

US has buyer's remorse for the world it built

MARTIN WOLF, PAGE 21

Is the Macquarie model good for public policy?

BIG READ, PAGE 19

Putin admits Kremlin paid billions to bankroll Wagner's paramilitaries

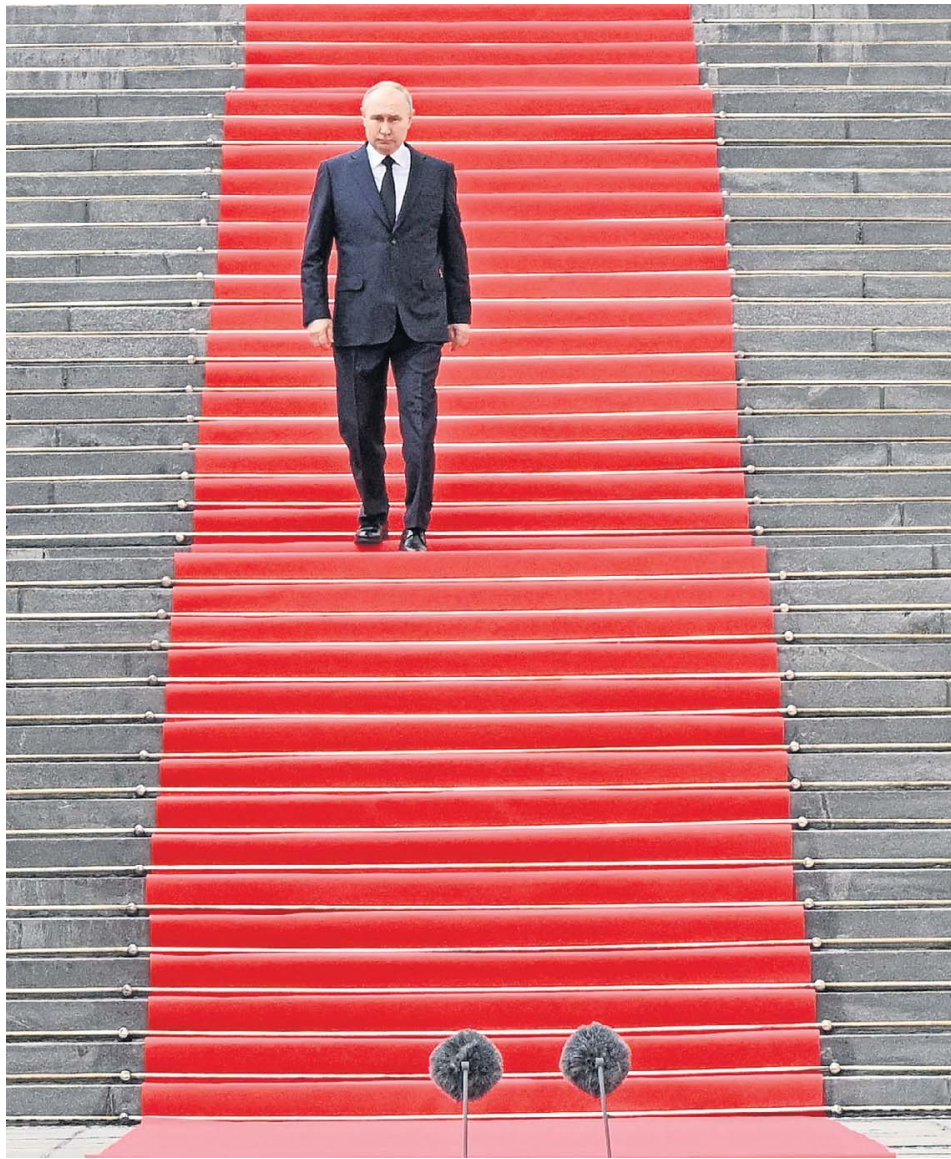
Force 'completely financed' by Russia • Prigozhin in Belarus, says Minsk • Loyalists bridle at climbdown

MAX SEDDON AND POLINA IVANOVA — LONDON
RAPHAEL MINDER — WARSAW

The Russian state paid billions of dollars to the Wagner paramilitary group, President Vladimir Putin said yesterday, as more details emerged of the deal that ended last weekend's mutiny.

After years of Kremlin denials, Putin admitted that Wagner had been "completely financed" by the state, with Rbs86bn (\$1bn) in payments made in the year from May 2022 and a further Rbs110bn in insurance payouts.

His comments were made as Wagner founder Yevgeny Prigozhin was confirmed to be in Belarus by the country's president and as the Russian defence ministry announced it was taking control of the paramilitaries' heavy weap-



Vladimir Putin in the Kremlin yesterday before honouring those who had resisted the mutiny — Sputnik/Sergei Guneev/Pool via Reuters

Putin has sought to reassert control after striking what even many hardline supporters of his war in Ukraine have claimed were embarrassing concessions to Wagner.

The FSB, Russia's main security service, said it had closed its investigation into the rebellion because the participants had "ceased the activities directly aimed at committing the crime", according to state news wire Ria Novosti.

While the Kremlin had said the charges would be dropped in the immediate aftermath of the failed insurrection, they had subsequently remained in force, in an apparent effort to put pressure on Wagner to abide by the deal.

Some of Putin's supporters have expressed disappointment at his about-face, choosing to let Wagner off without charges even after the paramilitaries seized a southern military headquarters and marched most of the way to Moscow, killing at least 13 Russian servicemen in the process.

The decision not to proceed with charges over Russia's first coup attempt in three decades was a big turnaround after Putin had denounced Prigozhin for a "stab in the back".

Dmitry Peskov, Putin's spokesperson, said the Russian leader had decided not to prosecute Prigozhin to avoid bloodshed. "There was a desire not to let the worst-case scenario happen . . . There were certain promises, the agreements are being realised." Putin "always keeps his word", he added.

Putin spent yesterday meeting soldiers and security service officers, praising them for their role in stopping the uprising even as some of their commanders admitted they had done little. Putin said the security forces had "essentially stopped a civil war" as he held a minute's silence for the pilots killed resisting Wagner's advance, saying they had "fulfilled their duty with honour".

Wagner did not confirm whether it would surrender its weapons to the defence ministry, whose leaders have been the target of Prigozhin's ire for months as the invasion of Ukraine sputtered.

Russians seek normality page 3
Energy traders keep oil flowing page 6

The west has to fight the idea that autocrats are generally, or even often, competent. To that end, the past week has been one to mark

Janan Ganesh
Page 21

ons. Putin is now moving to subsume the group into the official military after Prigozhin's abortive march on Moscow on Saturday.

In addition to the direct payments to Wagner, Putin said, Concord, Prigozhin's catering company, received a further Rbs80bn in army contracts.

"I hope nobody stole anything, or didn't steal much, but we'll sort this out," Putin added.

President Alexander Lukashenko of Belarus, who brokered the deal that ended the insurrection, said "security guarantees . . . were provided" to assure Prigozhin's safe passage from Russia, adding that the Wagner founder "is in Belarus today".

Lukashenko said Wagner's fighters had returned to base camps in the occupied Luhansk region of Ukraine, days after they took control of the Russian city of Rostov and marched towards Moscow in an unprecedented test of Putin's authority.

