as govts clash with Brussels, some cities hope to claim EU funds

Some European city mayors whose national governments are in conflict with Brussels could seek ways to access European Union funds directly, the mayor of Poland's capital Warsaw said on Tuesday.

Rafal Trzaskowski said EU funding was one area in which he and counterparts from Czech capital Prague, Slovakia's capital Bratislava and Hungarian capital Budapest would pledge to cooperate at a meeting on Monday.

"In Budapest we will sign an agreement on cooperation regarding climate change, money, and common projects," Trzaskowski told reporters.

The mayors consider themselves more pro-EU and politically liberal than their respective national governments, some of which have clashed with Brussels over EU rules and standards.

Moves by Hungary and Poland to bring their courts and media under tighter state control have led the executive European Commission to begin rule-of-law investigations that could in theory lead to a suspension of their EU voting rights.

Brussels is also considering tying adherence to the rule of law and democratic standards with access to EU budget funds -- already set to shrink when Britain leaves the 28-country bloc.

That could place cities like Warsaw, which has received some 16 billion zloty ($4.1 billion) from the current EU budget, which began in 2014 and ends next year, at risk of funding cuts.

Trzaskowski said Warsaw and other cities were hoping to secure access to EU cohesion and structural funds, which can be distributed both at national and regional level, even if the EU penalises their national governments with funding cuts.

"I prefer to explain to our friends in the EU that it would be good for us to access EU money despite the fact that our government infringes the rule of law," he said.

Trzaskowski said Warsaw, Budapest, Prague and Bratislava could also seek to build ties with cities such as Istanbul, where authorities are in conflict with Turkey's ruling party. (AP)

Christine Lagarde aims to put her stamp on ECB

New bank chief to lead a review of how the institution sets monetary policy

FRANKFURT, Dec 14, (AP): Christine Lagarde is wasting no time in putting her stamp on the European Central Bank.

The bank's new president said at her first news conference Thursday that she will lead a top to bottom review of how the institution sets monetary policy, looking at everything from how it defines success in fighting inflation to whether it can play a role financing the fight against global warming.

The policy review will "turn each and every stone," she said. She said the review would "take its time but not too much time," starting January and finishing by the end of 2020.

The ECB left unchanged the stimulus package that was decided under Draghi on Sept 12. That put the focus on Lagarde and her plans on how to steer the powerful central bank whose decisions affect 342 million people in the 19 countries that use the euro as their currency.

She is well known on the world stage from her previous jobs as French finance minister and then head of the International Monetary Fund, where she was deeply involved in efforts to rescue Greece and other indebted countries during the eurozone debt crisis.

Those jobs, however, did not require her to give detailed views on the highly technical subject of monetary policy, where a misplaced word can jolt financial markets. She declined to fill in that blank extensively on Thursday, saying "I'm neither a dove, nor a hawk" – financial jargon for stimulus supporters and opponents – and that "my ambition is to be an owl," implying the wisdom associated with that particular bird.

She told journalists that she would have "my own style" in communicating with the financial community and not to compare her too much to her predecessors. She is the first woman to head the ECB and the fourth president since it was founded in 1998, following Wim Duisenberg, Jean-Claude Trichet and Draghi.

Lagarde managed to give noncommittal answers on several topics. She said, for instance, that the estimated 1.7% inflation rate at the end of 2022 was unsatisfactory, implying more stimulus, but also noted that growth should rise to near the eurozone's potential, which would imply stimulus is less likely.

Caution like that led economist Carsten Brzeski at bank ING Germany to say that "for ECB watchers and financial market participants ... learning how to read Christine Lagarde will take some time."

Among the topics for the review could be how the bank defines its mission to keep prices stable, given by the European Union. The ECB currently expresses that as keeping annual inflation below, but close to 2%. The 2% goal is aimed at giving the economy a margin of safety to ward off deflation, a crippling downward price spiral that hit Japan in the 1990s. Some inflation encourages spending and investment. It also makes it easier for indebted members of the eurozone to pay down debt and lower business costs.

Inflation has remained stubbornly below the goal for years following the Great Recession and eurozone financial crisis of 2010-2012. Lagarde said a review was overdue since the last one occurred in 2003.

The review would also look at what role the ECB could play in supporting financing for projects aimed at fighting climate change. The ECB has already bought some so-called green bonds, which finance projects aimed at reducing pollution and fighting global warming. It did not, however, buy them for environmental reasons but as part of its broad plan to purchase government and corporate bonds with the ultimate aim of easing credit conditions generally.

The European Commission has announced a "green deal" aimed at lowering the EU's greenhouse gas emissions. The ECB's mandate says it must pursue price stability first but once that is taken care of it can look at supporting the general economic policies of the European Union.

Lagarde said that recent economic indicators are weak overall but "point to some stabilizing in the slowdown of of economic growth." The decision to keep interest rates low and unchanged followed a similar move this week by the US Federal Reserve, where officials indicated they expect no change to rates through 2020.

Doubts have grown among some economists about how much good more central bank stimulus can do to support developed economies. At the Fed, officials think the neutral interest rate, at which the bank's policies neither stimulate nor restrain economic activity, may be lower than in the past.

