically increasing overall efficiency and productivity.

Again, however, Smith is touting a market economy's capacity to create wealth, without regard for the distribution of that wealth. In fact, increased specialisation within larger markets has potentially major distributional effects, with some actors suffering huge losses. And the refrain that the gains are large enough to compensate the losers lacks credibility, because there is no practical way to make that happen.

Markets are mechanisms of social choice, in which dollars effectively equal votes; those with more purchasing power thus have more influence over market outcomes. Governments are also social choice mechanisms, but voting power is, or is supposed to be, distributed equally, regardless of wealth. Political equality should act as a counterweight to the weighted "voting" power in the market.

To this end, governments must perform at least three key functions. First, they must use regulation to mitigate market failures caused by externalities, information gaps or asymmetries, or monopolies. Second, they must invest in tangible and intangible assets, for which the private return falls short of the social benefit. And, third, they must counter unacceptable distributional outcomes.

But governments around the world are failing to fulfill these responsibilities, not least because, in some representative democracies, purchasing power has encroached on politics. The most striking example is the United States, where electability

is strongly correlated with either prior wealth or fundraising ability. This creates a strong incentive for politicians to align their policies with the interests of those with market power.

To be sure, the Internet has gone some way towards countering this trend. Some politicians, including Democratic presidential candidates like Bernie Sanders and Elizabeth Warren, rely on small individual donations to avoid becoming beholden to large donors. But the interests of the economically powerful remain significantly overrepresented in US politics, and this has diminished government's effectiveness in mitigating market outcomes. The resulting failures, including rising inequality, have fuelled popular frustration, causing many to reject establishment voices in favour of spoilers like President Donald Trump. The result is deepening political and social dysfunction.

One might argue that similar social and political trends can also be seen in developed countries, Italy and the United Kingdom for example, that have fairly stringent restrictions on the role of money in elections. But those rules do not stop powerful insiders from wielding disproportionate influence over political outcomes through their exclusive networks. Joining the "in" group requires connections, contributions, and loyalty. Once it is secured, however, the rewards can be substantial, as some members become political leaders, working in the interests of the rest.

Some believe that, in a representative democracy, certain groups will always end up with disproportionate influence. Others would argue that more direct democracy, with voters deciding on major policies through referenda, as they do in Switzerland, can go some way towards mitigating this dynamic. But while such an approach may be worthy of consideration, in many areas, such as competition policy, effective decision-making demands relevant expertise. And government would still be responsible for implementation.

These challenges have helped to spur interest in a very different model. In a “state capitalist” system like China’s, a relatively autocratic government acts as a robust counterweight to the market system.

In theory, such a system enables leaders, unencumbered by the demands of democratic elections, to advance the broad public interest. But with few checks on their activities, including from media, which the government tightly controls, there is no guarantee that they will. This lack of accountability can also lend itself to corruption, yet another mechanism for turning government away from the public interest.

China’s governance model is regarded as dangerous by much of the West, where the absence of public accountability is viewed as a fatal flaw. But many developing countries are considering it as an alternative to liberal democracy, which has plenty of flaws of its own.

For the world’s existing representative democracies, addressing those flaws must be a top priority, with countries limiting, to the maximal extent possible, the narrowing of the interests the government represents. This will not be easy. But at a time when market outcomes are increasingly failing to pass virtually any test of distributional equity, it is essential.

Michael Spence, a Nobel laureate in economics, is professor of Economics at New York University’s Stern School of Business and senior fellow at the Hoover Institution. He was the chairman of the independent Commission on Growth and Development, an international body that from 2006-2010 analysed opportunities for global economic growth, and is the author of “The Next Convergence – The Future of Economic Growth in a Multispeed World”. Project Syndicate, 2019.

ECB loosening is not enough



The European Central Bank's negative interest rates and quantitative easing measures cannot by themselves address the pervasive risk aversion holding back the eurozone economy. Eurozone policymakers must, therefore, find the political will to design a comprehensive package of financial and fiscal measures aimed at injecting new energy into the European project.

LONDON – If indications of disappointing economic growth in the eurozone are confirmed, the European Central Bank will loosen monetary policy further in September. Last week, outgoing ECB President Mario Draghi signaled a further likely cut in the ECB's rate on commercial banks' overnight deposits with the central bank, which is already -0.4%. In addition, the ECB is discussing a new program of asset purchases.