Briefing

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Expenditure has surged for the second year in a row, highlighting how companies are still spending on flying perks they insisted were needed in the pandemic.— PAGE 6

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ECB president Christine Lagarde has urged the central bank to persist with high interest rates to rein in prices amid a tight labour market and pay pressure.— PAGE 2

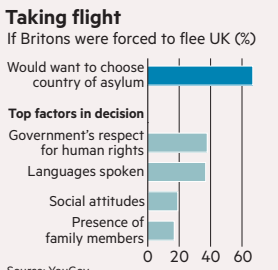
► **Li resists 'de-risking'**
China's premier has criticised a western push to limit trade and business ties with Beijing, using a speech at the "Summer Davos" to urge co-operation instead.— PAGE 4

► **Italy fills central bank job**
Rome has lined up Fabio Panetta for the helm of its central bank, opening up a vacancy on the ECB executive board that will test premier Giorgia Meloni.— PAGE 2

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The World Bank has estimated that inflation helped push a further 4mn people into poverty this year. Growth is forecast to be too low to lift incomes.— PAGE 3

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The eradication of tropical forests increased despite a pledge by 145 countries to halt deforestation by 2030. An area equivalent to Switzerland was lost.— PAGE 2

Datawatch



Some 65 per cent of Britons back the ability to seek asylum in the UK, with 67 per cent saying that if they were forced to flee, they would want to choose where. Human rights issues would top their list of factors, followed by language



Flight of HSBC signals Canary Wharf's struggle

Analysis ► PAGE 10

Country	€/\$	Morocco	Dhs50
Austria	€4.50	Netherlands	€4.30
Bahrain	Dhs18	Norway	Nkr45
Belgium	€4.50	Oman	Orl60
Croatia	Kn33.9/€4.50	Pakistan	Rupee350
Cyprus	€4.20	Poland	Zl25
Czech Rep	Kc725	Portugal	€4.20
Denmark	Dkr746	Russia	€5.00
Egypt	€890	Serbia	NewD530
France	€4.50	Slovenia	€4.20
Germany	€4.50	Spain	€4.20
Greece	€4.20	Switzerland	Sfr6.70
Hungary	Ft1450	Tunisia	Din750
India	Rup220	Turkey	TL80
Italy	€4.20	UAE	Dh24
Luxembourg	€4.50		
Malta	€4.20		

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Trump's watchdog at Fed joins up with former SVB risk officer to launch bank

STEPHEN GANDEL — NEW YORK

Randal Quarles, the top US banking watchdog under Donald Trump's presidency who is credited with rolling back post-financial crisis bank regulations, has teamed up with a former risk officer at recently failed Silicon Valley Bank to launch a bank.

They want to tackle what they believe is a growing problem for global financial markets: a dearth of physical dollars. Unlike a traditional bank, Currency Reserve, which will also be headed by a former top Wall Street dealmaker, does not plan to make loans or take deposits.

Instead, the bank told the Financial Times, it plans to sell and deliver dollars primarily to local banks outside the US.

Currency Reserve was on a list of applicants this month seeking regulatory approval to open an account at the

US Federal Reserve. That would lower the company's costs because it would be able to draw cash directly from the Fed.

The list said Currency Reserve had been designated tier 3, meaning that its application is subject to a stricter review because the bank's operations fall outside the Fed's regulatory framework.

Currency Reserve has not applied for government-backed deposit insurance. The bank's chief executive is Vivek Tyagi, who was a risk officer at SVB for a year before leaving in 2019 to join Goldman Sachs, according to his LinkedIn page. He moved to Currency Reserve last year.

Although he is listed as a co-applicant, Quarles and his firm The Cynosure Group are investors in the bank and will have no operational role, according to a person with knowledge of the company. Still, it is Quarles's involvement that

has raised questions from investor watchdog groups. He served as the Fed's vice-chair of bank supervision from 2017 to 2021. He has recently said he did not believe the Trump administration's efforts to roll back regulations played a role in the failure of SVB or in the recent regional banking turmoil.

"His application is going to be ruled on by people who used to be his subordinates," said Dennis Kelleher, a lawyer who is the head of Better Markets, which lobbies for stricter bank regulation. "It smacks of the use and abuse of the revolving door, though whether that is what Randy is doing I don't know."

A person with knowledge of the company said Quarles had not contacted his former Fed colleagues on behalf of the bank.

Quarles declined to comment. Tyagi did not return a request for comment.

World Markets

STOCK MARKETS				CURRENCIES				GOVERNMENT BONDS					
	Jun 27	Prev	%chg	Pair	Jun 27	Prev		Yield (%)	Jun 27	Prev	Chg		
S&P 500	4358.47	4348.33	0.23	\$/€	1.095	1.091	€/\$	0.913	0.917	US 2 yr	4.74	4.76	-0.02
Nasdaq Composite	13470.18	13335.78	1.01	\$/£	1.275	1.271	£/\$	0.785	0.787	US 10 yr	3.76	3.72	0.04
Dow Jones Ind	33860.63	33714.71	0.43	€/£	0.859	0.858	£/€	1.164	1.165	US 30 yr	3.83	3.81	0.02
FTSEurofirst 300	1797.72	1796.17	0.09	¥/\$	144.035	143.545	¥/€	157.719	156.594	UK 2 yr	5.23	5.13	0.10
Euro Stoxx 50	4307.24	4280.57	0.62	W/€	183.573	182.446	E index	82.173	82.181	UK 10 yr	4.43	4.36	0.07
FTSE 100	7461.46	7453.58	0.11	Sfr/€	0.981	0.976	Sfr/£	1.142	1.137	UK 30 yr	4.34	4.35	-0.01
FTSE All-Share	4052.97	4046.84	0.15	CRYPTO						JPN 2 yr	-0.08	-0.09	0.01
CAC 40	7215.58	7184.35	0.43		Jun 27	Prev	%chg		JPN 10 yr	0.37	0.35	0.02	
Xetra Dax	15846.86	15813.06	0.21	Bitcoin (\$)	30573.80	30281.00	0.97		JPN 30 yr	1.19	1.18	0.01	
Nikkei	32538.33	32698.81	-0.49	Ethereum	1882.67	1860.10	1.21		GER 2 yr	3.15	3.08	0.07	
Hang Seng	19148.13	18794.13	1.88	COMMODITIES						GER 10 yr	2.36	2.31	0.05
MSCI World \$	2894.93	2902.34	-0.26		Jun 27	Prev	%chg		GER 30 yr	2.39	2.38	0.01	
MSCI EM \$	989.27	991.91	-0.27	Oil WTI \$	68.44	69.37	-1.34						
MSCI ACWI \$	668.04	669.76	-0.26	Oil Brent \$	73.14	74.18	-1.40						
FT Wilshire 2500	5614.59	5660.83	-0.82	Gold \$	1922.90	1930.70	-0.40						
FT Wilshire 5000	43765.70	44130.70	-0.83										

Prices are latest for edition
Data provided by Morningstar

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INTERNATIONAL

Monetary policy

Lagarde calls on ECB to keep rates high

Bank chief warns rising labour costs pose risk to battle against inflation

MARTIN ARNOLD — SINTRA

Christine Lagarde has urged the European Central Bank to persist with high interest rates to prevent prices staying above its target as a result of tight labour markets and a big increase in eurozone wages.

