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Business

Yellen urges EU to spend more and reject austerity

EU puts digital tax plan 'on hold' during OECD talks

BRUSSELS: US Treasury Secretary Janet Yellen yesterday urged EU member states to reject austerity and take further stimulus measures to boost the European economy. The unusually blunt message from the former US federal reserve chief came as countries in Europe are divided on what to do next to help the EU economy and to support a post-pandemic recovery.

"Going forward, it is important that member states seriously consider additional fiscal measures to ensure a robust domestic and global recovery," Yellen said in prepared remarks to a meeting of EU finance ministers in Brussels. While praising the EU's economic response to the coronavirus so far, Yellen noted that: "I think we all agree that uncertainty remains high" and that public spending in Europe and the US should remain supportive through 2022. Yellen also gave advice on how to redesign the EU's budgetary rules going forward, urging that countries should have the ability to respond swiftly to a crisis, even if this meant running up deficits and debt. "An essential part of a durable recovery is creating an EU fiscal framework with sufficient flexibility to allow countries to respond forcefully to crises," she said.

She said the EU's spending rules should not lead to "pro-cyclical economic outcomes", the technical term for choosing austerity over spending when a serious downturn hits. The advice goes against the path chosen by Europe during the eurozone debt crisis, when the EU, under the direction of Germany, imposed stringent budget cuts on crisis hit countries such as Greece, Portugal and Ireland. In the pandemic crisis, Europe chose a different route, with the EU's 27 member states adopting a historic 750-billion-euro (\$885-billion) recovery plan, raised from fresh borrowing on the markets. That plan came despite the opposition of the so-called frugal states such as the Netherlands that want heavily indebted EU countries to embark on strict reforms in return of the financial aid.

Meanwhile, the European Commission said yesterday it would delay its plan to propose an EU digital tax in order to not jeopardize efforts to secure a global deal on fairer taxation.

After an "extraordinary" breakthrough at G20 talks on Saturday, "we have decided to put on hold our work on a proposal for a digital levy", an EU spokesman said, a day after Washington asked Brussels to delay its tax plan.

Meeting in Venice, G20 finance ministers on Saturday endorsed a plan agreed by 132 countries to overhaul the way multinational companies, including US digital giants, are taxed.

The G20 called on negotiators to swiftly address the remaining issues and finalize the agreement by October. They approved the result of negotiations at the Organization for Economic Cooperation and Development (OECD) for a global minimum corporate tax rate of at least 15 percent, and to allow nations to tax a share of the profits of the world's biggest companies regardless of where they are headquartered.

The European Commission has insisted its new levy plan, that was due to be unveiled later this month, would conform with whatever is agreed at the OECD and would hit thousands of companies, including European ones. Money raised from the digital tax is intended to help pay for the bloc's 750-billion-euro post-pandemic recovery plan. Three EU countries-including Ireland, which has become a European base for a raft of US companies thanks to low tax rates-have yet to sign up to the OECD agreement. — AFP



BRUSSELS: US Treasury Secretary Janet Yellen removes her mask before an Eurogroup meeting at the EU headquarters in Brussels yesterday. — AFP



LUBMIN, Germany: A pipe is seen at the construction site of the so-called Nord Stream 2 gas pipeline in Lubmin, northeastern Germany. — AFP

Nord Stream 2 chief says pipeline to be finished this summer

BERLIN: The controversial Nord Stream 2 gas pipeline from Russia to Germany will be completed this summer, the head of the company behind the project said in an interview with German media on Sunday. "We expect construction to be completed by the end of August," Matthias Warrig, CEO of the Swiss-based Nord Stream 2 AG, told the Handelsblatt financial daily.

Despite the threat of US sanctions, "we will have a pipeline that meets all licensing requirements and international industry standards," he said, adding that he hoped it would be operational "before the end of this year". The Nord Stream 2 pipeline, set to double natural gas supplies from Russia to Germany, has long divided European capitals and fuelled tensions with Washington.