Economic stimulus is clearly needed. Annual inflation is well below the ECB's target of "close to, but below 2%," and financial markets expect it to remain so for years. What's more, the eurozone has grown more slowly than the US economy

since the 2008 global financial crisis. Growth has flagged since peaking in the third quarter of 2017, and slowed again in the second quarter of this year.

It is also clear that national governments in the eurozone are reluctant to provide a coordinated fiscal stimulus, despite the urgings of the ECB and many economists. Willingly or not, the ECB remains the only game in town.

The question is whether monetary policy alone can help to improve real growth and the inflation outlook in the eurozone. Monetary policy can be a powerful tool. The key to President Franklin D. Roosevelt's successful effort to revive the US economy in the 1930s was not deficit spending, but rather the large monetary stimulus resulting from America leaving the gold standard before continental European countries did. Today, the ECB needs to engineer something similar with different tools.

In principle, taking the ECB deposit rate further into negative territory should remove the restriction on future expected short-term interest rates turning negative, and therefore flatten the forward yield curve. A rate cut should also put downward pressure on the euro's exchange rate, potentially making eurozone exporters more competitive.

But such a move would be controversial, in particular because it would dent the profitability of banks that cannot pass on negative ECB deposit rates to their customers. Such policies have heterogeneous effects across banks, and mitigating action, although feasible, requires complex engineering.

According to an analysis by the ECB's staff, "strong" eurozone banks are able to pass on negative rates to their corporate clients; "weak" banks cannot.

The ECB is therefore considering ways to mitigate this – in particular by granting very favorable conditions on the special loans that it will offer under the TLTRO III program,

which are likely to be taken by the “weak” banks. In addition, a tiering system is being considered in which reserves below a certain threshold would not be subject to negative rates. But this is likely to benefit the strongest banks of stronger core eurozone countries such as Germany, France, and the Netherlands, which together hold about one-third of total deposits at the ECB.

Beyond these technical considerations, policymakers must grapple with two root causes of excess demand for central-bank reserves among strong eurozone banks. One is very high demand for safe assets in general – and banks in core eurozone countries have little incentive to hold their own governments’ debt when the interest rate is below the ECB deposit rate. Another cause is the segmentation of the eurozone’s interbank market, which, if the ECB implemented tiering, would prevent strong banks from benefiting from arbitrage opportunities by lending to weak banks at a rate above -0.4%. Both causes are the result of the eurozone’s dysfunctional banking system, in which demand for safe assets involves both a “home bias” and a strong demand for core countries’ sovereign debt.

In these circumstances, the ECB will not find it easy to implement a policy that would remove the constraint of the zero lower bound on interest rates, while ensuring that the policy’s distributional effects on banks and EU member states are neutral. Doing so will involve many instruments and complex design, far from the simple one-tool-for-one-target framework that was best practice before the financial crisis.

Moreover, negative rates become less effective over time and, if protracted, may have undesirable effects – for example, by inducing savers to de-risk, thereby potentially generating asset-price bubbles and increasing financial disintermediation. The positive stimulus from the depreciation of the euro’s exchange rate could offset these effects, but only if other central banks – and in particular the US Federal Reserve – do not ease at the same time. And on July 31, the

Fed announced a widely expected quarter-percentage-point cut in its benchmark interest rate, while further future cuts cannot be excluded.

But the main problem is that neither negative rates nor quantitative easing can by themselves address the pervasive risk aversion holding back the eurozone economy. The ECB is trying to discourage demand for safe assets by making them more expensive to hold, but it cannot address the causes of the increase in such demand. This is a global trend driven by several factors, including demographic changes, widespread uncertainty linked to technological transformation, and political risks such as trade wars and nationalism. But in the eurozone they are exacerbated by the lack of reform of the single currency.

More than ten years after the financial crisis, the eurozone's financial markets are still fragmented, and the supply of safe assets is limited by the conservative fiscal policy of northern European countries, particularly Germany. Eurozone policymakers must, therefore, find the political will to design a comprehensive package of financial *and* fiscal measures aimed at injecting new energy into the European project. Such a combined approach is essential to address the deep-rooted risk aversion sapping growth across the eurozone.

In the 1930s, America's key stimulus was monetary rather than fiscal, but a vital ingredient of success was a comprehensive set of reforms coupled with a strong message capable of unifying the country. Today, Europe needs a twenty-first-century version of that policy.



LUCREZIA REICHLIN

Writing for PS since 2014

16 Commentaries

Hedge funds raise their bets on falling US crude prices



NEW YORK (Reuters) – Hedge funds and money managers raised bullish wagers on U.S. crude oil in the latest week, data showed on Friday, as prices rose with the risk of global supply disruptions remaining high.