The ECB president told its annual conference in Sintra, Portugal, that the eurozone had been hit by “overlapping inflationary shocks since the end of the pandemic”. By raising its benchmark interest rate from minus 0.5 per cent last year to 3.5 per cent this month, she

said the ECB had “made significant progress” in addressing high inflation but it “cannot declare victory yet”.

Lagarde said the initial phase of inflation, in which the cost of supply shocks in energy and other commodity markets was passed on to consumers by companies, was fading. But a second phase driven by rising labour costs had emerged, with eurozone wages forecast to climb 14 per cent by 2025.

“We will face several years of rising nominal wages, with unit labour cost pressures exacerbated by subdued productivity growth,” she added.

Uncertainty over how these factors would influence prices was likely to prevent the ECB from knowing when borrowing costs would peak, though it has said a further quarter-point rise is “very

likely” in July. “Under these conditions, it is unlikely that in the near future the central bank will be able to state with full confidence that peak rates have been reached,” Lagarde said.

“My intention is not to signal any

‘It is unlikely that in the near future the bank will be able to state . . . peak rates have been reached’

future decisions, but rather to frame the issues that monetary policy will face in the period ahead.”

More companies are hoarding labour because of increased shortages of skilled workers, which Lagarde said was reduc-

ing productivity, as wage rises outstrip output. Eurozone unemployment fell to a record low of 6.5 per cent in April.

Eurozone annual inflation is expected to drop to 5.6 per cent in June when price data is released on Friday, still well above the ECB’s 2 per cent target but down from a peak of 10.6 per cent in October as energy and food prices continue to slow.

The ECB has said it will keep raising rates until underlying price pressures are clearly dropping. Core inflation – excluding energy and food – is expected to rise from 5.3 per cent last month to 5.5 per cent this month.

The ECB expects companies’ profit margins to fall because of rising labour costs. But if they avoid a quarter of these margin losses, it would keep inflation at

almost 3 per cent in 2025, Lagarde estimated. “While we do not currently see a wage-price spiral or a de-anchoring of expectations, the longer inflation remains above target, the greater such risks become.”

Italy’s rightwing government criticised the ECB chief’s signals on interest rates. Foreign minister Antonio Tajani said increasing borrowing costs “means putting businesses in trouble. If rates are too high, we risk a recession.” Deputy prime minister Matteo Salvini said Lagarde’s comments were “senseless and harmful”.

Lagarde said the ECB would need to commit to keeping rates high for as long as necessary to ensure inflation falls.

Additional reporting by Giuliana Ricozzi in Rome

Europe

Panetta to be next governor of Italy’s central bank

MARTIN ARNOLD — SINTRA
AMY KAZMIN — ROME

Italy will appoint Fabio Panetta as the next governor of the country’s central bank, opening up a vacancy on the European Central Bank’s executive board and posing a test for Prime Minister Giorgia Meloni.

Rome is expected to announce its nomination to the ECB board to replace Panetta in the coming weeks, but it could face a challenge from one of the smaller eurozone countries that have never had a top executive at the Frankfurt-based institution.

Panetta, who joined the ECB board in 2020 after a long career at the Banca d’Italia, was widely seen as the favourite to take over at his country’s central bank from Ignazio Visco, whose second six-year term expires this year. Rome’s decision was confirmed by people briefed on the matter.

There is a convention that each of the eurozone’s four big economies is granted one seat on the ECB’s six-person executive board. But Spain went without a seat on the ECB board for six years until Luis de Guindos was made vice-president in 2016.

One person familiar with the matter said Meloni was likely to win enough support from other EU countries to secure the right to replace Panetta, but others said Italy could face a battle to choose his successor.

Another person said his replacement should be a trained economist, as Panetta is one of only three out of six ECB executives with such expertise.

There could also be pressure from the European parliament for a woman to be appointed to improve diversity on the governing council, where 24 out of 26 members are men. The parliament has to approve any appointment.

Meloni approached Panetta shortly after being elected as prime minister to see if he was interested in becoming finance minister in her government. But he turned her down.

Panetta has been overseeing the ECB’s work on the digital euro and his departure risks causing some disruption for one of the bank’s flagship projects, for which the EU is due to publish its draft legislation today.

Visco has represented Italy on the ECB’s governing council, its main interest rate setting body, since he replaced Mario Draghi as Banca d’Italia governor at the height of the eurozone debt crisis in 2011.

During the subsequent banking crisis in Italy, Visco was criticised for failing to get to grips with the problems of struggling banks quickly. But he has been a consistent advocate of the supportive monetary policy that was pursued for much of the past decade by the ECB.



Fabio Panetta: has been overseeing the ECB’s work on the digital euro

Politics. Milestone result

Germany’s far right scores first local victory

AfD exploits immigration fears, economic insecurity and Berlin’s policy on boilers

GUY CHAZAN — SONNEBERG

Annette Scharfenberg, one of thousands of people who voted for the far-right Alternative for Germany (AfD) in a district election in eastern Germany, is angry and wants Berlin to know it.

“I wanted to give the government a lesson they wouldn’t forget,” said Scharfenberg, 60, a sales assistant. “To just shake them awake.”

If that was the goal, it worked. Sunday’s election in her native Sonneberg has made national headlines and triggered soul-searching over the AfD’s rise.

The fear is that voters faced with inflation, recession and an uptick in refugee numbers are turning increasingly away from mainstream parties or from Germany’s democratic system altogether.

Robert Sesselmann, a lawyer, became the first AfD politician to be elected a *Landrat*, head of a county council, with 53 per cent of the vote.

“It’s a milestone,” said Alice Weidel, the AfD’s national leader. “[For the first time] we will have direct decision-making powers.”

That meant, she said, the party would decide whether Sonneberg, a county of about 56,000 people in the state of Thuringia, accepted refugees or not. “And of course we will put a stop to that, the whole nightmare.” For others, though, the result was a disaster. “It’s a warning signal,” said Ricarda Lang, leader of the Greens. The AfD was a “danger for democracy”.

The AfD was formed in 2013 by a small group of Eurosceptic economists opposed to bailouts for southern eurozone countries.

It gradually shifted its focus to immigration, adopting a xenophobic and anti-Islamic tone that won it legions of fans, especially in the formerly communist east.

The party’s increasing radicalisation put off middle-of-the-road voters and its share of the vote slid in the 2021 national elections. But in recent weeks it has enjoyed a surge in support amid widening dissatisfaction with Chancellor Olaf Scholz’s government.

Some polls have placed the AfD as



Winning feeling: Bjoern Hoecke, chair of AfD Thuringia, left, and Tino Chrupalla, AfD national chair, right, congratulate Robert Sesselmann on his victory in Sonneberg on Sunday

Martin Schütt/dpa

high as 20 per cent, ahead of Scholz’s Social Democrats and a few points behind the opposition Christian Democratic Union, the biggest party. Other polls suggest it is on course to win state elections in eastern Thuringia, Saxony and Brandenburg next year though with no other party prepared to work with it, its chances of taking the reins of regional government are close to nil.

Denis Cohen, an expert on rightwing populism at Mannheim university, said the AfD fed on a sense of economic insecurity and social exclusion, a fear stoked by Russia’s invasion of Ukraine, the ensuing surge in energy costs and recession.

“Those fears have been made more present because they are now being constantly discussed in politics, the media and society,” he said.