The project is set to bypass Ukraine's pipeline infrastructure, depriving the country of around a billion euros annually in transit fees and, Kiev fears, removing a key check on potential Russian aggression. Poland and the Baltic states have also strongly opposed Nord Stream 2, fearful that Russian President Vladimir Putin will gain greater power over smaller countries that broke free from Moscow's control with the end of the Cold War. — AFP

Mexico's avocado farmers take up arms amid violence

ARIO DE ROSALES, Mexico: A convoy of vigilantes snakes along a road in western Mexico, vowing to defend their avocado orchards from gangs sowing terror in a country reeling from a new wave of bloodshed. Armed with assault rifles and other firearms, the masked men travel between plantations and maintain checkpoints in Ario de Rosales in Michoacan state, the scene of a bloody cartel turf war.

Before they began patrolling the area, residents lived in fear of kidnapping, extortion and theft of avocados, according to a member of the self-defense group Pueblos Unidos, which says it has 700 members. "We need to be armed to defend ourselves," he told AFP, speaking on condition of anonymity, wearing a badge reading "Down with injustice, no more dead."

Previously, criminals "came to do what they wanted to us, and that doesn't happen anymore," he added. President Andres Manuel Lopez Obrador opposes such self-defense groups—a phenomenon that dates back to 2013 — saying that some of them have become fronts for criminals.

Such comments are not well received in Ario de Rosales, where another Pueblos Unidos member says the president should "get his shoes dirty" to discover the reality of life in the area, where the Jalisco New Generation and Los Viagras cartels operate. The police and military "feared the criminals or were paid by them to do nothing," said another vigilante who gave his name as Martin.

Brussels sets stage for battle over emissions cuts

BRUSSELS: The European Commission will unveil tomorrow a vast package of draft green legislation designed to govern a faster transition to a low carbon economy. A dozen legal texts—already under attack from political interests, industry lobbies and environmentalists—will seek to ensure emissions are cut by 55 percent over 1990 levels by 2030.

Behind the "Green Deal" and "Fit for 55" slogans there are eye-catching pledges, such as the expected decision to ban the sales of new petrol-driven cars from 2035. Perhaps even more importantly, the Commission will seek to reform the EU Emissions Trading System (ETS), a carbon market in which industry trade their pollution quotas.

But environmentalists will denounce the laws as not going far enough, even as industry and some EU member states more dependent on coal-fired power push back against the effort. The ETS cap and trade system covers power generation, steel plants, cement, chemicals and commercial aviation—between them representing around 40 percent of European greenhouse emissions. Wednesday's package would extend this with a parallel market for shipping, road transport and construction.

Greener trade?

The commission's plan would also extend to a so-called "carbon tax", payable at the bloc's external border, to dissuade firms from re-locating polluting plants to less stringent jurisdictions or favoring cheaper products from such countries. The tax would see prices "adjusted" at the border, with companies importing goods into the EU having to buy permits based on carbon pricing in the bloc, a move likely to antagonize major EU trading partners such as China and India. To placate them, pollution quotas that are currently distributed freely to EU-based producers to

help them compete with cheaper less-regulated imports would be phased out. The border tax is not expected to be a money-spinner for Brussels, the 14 billion euros a year it might generate annually is a drop in ocean compared to the cost of the transition to a low-carbon world.

But, in the words of liberal MEP Pascal Canfin, chairman of the environment committee in the European Parliament, the idea opens up "new territory" for lawmakers to explore seeking tougher measures. On the right, conservative MEPs from the powerful EPP group in the parliament will push to preserve the free carbon quotas, which EU-based steel and aluminum producers insist are necessary.

And Green MEPs and environmental groups, on the other hand, see the proposed transition as a sell out and want the free quotas removed immediately and a baseline carbon price imposed.