The speculator group raise its combined futures and options position in New York and London by 31,273 contracts to 472,907 in the week to April 17, the U.S. Commodity Futures Trading Commission (CFTC) said.

During the period, oil prices rose about 1.5 percent.

Oil markets have been supported by the sentiment that there are high risks of supply disruptions, including

However, Brent crude speculators cut net long positions by 12,572 contracts to 619,882 in week to April 17. Last week, the group hiked bullish bets to the highest on record.

Oil markets were tense about the possibility of Western military action in Syria heading into the weekend but prices weakened amid a lack of escalation following intervention by the United States, France and the UK.

Oil prices had risen nearly 10 percent in the run-up to the strikes, as investors bulked up on assets such as gold or U.S. Treasuries, which can shield against geopolitical risks.

In the United States, inventories have fallen as fuel demand has firmed and imports dropped. Crude stockpiles fell 1.1 million barrels in the week to April 13, the Energy Information Administration said on Wednesday, compared with analysts' expectations for a decrease of 1.4 million barrels.

Among refined products, bullish bets on U.S. gasoline climbed to the highest in more than two months. Net long positions rose by 9,269 lots to 97,978 lots.

Gasoline demand has jumped to levels seen during peak driving season in the summer, data showed.

In distillates, bullish bets on ultra low sulfur diesel also rose to a more than two-month high. Distillate stockpiles decreased 3.1 million barrels, versus expectations for a 268,000-barrel draw, the EIA data showed this week, putting overall inventories of these products, which include diesel, heating oil and jet fuel, at levels not seen seasonally since 2014.

ing conflicts in the Middle East, renewed U.S. sanctions against Iran and falling output as a result of political and economic crisis in Venezuela.

Gazprom eyes Eurobond issue in July



Gazprom PJSC is considering testing the market's appetite for its debt this year by issuing Eurobonds through a Russian or UK unit said a person familiar with the company's plans. The Russian gas producer is working to set up a UK unit because a legal spat with JSC Naftogaz Ukrainy makes it difficult to use its existing Luxembourg-based financial arms, the person said, asking not to be named because the plans aren't public. Earlier this month, a court in Luxembourg confirmed the Ukrainian company's right to demand a freeze of Gazprom's local assets and debt. The energy giant may use the British unit by the end of the year for a small Eurobond issue, the person said. Since December 2018, securities legislation also allows Russian corporate issuers to make direct placements of Eurobonds compliant with foreign regulations, without needing to use a special purpose vehicle, or SPV, based overseas. Gazprom does not need external

financing, so any bond issue would be mainly aimed at gauging investors' enthusiasm for the assets, the person said. Gazprom's spokesman Sergei Kupriyanov declined to comment. Gazprom issued \$1.25bn of Eurobonds in February, in what became the biggest single-tranche dollar transaction for the company since 2009. Investors initially bid more than \$5.5bn amid positive sentiment for emerging-market bonds. Investors will have an appetite for Gazprom's new debt as long as the issuer is located in a safe jurisdiction, Lutz Roeh-Meyer, chief investment officer at Berlin-based Capitulum Asset Management GmbH, said by e-mail. "Which SPV is doing it, is unimportant," he said, adding that he views both the UK and Luxembourg as safe. Gazprom has said it has enough liquidity as it aims to complete three major gas pipeline projects this year – Nord Stream 2 to Europe, TurkStream to Turkey and Power of Siberia to China. Last week, it raised a further \$2.2bn when its subsidiaries sold quasi-treasury shares equivalent to 2.9% of the company to an unidentified buyer. Gazprom's legal battle with Ukraine is over multibillion-dollar gas transit debt payments. The Russian company has been trying to fence off Naftogaz's attempts to arrest its assets across Europe with mixed success.

BP can't sell tainted oil as market struggles to deal with crude



Bloomberg/London

Russia's contaminated oil crisis isn't over yet – at least not for the traders trying to find a home for the cargoes they unwittingly bought.

BP Plc, the London-based oil giant, failed to find a purchaser for more than 700,000 barrels of Urals crude that got loaded onto a tanker almost three months ago at a port in the Baltic Sea, people with knowledge of a sales tender said, asking not to be identified because the matter is private. The cargo has excessive levels of organic chlorides that could damage a refinery if not removed.