Such existential angst is not immediately palpable in picturesque Sonneberg town, nestled close to the old border between east and west and surrounded by thickly wooded hills.

Once nicknamed “Santa Claus’s work-

shop”, it was a centre of toymaking and still boasts a teddy bear museum.

But even Sonneberg is not immune to the cold winds that have swept across Germany since the invasion of Ukraine. Elektrokeramik Sonneberg, a local maker of porcelain insulators, closed last year, a victim of surging gas prices.

Many in Sonneberg worry about a repeat of the 1990s, when market forces came to East Germany, closed many factories and triggered mass unemployment. “It’s déjà vu for a lot of people,” said Thomas Schwämmlein, editor of Freies Wort, a regional newspaper.

But discontent peaked in Sonneberg and in many other towns and cities this year when the government unveiled plans to phase out gas- and oil-fired boilers and move instead to heat pumps powered by renewable energy.

The initiative triggered a dispute between Scholz’s coalition partners, the Greens and liberals, reinforcing the perception Berlin was divided over everything from the budget to the climate.

Weidel acknowledges the boiler ban

‘I don’t need a new boiler; mine works very well, thank you, and they can’t force me to replace it’

was one a factor in the AfD’s sudden change of fortune. “People call it the heating massacre,” she said. “The government is intervening directly in people’s ownership rights, it’s de facto expropriation, and people just won’t stand for it.”

Scharfenberg agreed. “The cheek of it, it’s just unbelievable,” she said. “I don’t need a new boiler; mine works very well, thank you, and they can’t force me to replace it.”

Sesselmann’s campaign slogans were typical AfD: close the borders, protect women from Islam, lift sanctions against Russia. He railed against wind turbines and backed diesel and cheap Russian gas. But as *Landrat* he will have responsibility for none of these things. As he admitted on Sunday before cheering supporters: “I’m a really small cog in the smallest county in Germany.”

That does not bother Monika, a pensioner. “Sesselmann’s a good man, and if he doesn’t do what he promised, it’s not the end of the world,” she said. “Anyway, it was just a protest.”

Environment

Tropical forest loss rises 10% despite pledge by 145 nations

CAMILLA HODGSON AND STEVEN BERNARD — LONDON
BRYAN HARRIS — SÃO PAULO

The loss of the world’s tropical primary forests increased 10 per cent year on year in 2022, with tree cover equivalent to the size of Switzerland destroyed globally, according to research.

The increase came despite a pledge made by 145 countries the previous year to halt deforestation by 2030, according to yesterday’s report by the University of Maryland and the World Resources Institute’s Global Forest Watch.

Brazil signed the COP26 pledge in 2021, but the largest loss of tropical primary forest – occurring in areas of natural, mature forest cover that have not been cleared in recent history – took place in the country during former president Jair Bolsonaro’s final year in office.

Bolsonaro has been accused of turning a blind eye to soaring rates of deforestation during his four-year term. The myriad criminal groups that operate in the Amazon, including illegal loggers, ranchers and gold miners, accelerated their activities last year to maximise profits ahead of Bolsonaro’s anticipated

election defeat in October, environmentalists said.

“It was a perfect storm. Opportunistic actors exploited the political transition and the weakened environmental safeguards,” said Natalie Unterstell, president of Talanoa, a climate policy think-tank.

Tropical forests are large stores of carbon dioxide and deforestation is a major contributor to global emissions.

Despite growing awareness from companies and policymakers about the need to curb the loss of woodlands, the equivalent of 11 football fields worth of primary tropical forests disappeared per minute last year, the report said.

This resulted in the release of carbon dioxide equivalent to the annual fossil fuel emissions of India, it added.

Major losses also occurred in the Democratic Republic of Congo and Bolivia, from activities including agriculture-related deforestation.

Brazil’s losses of primary tropical forest that were unrelated to fires jumped 20 per cent last year to their highest level since 2005, as a result of the increased activity by criminal groups.

In the western Amazon, deforestation

hotspots continued to concentrate around roads and were often the result of land cleared for cattle pastures, the report found.

Bolsonaro’s successor, President Luiz Inácio Lula da Silva, has pledged to crack down on illegal deforestation and has offered greater resources and financial support to environmental protection agencies. In April, deforestation in the Brazilian part of the Amazon fell almost 70 per cent from the previous year.

However, Ghana saw an almost 70 per cent increase in primary forest loss in



Brazil: an illegal mining project destroys an Amazon forested area

2022 compared with 2021, the largest increase of any country in recent years. Much of this related to cocoa production, gold mining and fires and occurred within areas of protected woodland.

Signs of positive change were seen in Malaysia and Indonesia, where rates of tropical primary forest loss have declined to near record-low levels in recent years. Indonesia was the stand-out example, with non-fire-related deforestation falling 75 per cent since 2016.

Another hopeful finding was that overall global tree cover loss, which includes the loss of man-made as well as natural forests as a result of human or natural causes, declined about 10 per cent last year. This was largely due to fewer forest fires in Russia, the report said, adding that 2022 was a “relatively quiet year for fires globally”.

“[The improvement was] more a factor of weather patterns than of human action to combat forest loss,” said Mikaela Weisse, director of Global Forest Watch.

Market forces driving deforestation were “much greater” than those behind protecting woodland, she added.

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INTERNATIONAL

Putin propagandists and ordinary Russians seek normality after crisis

Kremlin cheerleaders change narrative on warlord whose ascendancy fuelled fears of instability

COURTNEY WEAVER — BERLIN
ANASTASIA STOGNEI — RIGA
POLINA IVANOVA AND MAX SEDDON
LONDON

When warlord Yevgeny Prigozhin's fighters were marching on Moscow, Margarita Simonyan, an arch propagandist who is editor of state news network RT, was curiously silent.

Simonyan, once one of Prigozhin's biggest cheerleaders in the Russian elite, later explained she had been on a cruise down the Volga river filming a culture documentary about centuries-old Orthodox churches, blissfully unaware the state was on the verge of collapse.

Her improbable explanation for missing the biggest threat to President Vladimir Putin's 23-year rule marked the one-day propaganda hiatus before Moscow's elite started busily rewriting the narrative on the once-ascendant warlord, condemning Prigozhin's actions and projecting a swift return to normality in the capital and beyond.

Across state- and Kremlin-aligned media, many former cheerleaders of Prigozhin were quick to turn on him as a traitor, accusing him of attempting to destabilise Russia. Yet they also found themselves performing a complex manoeuvre as they sought to justify Putin's public handling of the situation.

After mentioning her Volga excursions on a state TV chat show, Simonyan moved with supreme flexibility to offer a full-throated defence of Putin's move to drop charges against Prigozhin's Wagner Group, despite vowing to punish them only hours earlier.

"Legal norms are not the commandments of Christ or the tablets of Moses," Simonyan said. "They are written by people to protect the rule of law and stability in the country . . . In some exceptional critical cases . . . they go out the window."

Many Russians, not least those on the path of Wagner's march, privately admitted feeling rattled, sensing that the war in Ukraine was hitting home more fully than before.

"There was a feeling that a war would start right now, in the centre of Russia with people who had already fought and were not afraid of anything," admitted one man, a supporter of the war living in the south-western city of Voronezh, who saw videos of Wagner men streaming towards his hometown on Saturday.