'Rubbish dump'

The commission is also looking to take more



ZOUPING, China: This file photo taken on April 17, 2018 shows a worker walking past steel pipes at a factory in Zouping in China's eastern Shandong province. European Commission will announce carbon border tax proposal tomorrow to meet the EU's environmental policy and objectives. — AFP

'Hugs not bullets'

It is estimated that there are around 50 such self-defense groups in Mexico, which has seen intensifying violence in recent months, notably in Michoacan and the northern states of Tamaulipas and Zacatecas. Mexico registered 14,243 murders in the first five months of the year, and the bloodshed has shown no sign of stopping since then.

On June 19, alleged members of the Gulf Cartel shot dead 15 people described by the government as innocent victims in the border city of Reynosa in Tamaulipas. Four attackers were killed by the police. One hitman was arrested said that the massacre sought to "heat up the plaza"—a form of random

killings to divert the attention of the authorities away from other areas. On June 29, nine bodies were found near Ciudad Miguel Aleman, also in Tamaulipas, where criminals are fighting for control of a border bridge used to smuggle drugs, weapons and migrants, according to an intelligence source.

And a shootout between alleged gang members left 18 dead in Zacatecas, where the bodies of two policemen were hung from a bridge.

Despite the escalation in violence, Lopez Obrador refuses to declare war on the cartels, arguing that this policy failed in the past. Instead he has maintained a strategy of "hugs not bullets" and fighting crime at its roots by attacking poverty and inequality.



ARIO DE ROSALES, Mexico: Members of the self-defense group Pueblos Unidos carry out guard duties in protection of avocado plantations, whipped by drug cartels that dominate the area, in Ario de Rosales, state of Michoacan, Mexico. — AFP

action at a European level to control emissions reduction in sectors excluded from the carbon market, such as agriculture and waste management. But EU member states are at loggerheads over how to share the cost of the measures, and industrial lobbyists will fight some of them as the final drafting process continues.

Airlines complain, for example, that a measure to tax aviation fuel for intra-European flights would distort the market with the rest of the world. The mainly eastern member states, such as Poland, which rely on coal will resist tighter emissions reduction targets, and environmentalists are unconvinced by plans to promote natural carbon sinks like forests.

Pressure group Greenpeace, for one, fears these unproven solutions will be used to camouflage a lack of ambition in reducing emissions, and have denounced the plan in advance.

"This package of measures from the commission is a fireworks display over a rubbish dump," said Greenpeace director for Europe Jorgo Riss. — AFP

More than 300,000 people have been murdered since the government of then president Felipe Calderon deployed the military in the war on drugs in 2006.

'Power vacuums'

Since then the dominant cartels have splintered to the point that around 200 gangs now operate in the country, according to the think tank InSight Crime. Lopez Obrador has told the United States that he wants to end military cooperation in fighting narcotics trafficking. "You cannot confront violence with violence," he said on Friday about the situation in Aguililla, another Michoacan town terrorized by warring gangs. In April, former US ambassador Christopher Landau said that Lopez Obrador saw the cartels as a "distraction" from a domestic agenda mostly focused on social programs.

"So he has basically adopted a pretty laissez-faire attitude towards them," said Landau, who was ex-president Donald Trump's envoy in Mexico City. Lopez Obrador's policy of non-confrontation with the cartels has left "power vacuums" exploited by gangs, according to Jose Revelles, a drug trafficking specialist.

In Aguililla, residents recently attacked a garrison with homemade explosives to try to pressure the military into reopening roads that had been blocked by rival gangs. "We were trapped in the village and getting food was very difficult," said Eugenia, a mother of two living in the town.

Aguililla is at the center of a turf war between Carteles Unidos and Jalisco New Generation, whose leader Nemesio Oseguera was born there. "While the government said that things were fine and there was no organized crime, we saw them on a daily basis, with high-powered weapons," another resident who did not want to be named told AFP. "The government always looks the other way." — AFP