In late April, it emerged that Russia was inadvertently sending millions of barrels laced with the contaminant through its Druzhba pipeline system to refineries across Europe, a situation that eventually caused flows to be halted. Some barrels also got sent to the port of Ust-Luga in the Baltic, where BP and other companies loaded them onto tankers.

Russia's pipeline operator Transneft said last month that it would pay \$15 a barrel in compensation to Belarus for supplies sent by pipeline. Its eastern neighbour said recompense should not be dictated.

It's unclear what traders have been told about compensation.

There was insufficient interest in the cargo for BP to be able to sell it, the people said. The shipment has an organic chloride content of about 29 parts per million. It needs to be less than 10. A spokesman for BP declined to comment.

There are still about 5mn barrels of the tainted oil on tankers in northwest Europe, Singapore and other locations, according to traders and tanker tracking data compiled by Bloomberg. That represents about 40% of the roughly 12mn barrels that were on ships at one stage during the height of the contamination crisis.

Turkish Airlines Shows Interest in HNA's Virgin Australia



Turkish Airlines is interested in HNA Group Co.'s minority stake in Virgin Australia Holdings Ltd. as it seeks growth in the Asia-Pacific region, according to people familiar with the matter.

Turkey's national flag-carrier is among companies looking at HNA's 20% stake in the Australian airline, said the people, asking not to be named because the discussions are private. Deliberations are preliminary and may not result in a deal, the people said.

Reports that it will acquire HNA's 20% stake in Virgin Australia "do not reflect the truth," Turkish Airlines said in a statement Thursday. "We share our objectives of developing our business partnerships in the Asia-Pacific region with our stakeholders." A representative for HNA Group declined to comment.

The troubled Chinese conglomerate was open to offers for its stake in Virgin Australia as part of efforts to cut debt, Bloomberg reported in August last year. Singapore Airlines Ltd. and Nanshan Capital, which each control about a fifth of Virgin's shares, were among the companies weighing a bid, people familiar with the matter said at the time.

Shares Decline

Virgin Australia closed 3% lower at 16 Australian cents in Sydney, valuing the airline at A\$1.35 billion (\$925 million). Turkish Airlines fell as much as 2% and traded 0.9% lower at 12.35 liras as of 11:58 a.m. in Istanbul.

HNA has about dozen airlines in its portfolio including Hainan Airlines Holding Co. Ltd., Hong Kong Airlines Ltd., Lucky Air Co. Ltd. and Tianjin Airlines.

The Chinese firm is selling assets after racking up one of the nation's biggest corporate debt loads in a global acquisition spree. It also considered selling its majority stake in oil-

storage and logistics business HG Storage International Ltd. as well as container-leasing unit Seaco, tech-outsourcing arm Pactera Technology International Ltd. and aircraft-maintenance firm SR Technics, Bloomberg News has reported.

Turkish Airlines has been evaluating investments in other carriers in a departure from concentrating on growth at its huge Istanbul hub as it looks to safeguard expansion as Mideast and European economies falter and a rise in protectionism weighs on global cargo flows. The company has a longstanding holiday venture, SunExpress, with Deutsche Lufthansa AG, and set up a joint venture in Albania last year.

The airline plans to boost its fleet to 474 planes by 2023 including 25 Boeing 787-9s, according to its website. It took delivery of the first Dreamliner in June as part of a deal for 40 of the jets.

In another development, Turkish Air on Thursday announced a so-called code-share partnership with Bangkok Airways PCL. The deal will allow Turkish to sell tickets on Bangkok Air flights as if they were its own, opening up more destinations in Thailand and other parts of Southeast Asia.

**EU failing to find consensus
on IMF chief to succeed
Lagarde**



Paris: EU members have so far been unable to reach a consensus on a candidate to succeed Christine Lagarde as head of the International Monetary Fund and may yet need a vote to break the deadlock, officials said Thursday.

EU states had given themselves a deadline of the end of July to find a candidate to head the Washington-based global lender, which by tradition – but not rule – is led by a European.

But reflecting tensions all too familiar in Brussels, the process to replace Lagarde, who is to become head of the European Central Bank, has been mired in disputes between northern and southern EU member states.

“At this stage, although some candidates’ names gather more support than others, there is not yet a full consensus around one name,” said an official from France’s finance ministry, asking not to be identified by name.

French Finance Minister Bruno Le Maire, who is leading the

talks on finding a European candidate, has spoken to “all his colleagues” over the last few days and in particular his German counterpart Olaf Scholz.

Sources say that five candidates are currently in contention – from southern Europe Spain’s Finance Minister Nadia Calvino and her Portuguese counterpart Mario Centeno, and from northern Europe, former Dutch finance minister Jeroen Dijsselbloem and Bank of Finland chief Olli Rehn.