"I thought Voronezh would turn into Bakhmut," he added, referring to the devastated Ukrainian city laid siege by Wagner. "It got eerie."

One young mother living in the Voronezh suburbs, who has been seeking to leave the country but struggled to find remote work, said the Wagner insurrection — as well as shelling in the Russian town of Shebekino — had further eroded what sense of stability was left.

"We were locked in our village [on Saturday]," she said. "This has been my main fear since the beginning of the war, that we will get stuck and not be able to leave. And here it is, realised."

Pro-Kremlin voices were quick to praise Putin for stabilising the situation, brushing aside apparent contradictions.

Dmitry Kiselyov, Russia's de facto chief propagandist, claimed in his flagship current affairs show that the insurrection had proved that "Russia once



High alert: police officers patrol close to Red Square in Moscow yesterday. Below, Vladimir Putin with Margarita Simonyan
Maxim Shipenkov/EPA-EFE/Shutterstock; Mikhael Klimeniyev

again passed the maturity test". Society did not support a revolt, he said.

"Why was it possible to end an attempted insurrection without bloodshed? Because the people had supreme confidence in the president," Kiselyov said. But with Putin limiting his public remarks and most of Russia's other top officials, except for foreign minister Sergei Lavrov, keeping silent, even the Kremlin's most fervent mouthpieces had little to work with.

A special edition of *Moscow, Kremlin, Putin*, a sycophantic state TV programme that focuses on mundane aspects of the Russian president's life, was left rushing for material.

"We will follow the events along with you," host Pavel Zarubin whispered

from a room where Putin was preparing to chair a meeting with top security officials. But the only footage of Putin's comments that made it on air was his greeting to the ash-faced security officials, leaving Zarubin to wax lyrical in a voiceover as the camera zoomed in on the clenched fists of national guard boss Viktor Zolotov.

"Here are a few close-ups, as we say on TV," Zarubin said. "Of course, these images will be carefully studied and [the officials'] faces will be closely scrutinised. We will learn the results of the meeting later."

A few pro-Wagner military bloggers continued to defend Prigozhin, chiding other nationalists for their hypocrisy. "I cannot understand those who just a few days ago were furiously jacking off Wagner PMC — and are now suddenly yelling about when, how, and where the traitors should be executed," Alexander Pelevin, a vocal supporter of the assault on Ukraine who had long cheered Wagner, wrote on his Telegram channel.

But others in pro-war media were already hurrying to dissociate themselves from Prigozhin and demonstrate fealty to the Kremlin.

Andrei Kolesnikov, senior fellow at the Carnegie Endowment for International Peace, said the regime had undoubtedly come off looking weaker from the incident, but the Putin government still appeared better than the alternative. "Ordinary Russians, even if they want changes, if they realise that

'The best strategy is to support or imitate support of Putin'

Andrei Kolesnikov

these changes do not lead to better things, will prefer the usual dish on their menu — Putin," he said.

"Yes, Putin and his regime demonstrated weakness, but if the alternative wasn't convincing, the best strategy is to support or imitate support of Putin."

Indeed, many Russians said they were ready to move on from the episode.

"In my circle, no one pays attention to the news and just lives their life," said a young woman from St Petersburg. "When Prigozhin was heading towards Moscow, of course, it was nerve-racking for people . . . But to be honest, this horror has been continuing for one-and-a-half years already, and living in a state of depression, fear and horror all the time is impossible."

Another young woman, a resident of the Voronezh region, acknowledged there had been "unpleasant" moments during the episode.

She had been standing at her kitchen counter when she suddenly saw a military helicopter flying right over a neighbouring house. A neighbour sent a video of a helicopter with armed men leaning out of the door.

Still, she mocked those who had panicked, recalling the story of someone who had gone out and stockpiled buckwheat. "What are you going to do, build barricades out of this buckwheat?"

She added: "If you fall into hysteria, then what? You check into a mental hospital? We have to live somehow."

Janan Ganesh see Opinion

West Africa

Inflation has driven 4mn Nigerians into poverty, says World Bank

AANU ADEOYE — LAGOS

High inflation helped push an additional 4mn Nigerians into poverty in the first five months of the year, with growth forecast to be too low to lift incomes in Africa's largest economy, according to World Bank estimates.

Annual inflation in Nigeria has been in double digits since 2016 and climbed to an almost two-decade high of 22.4 per cent last month on the back of soaring food and non-alcoholic beverage prices and elevated energy costs, according to the National Bureau of Statistics. Nigeria has one of the highest rates of inflation in Africa.

Some 63 per cent of Nigerians, or about 133mn people, were already classed last November as being "multi-dimensionally poor" by the bureau, meaning they lack adequate access to food, healthcare and sanitation, in addition to suffering financial hardships.

Alex Sienaert, lead economist for the World Bank in Nigeria, said the slowing pace of inflation in many countries, as monetary policymakers raised rates, had not been visible in Nigeria. "There is an entrenched structural inflation that has taken hold that cannot be explained by some of the global supply chain issues or the energy crisis," Sienaert said, as the bank launched its latest development update on the country.

But the bank said policies adopted by the government of president Bola Tinubu, who took office last month, offered an opportunity to boost growth.

Nigeria's central bank has raised the key interest rate by 700 basis points since May 2022 and mopped up liquidity at commercial lenders with a cash reserve ratio that has been raised by 500bp in the same period as it seeks to tame inflation.

The World Bank said those measures were "undermined by monetisation of the budget deficit and other inconsistent policies". It was referring to a scheme in which the central bank loaned more than \$50bn to the federal government under former president Muhammadu Buhari.

Sienaert said other trade and industrial policies — such as directed credit to businesses, the closure of land borders since 2019, use of multiple exchange rates and bans on certain industries accessing foreign exchange from the central bank — had also fuelled inflationary pressures in Nigeria. "It seems quite clear that the previous mix of domestic policies have been the driver of what is clearly the higher structural rate of inflation in Nigeria than elsewhere in the region on average," he said.

The Washington-based lender maintained its forecast for Nigerian gross domestic product to increase by 3.3 per cent this year, a level "not enough to meaningfully lift incomes per person and help to reduce poverty".

The new government has eliminated most of Nigeria's costly \$10bn-a-year petrol subsidies. Shubham Chaudhuri, the bank's country director in Nigeria, said Tinubu's administration was making "bold steps" with the reforms and urged it to provide "robust" support — such as targeted cash transfers to cope with rising costs — to stop more Nigerians falling into poverty.

US Supreme Court

State judges retain oversight of election rules

STEFANIA PALMA — WASHINGTON

The US Supreme Court has affirmed state courts' power to review election rules set by state lawmakers, in a case that some feared would disrupt how polls are run across the country.

In a 6-3 decision, the court yesterday upheld a North Carolina Supreme Court decision that had rejected the state's congressional map as unconstitutional gerrymandering aimed at favouring Republican candidates.

Chief Justice John Roberts wrote the majority opinion, which was backed by liberal and conservative justices. Three of the court's conservative justices, including Clarence Thomas and Samuel Alito, dissented.

North Carolina's Republican-controlled legislature had brought the case in an attempt to curb state courts' oversight of the election maps drawn up by lawmakers, arguing that under the constitution, state lawmakers, not judges, were chiefly responsible for setting the rules for US congressional and presidential contests.