At the ECB, officials enacted a stimulus package as recently as September, when they cut a key rate and launched a bond-buying program that pumps newly created money into the economy. Lagarde said that package would continue to support the economy with easier borrowing terms for companies. Draghi pushed the package through over objections from some members of the rate-setting council. That has given Lagarde a respite period that she can use to conduct the review.

The economy in the eurozone is a mixed bag at the moment. The US-China trade dispute has held back its manufacturing sector. Consumer demand and service companies have done better and that has helped lower unemployment. The ECB sees the eurozone growing only a modest 1.1% next year.

In September, the bank cut the deposit rate to minus 0.5% from minus 0.4%. The rate is charged on excess cash left at the central bank overnight by commercial banks, so the negative rate is in effect a penalty that aims to push banks to lend the money to companies. The bank also started 20 billion euros ($22 billion) in monthly purchases of government and corporate bonds.

French President Emmanuel Macron (right), European Central Bank President Christine Lagarde (center), during a round table meeting at an EU summit in Brussels on Dec 13. European Union leaders were gathering Friday to discuss Britain's departure from the bloc amid some relief that Prime Minister Boris Johnson has secured an election majority that should allow him to push the Brexit deal through parliament. (AP)

Unions striking for Alitalia 'fix' hit hundreds of flights

ROME, Dec 14, (AP): Hundreds of international and domestic flights in Italy were cancelled Friday as air transport workers held a nationwide strike to protest feared firings and salary cuts at troubled national carrier Alitalia.

Attempts to find a buyer for the airline, run by state-appointed administrators since it declared bankruptcy in 2017, fell apart last month. Last week, the Italian government agreed to grant Alitalia a new 400 million euros ($445 million) to keep it afloat until a buyer can be found.

Friday's strike cancelled more than 350 Alitalia flights, and several flights by Air Italy, a private carrier based in Sardinia.

Unions say they want a mixture of state and private investment in Alitalia.

"We favor both a public investment in Alitalia, which would grant us more protection on the jobs' side, and a private partner, which would bring the needed know-how to the company," said Guido Barcucci, spokesman for the national Filt-Cgil union, which on Friday participated in the workers' protests at Rome's Fiumicino airport.

"Our request is that a new industrial plan is drafted for Alitalia, excluding cuts in the labor force or the workers' salaries," Barcucci added.

Italy's state-controlled railway company Ferrovie dello Stato had tried to form a consortium to take over Alitalia, but the initiative fell apart last month. Possible interested buyers, including Lufthansa and Delta Air Lines, dropped out at the last minute.

Alitalia has not posted a profit for 15 years. According to analysts' estimates, it is losing 700,000 euros ($780,000) per day, as it struggles to cope with low cost competition on short-range routes and an inadequate long-range network.

Nationalization recently resurfaced as a likely option for the carrier, should the new loan fail to secure a buyer by the end of spring 2020.

A potential nationalization could run for up to one year to provide the government with some breathing room. Analysts, however, say this would only prolong the company's agony.

"The only way to relaunch Alitalia is to focus on an industrial strategy that enhances all the four different business: long-range flights; medium and short-range flights; handling and maintenance," said Oliviero Baccelli, director of the master in economy and transportation at Milan's Bocconi University.

"The solution is to look for four different industrial partners, specialized in each of the different sectors," he added.

Italy has received approval from the European Union for the new loan, which follows previous government credit of 900 million euros ($1 billion). Both must be repaid or be considered unfair state subsidies.

Signs of a slowdown in the majority of the G20

G20 third quarter growth stable at 0.7 pct – OECD

PARIS, Dec 14, (KUNA): Economic growth in the Group of 20 (G20) nations was stable at 0.7 percent in the third quarter when compared with the performance in the second quarter, the Organisation for Economic Cooperation and Development (OECD) said on Thursday.

In a statement, the OECD provisional estimates for "real Gross Domestic Product" in the 20 most advanced nations showed that while growth was stable overall, there were signs of a slowdown in the majority of the G20. The statement said that there were significant drops in GDP progression in South Africa, whose economy contracted by 0.1 percent in the third quarter after growth of 0.8 percent in the second quarter.

South Korea's economy grew by only 0.4 percent compared with 1.0 percent in the previous quarter, while Turkey also recorded weaker growth of 0.4 percent, two and half times less than in the second.

Canada, China, Indonesia, Japan and Australia all had weaker growth in the third quarter than in the previous three-month period. US, France and Italy showed stable growth between the two quarters, while India, Brazil Britain and Germany performed slightly better in the third quarter than in the second. On an annual basis, GDP growth in the third quarter G20 has slipped to 2.9 percent compared with year-on-year performance of 3.0 percent in the preceding quarter.

There are concerns that trade tensions and the risk of a wider trade war between the US and China and the US and Europe could dampen economic activity, globally.

Ends decade long cooperation with Chinese tech giant

Telenor drops Huawei for Ericsson in 5G contract

LONDON, Dec 14, (AP): Norway's biggest wireless carrier, Telenor, on Friday chose Sweden's Ericsson to supply part of its new 5G network, ending its cooperation with Chinese tech giant Huawei after a decade.