The fifth candidate – from central Europe and a possible compromise figure – is Kristalina Georgieva, the current number two at the World Bank.

Southern EU states fear that Rehn and Dijsselbloem, who enjoys German backing, excessively favour economic austerity which risks harming growth.

Southern countries have particularly long memories of Dijsselbloem because of his tough stance against southern nations like Greece when he headed the group of EU finance ministers.

“I can’t spend all my money on drinks and women and then ask for help,” he said in one particularly notorious comment in 2017. But northern countries are also underwhelmed with the southern European candidates, with Calvino in particular seen as having insufficient experience.

“This situation shows the splits between the north and the south and the difficulties for the Europeans in agreeing on a solid candidate,” a source close to the talks told AFP.

The ECB’s outgoing chief Mario Draghi said last week that he was “not available” for the position. At 71, he is too old to hold the post, according to IMF rules, which state that the managing director must be under 65 when appointed.

This leaves Georgieva – but the snag is that she will soon be

66, above the age limit of 65. "The other members of the fund will need to make an exception for her, and that it is not a given," one source said.

Adding to the uncertainty, Le Maire has allowed Britain, after its government shake-up last month, one more day to present a candidate, source said. This could allow a candidacy by Canadian-born Bank of England governor Mark Carney, who holds Canadian, British and Irish nationality.

Sources said a vote by ministers is a possible way to break the impasse, adding that Le Maire has raised this as an option. But this would also have the disadvantage of exposing to the world the inability of Europeans to unite around a single top-level candidate, the sources said.

The IMF says any of the fund's 189 members can nominate a candidate between July 29 and September 6, after which the board will announce its shortlist of up to three names. But with the US and Europe having the biggest voting blocs in the IMF, it would be difficult for an outside candidate to upset the tradition whereby they divvy up the IMF and World Bank jobs between them.

The convention has nonetheless come under strain in recent years, with developing economies demanding a greater say at the Washington-based institutions. US Treasury Secretary Steven Mnuchin emphasised at a meeting of G7 ministers last month that naming a European to head the IMF was a convention, "not an official policy".

Possible non-European candidates could include the general manager of the Bank of International Settlements and former Bank of Mexico governor Agustin Carstens, and Lesetja Kganyago, the governor of the central bank of South Africa. The IMF plans to select its new leader by October 4.

France's EDF fined nearly 2 mn euros for not paying bills on time



Forgot to pay your bills? Don't worry. So did your electricity provider.

France's state state energy giant EDF has been fined 1.8 million euros (\$2 million) for not paying its bills on time, a record amount that aims to dissuade big businesses from starving small suppliers by putting off payment for as long as possible.

Junior economy minister Agnes Pannier-Runacher said Thursday the government wanted to "hit companies in the wallet" to force a change in their thinking on paying bills, currently treated by many as "a minor administrative issue".

France, like many European countries, has been getting tougher

on late payers, blamed for sometimes bankrupting small companies by failing to settle their bills on time.

In 2016, the socialist government of then president Francois Hollande increased the maximum fine for late payments from 375,000 euros to 2 million euros.

President Emmanuel Macron has continued on the same track, pushing through a UK-inspired law that allows the government to publicly name and shame offenders for the first time.

Several big companies have been outed as late payers in recent months, including US online retail giant Amazon, China's Huawei and France's own cosmetics chain Sephora as well as the national postal service.

But the fine imposed on EDF dwarfs all previous sanctions, with the stiffest to date – 670,000 euros – going to a subsidiary of German industrial giant HeidelbergCement in May.

As further punishment for EDF, in which the state has a 83.7-percent stake, the company will also be stripped of a label it earned in 2015 for its “balanced relations” with suppliers.

The government audited over 130,000 bills received by the company between March and August 2017.

It found that 3,452 suppliers who sent bills totalling 38.4 million euros had not been paid on time.

EDF said Thursday that it had “taken note” of the fine and vowed to “continue reinforcing internal procedures...so that procedures allowing bills to be paid on time are understood and followed” by staff.

In France, companies have 30 days to pay their bills unless otherwise stated in the contract, which can give creditors up to 60 days to pay up.

But big groups regularly disregard the deadlines, with fewer

than one in two settling their bills within 60 days, according to a 2018 report from the Banque de France's monitoring centre.

The centres blamed late payers for robbing small companies of 19 billion euros in cashflow.