It ignited a debate about state courts' jurisdiction over federal elections and the North Carolina legislature had urged

the Supreme Court to adopt a legal theory giving state lawmakers expansive authority over how federal polls are run.

Richard Briffault, professor at Columbia Law School, said the court's decision "really pushes back" on an extreme version of that legal theory. The majority's tone conveyed that "state courts have a very legitimate role to play in . . . interpreting and applying their state consti-

'[The constitution] does not vest exclusive and independent authority in state legislatures'

tutions in election disputes, including [those] involving federal elections".

Roberts wrote in the majority opinion that the elections clause in the US constitution "does not vest exclusive and independent authority in state legislatures to set the rules regarding federal elections", and that when such rules were crafted, "they remain subject to the ordinary exercise of state judicial review".

The dissenting justices wrote that the case should have been dismissed since the North Carolina Supreme Court —

whose balance of power tipped from liberal to conservative — later reversed its own decision.

Some critics warned that a broad decision in favour of North Carolina's legislature would have curbed courts' power to ascertain the validity of elections and left state lawmakers' powers unchecked.

The decision addressed wrangling over state electoral maps and "gerrymandering" across the US, in which political districts are drawn to benefit a particular party.

In a brief joined by 19 senators, Amy Klobuchar, the Democratic senator from Minnesota who chairs the Senate rules and administration committee overseeing federal elections, said she had "seen first-hand how state legislative efforts to restrict voting rights and limit opportunities for people to cast a ballot can pose the risks to individual liberty that" the constitution's drafters had feared.

In a brief supporting North Carolina, the Republican National Committee said: "The constitution itself, along with federal statutes, already impose multiple safeguards that would otherwise prevent a state legislature from overturning valid federal election results."



West Bank

US hits at Israeli plan for more settler homes

JAMES SHOTTER — JERUSALEM

The US has criticised a decision by Israel's far-right government to advance plans for 5,700 new homes in Jewish settlements in the occupied West Bank, branding it "an obstacle to peace".

The move is part of an acceleration in settlement expansion by Benjamin Netanyahu's government — in which ultranationalist settlers hold important roles — and brings the total new housing units advanced this year to more than 15,000, almost triple last year's figure.

The international community regards the settlements in the West Bank — territory Palestinians seek as the heart of a future state but which Israel has occupied since 1967 — as illegal, and the US state department said it was "deeply troubled" by the news. "The United States opposes such unilateral actions that make a two-state solution more difficult to achieve," it said.

Peace Now, an Israeli advocacy group that monitors the settlements, said the number of new housing units in the West Bank announced this year was already the highest since it began collecting systematic data in 2012.

"The Israeli government is pushing us at an unprecedented pace towards the full annexation of the West Bank," the group warned.

The decision to press on with the new housing units comes at a time of inflamed tensions in the West Bank. Violence in the territory has surged since Netanyahu's government took office in December, fuelling fears that the conflict could be heading for a broader escalation.

This year is on course to be the bloodiest in the West Bank for more than a decade, with Israeli forces conducting

near-nightly raids in the territory following a spate of attacks by Palestinians on Israelis in spring last year.

According to the latest UN data, Israeli forces have killed 114 Palestinians in the West Bank this year and Palestinians have killed 16 Israelis. The rate of attacks by settlers on Palestinians and their property has also jumped 16 per cent compared with last year, according to UN data.

Over the past week, there has been a renewed cycle of violence, which began after Israeli forces killed seven Palestinians and injured more than 90 in a raid on the city of Jenin on June 19, which escalated into a lengthy gun battle with militants. The following day, two Palestinian gunmen shot dead four Israelis and injured another four at a petrol station near the Jewish settlement of Eli.

That shooting, in turn, was followed by a series of rampages by settlers through Palestinian towns in the West Bank, such as Turmus Ayya, where houses and cars were set alight.

The Palestinian foreign ministry yesterday accused Israel of "rewarding settler terrorism" by advancing the new housing units.

See The FT View



Tension: an Israeli settlement in southern East Jerusalem, West Bank

INTERNATIONAL

Global economy

China premier chides west over trade curbs

Li dismisses de-risking as 'false proposition' in address to WEF event

THOMAS HALE — TIANJIN

China's premier Li Qiang has criticised a western push to limit trade and business ties with the country and promoted international economic co-operation in a speech that described de-risking as a "false proposition".

"Governments should not over-reach themselves, still less stretch the concept of risk or turn it into an ideological tool," Li said in the keynote address yesterday at a World Economic Forum event in

which he criticised the "politicisation of economic issues".

Li warned that "some in the west" were "hyping up . . . reducing dependencies and de-risking" and said such efforts were "false propositions", arguing that businesses were in the best position to assess risk.

His speech, delivered in front of an international audience that has become a rarity in China since the start of the pandemic, provided an unusually clear response from Beijing's highest levels to an array of western policies intended to limit corporate and economic exposure to China as geopolitical ties fray.

Relations between the US and China, which were already at their lowest level

in decades, deteriorated sharply this year after Washington shot down a suspected Chinese spy balloon in February. Russia's invasion of Ukraine has also increased international attention on the possibility of a conflict over Taiwan.

The US and China have recently made attempts to stabilise their relationship with a series of meetings between senior officials, including a visit to Beijing this month by Antony Blinken, secretary of state. But that effort was quickly undercut by US president Joe Biden referring to Xi Jinping, the Chinese leader, as a "dictator".

The WEF's Annual Meeting of the New Champions, known as the "Summer Davos", is taking place in the north-

ern Chinese port city of Tianjin this week for the first time in four years.

It is being attended by dignitaries including Chris Hipkins, New Zealand prime minister, and Ngozi Okonjo-Iweala, the World Trade Organization director-general, but by few top US business leaders.

Chinese policymakers and provincial governments have been encouraging foreign investment this year as they face a challenging economic backdrop following three years of pandemic isolation under the zero-Covid regime.

A number of high-profile foreign business leaders, including Tim Cook of Apple, Elon Musk of Tesla and Jamie Dimon of JPMorgan Chase, have made

recent trips to China. At a roundtable with business leaders yesterday, Li said Beijing would support the development of foreign companies and would not "abuse the use of security reviews". Business confidence has been shaken by a string of raids on foreign consultancies in China. "I want to take this opportunity to affirm China's commitment to opening up," Li said.

The premier, who visited France and Germany last week, also focused heavily on the need for co-operation and communication, noting in his speech China's "deep integration" in the world economy and saying the country had developed by "embracing globalisation".

Martin Wolf see Opinion

Independent analysis

Beijing blocks financial bloggers as recovery falters

EDWARD WHITE — SEOUL
HUDSON LOCKETT — HONG KONG

China is cracking down on financial sector commentators, a move that erodes the space for independent analysis and data and challenges Beijing's official narrative of the health of the world's second-biggest economy.

Wu Xiaobo, one of China's most prominent economic commentators with nearly 5mn followers on Weibo, was blocked on Monday alongside two unnamed writers, said the owner of the Twitter-like platform.

Sino Weibo, the social media platform's owner, deleted Wu's recent posts saying he had spread harmful information that undermined government policy, including manipulating unemployment rates and spreading false accusations against the securities market.

The decision recalled a campaign launched in 2021 by the Cyberspace Administration of China to silence market sceptics and stifle pessimistic opinions about the Chinese economy. Last year, Hong Hao, an outspoken market strategist, was ousted from state-owned brokerage BoCom International over his bearish market commentaries.