The company signaled it would gradually remove Huawei equipment as it upgrades radio gear for the next generation of mobile networks, in a move likely to please the US, which has been lobbying European allies to sideline the Chinese company over cyberespionage concerns.

The company "carried out an extensive security evaluation" in its selection process, alongside considering factors such as technical quality, commercial terms and the ability to innovate and modernize, Telenor Group CEO Sigve Brekke said.

"Based on the comprehensive and holistic evaluation, we have decided to introduce a new partner for this important technology shift in Norway," Brekke said.

Telenor, which is moving away from Huawei a decade after they started collaborating, said it will continue to use its existing equipment from the Chinese company as it transitions to the new network over the next four to five years. It has already chosen Ericsson and Finland's Nokia to build the 5G network's core.

Telenor has mobile operations in Nordic countries but also in Pakistan, Bangladesh, Thailand, Malaysia and Myanmar.

Huawei declined to comment. Ericsson did not immediately respond to a request for comment.

European mobile phone companies are facing tough business decisions as they find themselves caught in the middle of a geopolitical battle over Huawei.

Wireless companies often prefer Huawei because of its reputation for cheap, reliable gear but US officials are warning allies that the company can be used to facilitate spying by China's communist leaders - allegations the company has consistently denied.

Superfast 5G networks and the new innovations they promise to bring, such as telemedicine and automated factories, will run heavily on software in the network "core," which the US says exposes them to greater security vulnerabilities.

In a win for Huawei, German carrier Telefonica Deutschland said this week that it chose Huawei and Finland's Nokia to jointly supply equipment for the less-sensitive 5G radio network, with a decision on suppliers for the core due next year.

Telefonica Deutschland, Germany's No. 2 wireless carrier, made its decision even though the government may tighten up 5G security guidelines. The company added a caveat that Huawei's participation was "subject to the successful safety certification of the technology and the companies" in accordance with German legal provisions.

EU says to boost measures to protect trade after WTO 'row'

BRUSSELS, Dec 14, (AP): The European Union says it is taking measures to protect its trade interests in the ongoing row with the United States over the shutdown of the World Trade Organization's appellate body.

EU trade chief Phil Hogan said Thursday that the 28-nation bloc "cannot afford being defenseless if there is no possibility to get a satisfactory solution within the WTO."

Since Wednesday the WTO's appellate body, whose decisions affect billions of dollars in trade, lost its ability to rule on new dispute cases. Without having to worry about possible penalties, countries could use tariffs or be tempted to implement protectionist measures. Hogan said that with the proposal to change some EU trade rules will enable it to act even when the WTO cannot give a final ruling.

Anticipating the end of the appellate body, the EU and Canada agreed this summer on a new trade dispute resolution system as a temporary backstop. The EU wants to expand it, but it's unclear how many countries might join.

Hints at expansion plans

Aurubis AG sees stable fiscal year ahead

HAMBURG, Dec 14, (RTRS): Aurubis AG, Europe's largest copper producer, on Wednesday posted a 42% slump in its annual earnings following scheduled maintenance shutdowns at major smelting plants, but said it expects the new fiscal year to be stable.

The company proposed a dividend of 1.25 euros per share for 2018-19 fiscal year, down from 1.55 euros in the previous year.

Operating full-year earnings before taxes (EBT) slumped 42% to 192 million euros ($211.62 million) following smelter shutdowns for maintenance and modernization plus costs to end an investment programme, Aurubis said.

"Aurubis expects results in new fiscal year at a similar level to the current fiscal year 2019/20," it said. "The Aurubis group expects an operating EBT of between 185 million euros and 250 million euros and an operating ROCE (return on capital employed) of between 8% and 11%."

The company previously said scheduled maintenance shutdowns to be undertaken in late-2019 at its main plants in Hamburg and Luenen in Germany would impact earnings.

In June, Aurubis also stopped its future Complex Metallurgy project to expand its raw material processing capability because of higher-than-expected costs.

"The past fiscal year was a transitional year for Aurubis," said CEO Roland Harings who took over in July. "We invested in the company's future with planned maintenance shutdowns, but unplanned shutdowns and other turbulent events affected the previous fiscal year negatively."

Based on industry forecasts, Aurubis said it expects stable copper demand, although product demand from the automotive sector will continue to be restrained. Chinese copper smelters have agreed to a 23% cut in annual treatment and refining charges (TC/RCs) for 2020. TC/RCs are paid by mines and other concentrate owners to copper smelters to refine concentrate (ore) into metal and are a key part of the copper refiners' income.

"The level for 2020 annual contracts on the copper concentrate market will likely be substantially lower than prior-year level in light of the November 2019 benchmark," Aurubis said.

European Union competition regulators in November opened an investigation into Aurubis' planned 380 million euro acquisition of Belgian-Spanish metal recycling group Metallo.

Aurubis said it expects an approval from EU competition regulator about the Metallo deal by April 2020.

Harings hinted at further international expansion. He said he sees "fantastic opportunities" in global recycling of complex raw materials.

"In this context, we will once again take a closer look at growth opportunities abroad," Harings said.