

## Business

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FRANKFURT AM: Mario Draghi, President of the European Central Bank (ECB), arrives for the press conference following the meeting of the Governing Council in Frankfurt am Main. — AFP

# ECB's Draghi hands baton to Lagarde

## Lagarde's first task will be to heal rifts among policymakers

FRANKFURT: ECB chief Mario Draghi bowed out yesterday, passing the baton to former IMF head Christine Lagarde whose first task will be to heal rifts among policymakers.

The man credited with saving the euro during his eight-year tenure at the European Central Bank was sent off with speeches by German Chancellor Angela Merkel, French President Emmanuel Macron and Italian head of state Sergio Mattarella.

But before Draghi has even left the bank's Frankfurt headquarters, attention was switching to Lagarde, a French former economy minister about to become the ECB's first female president. While the 63-year-old has ambitions to focus on gender equality, climate action and jargon-free language, analysts say the most pressing issue is to resolve divisions over Draghi's final monetary stimulus package.

The Italian central banker in September restarted government and corporate bond purchases to the tune of 20 billion euros (\$22.2 billion) per month to bolster a stuttering eurozone economy.

The move sparked fierce public criticism from some

of the ECB governing council's 25 members, who argued it was too heavy-handed and robbed the bank of firepower in case of a more protracted downturn. Finding a way to bridge the divide and "have the two sides talk to each other" will top Lagarde's to-do list, said ING bank economist Carsten Brzeski.

"This also means that there won't be any imminent changes to monetary policy."

### 'Change in style'

Not an economist herself, Lagarde lacks the technical expertise of other members on the council, made up of 19 central banker governors and a six-person executive board. But she is a savvy, well-connected politician who won plaudits for guiding the International Monetary Fund (IMF) through the aftermath of the financial crisis. "Lagarde will be more depending on advice from others," Brzeski told AFP.

"That doesn't have to be a disadvantage but will definitely be a change in style."

Lagarde, a lawyer by training, has already signalled that Draghi's easy-money legacy will be in safe hands. In

a bid to drive up growth and stubbornly low inflation, Draghi guided the ECB council as it set interest rates at historic lows, hoovered up 2.6 trillion euros in bond buys and offered ultra-cheap loans to banks.

Lagarde told EU lawmakers last month she would stick to the "same sound principles" as the euro area grapples with headwinds from US-led trade tensions, Brexit chaos and slumping German exports. She is already echoing Draghi's calls for governments in the 19-nation currency union to use their fiscal leeway to help boost the economy—a plea she regularly made as IMF boss. "Monetary policy has done a lot in recent years. Finance and economic policy must complement it now," she told German weekly Der Spiegel on Friday. Such calls have been mainly aimed at economic powerhouse Germany, and so far fallen on deaf ears.

As the global outlook worsens, observers are hoping that could change under Lagarde who counts Merkel as "a dear friend".

### 'Dusty language'

Used to being the only woman in the room,

Lagarde has vowed to tackle the gender gap in the higher echelons of the ECB. "I would dearly like to see more women in the financial world and to make their voices heard," she told Spiegel. Lagarde is expected to soon be joined at the bank by respected German economist Isabel Schnabel, who is going through the nomination process.

If confirmed, they will be the only two women on the bank's council and board.

Lagarde has also set herself the goal of communicating more clearly, promising she would "bring the ECB and its monetary policy closer to a broad public". On climate change too, Lagarde sees room for improvement. The ECB's core mandate is "price stability of course... (but) climate change and environmental risks are mission critical," she said during her grilling by Brussels lawmakers, adding that she backed a "gradual transition" of the bank's investments to greener projects.