The latest crackdown comes against a backdrop of rising concern over China's rocky recovery from President Xi Jinping's zero-Covid policies. Six months after authorities unwound pandemic restrictions, growth has struggled to

5mn

Number of people following financial blogger Wu Xiaobo online

1%

Fall in China's stock index this year. The US market is up 13%

take off, hampered by property sector weakness, slower than expected consumer spending and trade headwinds.

Youth unemployment hit a record 20.8 per cent last month.

China's benchmark CSI 300 stock index has also badly underperformed global peers, falling about 1 per cent this year, following a decline of more than a fifth in 2022. That compares with a 13 per cent gain for the S&P 500 this year.

Pressure has also been building on the renminbi, which touched a seven-month low against the dollar this week and is down about 5 per cent this year.

In the wake of a flurry of data that missed analysts' expectations in recent weeks, economists have begun trimming their growth forecasts, and expectations are mounting that Beijing will intensify fiscal stimulus in an effort to spur growth.

Experts warned that censoring online commentators would make it even harder to obtain reliable data and information on China — a critical challenge for many countries and companies reliant on Chinese consumers and industry.

"It is alarming but it has been alarming for some time," said Victor Shih, professor of Chinese political economy at the University of California, San Diego.

The latest targeting of financial bloggers, Shih said, probably reflected policymakers' concerns that "a pervasive narrative that the economy is not doing very well" would undermine efforts to shore up the recovery.

"This kind of censorship is more geared towards the Chinese public, to make sure that there isn't such a negative view on the Chinese economy."

Middle East. Public forums

Egypt loosens tight grip on domestic dissent

Opposition hopes concessions will follow but some activists are cynical ahead of election

HEBA SALEH — CAIRO

One morning this month political science professor Mustapha Kamel al-Sayed, a critic of the Egyptian regime, took to the stage in a packed Cairo hall and openly denounced the way the country's security services had curbed academic freedoms.

"The universities are being viewed as a threat to national security," said al-Sayed. Lecturers could not travel abroad to conferences or invite speakers to campus without a cumbersome process to obtain permission, he complained. Social science research on domestic issues was frequently blocked, another speaker said.

Such frank public criticism of the powerful grip of the security services has rarely been heard in Egypt since the popularly backed coup that brought former military chief Abdel Fattah el-Sisi to power a decade ago. But this meeting was part of a "National Dialogue" launched by Sisi himself.

For the first time in years, opposition figures, human rights activists and regime critics — including some who had been jailed or have court cases pending — have been offered a forum to air their views and push for reform.

Since the dialogue started in May meetings, open to the press, have been held at a government conference centre three days a week. As a confidence-building measure, Sisi has freed more than 1,000 political prisoners since the initiative was proposed last year.

Few believe that, after a decade of swingeing crackdowns on dissent and political debate, the exercise will transform Egypt's authoritarian state into a democracy. Some human rights activists view it as a cynical effort aimed at polishing the image of a repressive regime ahead of elections next year.

But many in the secular opposition hope that at a time of grinding economic crisis and with polls looming, the process could bring concessions and offer a small opening for opposition voices.

"There is no doubt that the economic crisis and other pressures have made [the regime] feel it has to open up," said Mohamed Anwar Sadat, a former MP and member of opposition alliance the Civil Democratic Movement, which is taking part in the dialogue.

"I don't think this will become a way



Rare occurrence: protesters in Cairo shout anti-government slogans in September 2019. Below, President Abdel Fattah el-Sisi addresses a National Dialogue event last month

Amr Abdallah Dalsh/Reuters
Khaled Desouki/AP/Getty Images



of life. But if the dialogue yields results such as prisoner releases or a freedom of information law, it would be a benefit."

In 2013 Sisi, then defence minister, ousted the elected Islamist president, ending a chaotic experiment with democracy that began with the 2011 uprising against authoritarian rule.

Since then, he has presided over one of the harshest crackdowns on dissent in Egypt's modern history. The main target has been the Muslim Brotherhood, which won the elections after the 2011 revolution. But regime critics of all political hues have also been arrested.

Room for dissent has shrunk dramatically: protests are restricted and most media organisations are controlled by security agencies.

At the same time, the government has been struggling with a foreign currency crunch after Russia's full-scale invasion of Ukraine exposed Egypt's debt-fuelled economy. A series of devaluations has halved the value of the Egyptian pound against the dollar, while food price inflation reached 59 per cent in May, according to official statistics. This has piled hardship on to a population in which the World Bank classifies at least 60 per cent as poor or economically vulnerable.

In May, Diaa Rashwan, the government-appointed dialogue co-ordinator, told a press conference after the launch of the initiative that Sisi was convinced that "political reform in Egypt is overdue, because in previous years the priority was to ensure the survival of the state". In recent days, the president has said that in response to the exercise he would create an anti-discrimination watchdog and a freedom of information law. He also vowed "unconditionally" to approve dialogue recommendations that fell within his authority.

But expectations remain limited, because the authorities have set rules

'If the dialogue yields results such as prisoner releases or a freedom of information law, it would be a benefit'

that bar discussion of issues such as the constitution, foreign policy and national security. The government itself is not represented at the talks.

"They are not present so they don't speak or respond," said Hossam Bahgat, director of the Egyptian Initiative for Personal Rights, a civil society group. "It is not a dialogue. If you want to be generous, you can call it a series of town hall hearings."

He said the number of freed prisoners had been "dwarfed" by new arrests since preparations for dialogue began.

Bahgat has been subject to a travel ban and asset freeze since 2016 in connection with a case targeting civil society groups that receive foreign funding. Nonetheless, he has accepted an invitation to the talks. But his decision to take part has been attacked by some in the human rights movement, who believe there should be no dialogue before all political prisoners are released.

Bahgat rejects the criticism. "It is better to be in a state of dialogue than a crackdown," he said.

Political science professor Sayed argued that only small steps were possible. "If we can move [the regime] to become a less harsh authoritarian regime, that would be a step forward."

Latin America

Exiled Correa takes proxy route to regain power in Ecuador but faces risk of united opposition

JOE DANIELS — BOGOTÁ

Rafael Correa, the former leftwing president of Ecuador who was convicted of corruption, is trying to regain power via an ally in early elections this summer as the country grapples with an escalating crime wave.

Eight candidates are preparing to compete in the August vote triggered by the dissolution of congress. Correa's chosen candidate, Luisa González, is the early frontrunner thanks to his endorsement.

His Citizens' Revolution is Ecuador's

strongest party and won victories in local elections in February, including the mayoralties of the two largest cities. A victory for González would end a two-year swing to the right under Guillermo Lasso, the outgoing president.

González, 45, is open about being a proxy for Correa. She has little political capital and plans to end a constitutional ban on re-election after two terms, paving the way for Correa's return.

"My main adviser will be Rafael Correa," she told Telesur, a leftwing news channel funded by Venezuela, Cuba and Nicaragua. "Tell me if there is anyone who knows the country's economy better, someone who has better demonstrated what to do and how to do it."

But to win González will need to overcome the potential for the opposition to unite against her, a dynamic that defeated Correa's preferred candidate in 2021 when Lasso came to power.