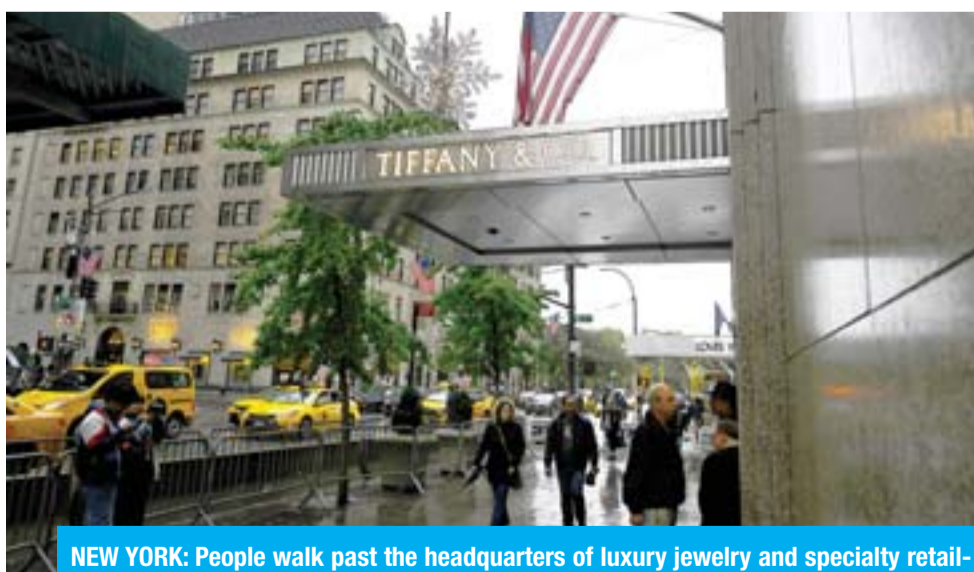
The real thing will be waiting in the governing council's meeting room on the 41st floor of the gleaming ECB skyscraper. Lagarde officially takes up the post on November 1. — AFP

## LVMH woos Tiffany with takeover proposal

PARIS: French luxury giant LVMH said yesterday it was exploring a takeover of US jewellers Tiffany, most famous for its fine diamonds and luxury silver wedding and engagement rings.

Tiffany, founded in 1837 and headquartered on glamorous 5th Avenue in New York, is the most iconic of US luxury brands, an image reflected in the "Breakfast at Tiffany's" novella by Truman Capote, made into a film with Audrey Hepburn in 1961. LVMH, one of the world's most powerful luxury conglomerates, said it was in "preliminary talks" to take over Tiffany but there was "no certainty" that they would be successful. Tiffany, in a separate statement yesterday, confirmed "an unsolicited, non-binding proposal" from the French conglomerate, saying it was for \$120 per share, which values the company at around \$14.5 billion.

Tiffany's stock market value stood at



NEW YORK: People walk past the headquarters of luxury jewelry and specialty retailer Tiffany &amp; Co on 5th Avenue in Manhattan yesterday in New York City. — AFP

\$11.9 billion at the close of Wall Street trading on Friday.

The US company said there were no actual discussions going on but it was "carefully reviewing" the proposal. LVMH said earlier yesterday that "following recent market rumors, the LVMH group confirms having started preliminary discussions about a possible operation with Tiffany".

The purchase of Tiffany by LVMH would

be one of the largest acquisitions by the French group, which is a world leader in luxury, present in fashion to wine, perfumes and cosmetics, with brands including Louis Vuitton, Dior and champagnes Veuve Clicquot et Moët & Chandon.

LVMH's share price was mildly higher following the announcement, rising 0.3 percent to 384.90 euros in mid-afternoon Paris stock trading. — AFP

## Argentina tightens exchange controls

BUENOS AIRES: Argentina's central bank said yesterday it has sharply tightened currency exchange controls to stem a surge in capital flight, a day after Peronist candidate Alberto Fernandez swept to victory in presidential elections. Fernandez defeated market-friendly incumbent Mauricio Macri, setting off market jitters about the return to power of protectionist Peronists, including former president Cristina Kirchner.

Central Bank President Guido Sandleris said Argentina's international reserves have plummeted by \$22 billion dollars since a primary election in August that established Fernandez as the likely winner.

He told the news conference that the bank decided to further tighten exchange controls, effective Monday, after noting "an important demand for dollars" last week. "Faced with the risk that this would continue this week, we decided to deepen the controls. From

yesterday, we have reduced to \$200 the maximum monthly amount that individuals can buy," he said. The bank initially imposed exchange controls in September, limiting dollar purchases by individuals to \$10,000 a month.

The Fernandez victory comes amid a lengthy recession and a debt crunch, which has raised market fears of a possible default on a \$57 billion IMF loan. The peso fell 5.86 percent in the week before the elections, and the week ended with the dollar at 65 pesos.

Argentines have historically sought dollars as a safe haven against high inflation and devaluations of the peso.

Sandleris said the nation's international reserves dropped by \$10 billion after exchange controls were first imposed in September, which followed a \$12 billion decline after the August primary.

He attributed a third of the drop to declines in dollar deposits, another third to government payments on the debt, and the remaining third on central bank interventions to shore up the peso in exchange markets. Sandleris stressed that the new, stricter exchange control targets individuals, but not dollar purchases for foreign trade or debt payments. He said the restrictions will remain in force until the new government assumes office, December 10. — AFP