She will also have to convince voters she can fight a wave of violence prompted by drug traffickers competing for territory in the country of 18mn

people, which is a big exporter of crude oil, bananas and fish.

Despite living in exile, the leftwing firebrand Correa is still the dominant political figure. He sought political asylum in Belgium to avoid jail after a conviction for corruption related to his 2007-17 presidency.

A second round is likely this year, analysts and pollsters say, given the number of candidates and the fragmentation of political parties. At that point González may be tested on security, which nearly two-thirds of voters said was their main concern, according to pollster Perfiles de Opinión, followed by corruption and the economy.

"The Correistas need to win in the first round because in the second round it's likely that an anti-Correista coalition [will] form as it did in 2021," said Sofia Cordero, a Quito-based political scientist at the Observatory for Political Reforms in Latin America. One of the "pink tide" group of leftwingers who held office across Latin America in the early 2000s, Correa's presidency was

marked by high public spending, verbal attacks on perceived enemies and journalists, and a foreign policy shift away from the US and towards Beijing.

He is a divisive figure, with graffiti around Quito accusing him of fomenting protests by indigenous groups that paralysed much of the country last year. Lasso triggered early elections to avoid what he regarded as a politically motivated impeachment process. Whoever wins the August ballot will complete his



Campaigning: supporters of Rafael Correa have a new candidate to back

term, ending in May 2025. If no candidate wins more than half the vote, a runoff will take place on October 15. A new congress will also be elected in August.

Lasso, a self-made banking millionaire, is not running for re-election after repeated health problems and low ratings. His failure to tackle the security crisis or build bridges with a hostile congress could harm the chances of other conservatives, analysts have said.

The next president's truncated term means candidates will turn their attention immediately to the 2025 campaign, said Risa Grais-Targow of consultancy Eurasia Group.

"That will shape a lot of the policies that come under the next administration, both in terms of limiting their ability to enact constructive, investor-friendly policies and limiting some of the downsides as well," she said.

Correa said this year: "The objective is to recover power . . . To fight against the powers that be, against the elites that for 200 years have kept us in underdevelopment."

Some candidates are campaigning on a hardline security platform. Ecuador has faced rising violence as traffickers vie for territory, with murders quadrupling since 2018 to 4,800 last year.

Jan Topic, a political newcomer, has spoken of Ecuador's need for a leader such as Nayib Bukele, the strongman president of El Salvador.

Also running is Otto Sonnenholzner, a past vice-president seen as representing the business elite. Yaku Pérez, an indigenous leader who beat expectations to come third in the 2021 election, is campaigning on environmental issues.

Some observers say people may be ready to support someone not defined by their support or opposition to Correa.

"There's a clear opportunity for an outsider," said Sebastian Hurtado of Profitas, a consultancy. Topic and Pérez could gain by focusing on issues such as crime and the environment rather than personality politics, he said.

"People want something different." *Additional reporting by Michael Stott in London*

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Companies & Markets

Gunvor and Vitol help keep Russia's refined fuels flowing

- Energy traders among top 10 buyers
- Data shows exports of 1.6mn tonnes

TOM WILSON, DAVID SHEPPARD AND CHRIS COOK — LONDON

Vitol and Gunvor, two of the world's largest independent energy traders, remain significant buyers of refined oil from Russia more than a year after both pledged to drastically reduce business with Moscow following the full-scale invasion of Ukraine.

Analysis of export records filed with Russian customs in the first four months of 2023 show that both were among the top 10 buyers of refined products, such as petrol and diesel.

Gunvor, based in Switzerland, was the eighth largest buyer by value, shipping 1mn tonnes of petroleum products worth about \$540mn, according to the data reviewed by the Financial Times.

'It may be profitable in the short term but there are questions over just how sensible it is'

Vitol, whose top executives are mainly in London and Geneva, was the 10th largest buyer, shipping about 600,000 tonnes worth about \$400mn, according to the data.

Both companies confirmed they were regular buyers of Russian refined fuels but disputed the accuracy of the data.

Trading in Russian refined fuels is not prohibited by western sanctions and has even been encouraged by Washington to limit supply disruptions, as long as traders comply with western restrictions imposed since the invasion of Ukraine last year. Punitive measures include the G7 price cap introduced in February that seeks to limit the price Moscow gets for its refined oil products.

But the challenge of complying with the price caps, combined with the reputational risk in Europe of continuing to

trade with Russia, has led many European traders, including BP and Shell, to cease dealing with Russian flows entirely. Vitol and Gunvor have stopped dealing in Russian crude oil.

Jean-François Lambert, a consultant in the commodity trading industry, said there were questions about why the trading houses were keen to maintain the shrunken business. "If this is no longer a material part of their business then why take on the reputational risk?" he asked. "It may be profitable in the short term but there are questions over just how sensible it is."

Exporters' customs declarations have been one of the last remaining tools for analysing Russian trade flows after Moscow stopped publishing its aggregated customs statistics last year. They shine a light on some of the steps trading houses have taken to remain involved in the market. In total, 50 companies exported refined petroleum worth a combined \$16bn from Russia over the first four months of this year, the data shows.

Gunvor said its own records showed it had purchased just over 700,000 tonnes in the period with a value of about \$330mn. Vitol said the customs declarations did not match its internal figures but declined to provide its own data. It reiterated a comment from chief executive Russell Hardy in March that it was trading "less than 100,000 barrels a day" – suggesting a maximum of about 1.5mn tonnes over four months. Vitol said its exports of refined Russian petroleum products complied with "all applicable legislation and regulation".

The customs records show that Gunvor and Vitol are the only western-owned companies still among the top 10 buyers of Russian refined petroleum. The other eight are a mixture of Russian-controlled traders and recently established entities in the United Arab Emirates, Hong Kong or Singapore.

High-flyers US corporate jet spending jumps as executives hold on to pandemic-era perks



Jet spending for bosses at S&P 500 groups was \$41.3mn last year, up 22% from the year before — Kevin Dietsch/Getty Images

PATRICK TEMPLE-WEST — NEW YORK

US corporate spending on jet travel has jumped for the second year in a row, highlighting how companies continue to spend on flying perks they insisted were needed during the Covid-19 pandemic.

Jet spending for chief executives at S&P 500 companies increased to \$41.3mn last year, up 22 per cent from the year before and the highest amount in at least 10 years, according to data from ISS Corporate Solutions.

Facebook's parent company Meta spent the most among S&P 500 companies for a CEO's air travel, reporting \$2.3mn on private flights for Mark Zuckerberg. But that was dwarfed by the more than \$4mn Meta spent for Sheryl Sandberg, who stepped down as chief operating officer last year.

Anger over corporate jet spending has faded since bank and car company executives were castigated for

flying on private jets to Washington during the great financial crisis.

But the optics of big corporate jet travel could still prove tricky for executives, said Matteo Tonello, managing director at The Conference Board.

"With a growing debate about inequity, it can be a problem for a company if its leaders are displaying publicly their privilege," he said. It can also appear to clash with a company's efforts to cut carbon emissions.

As Covid-19 enveloped the world in 2020, companies expanded private jet privileges, arguing that the higher spending was justified to avoid executives contracting the virus. Covid-19 infections continued to ripple across Europe in the winter of 2022 and again in the US spring.

Corporate spending on aircraft was relatively flat from 2011-19, said Ramy Ibrahim at ICS. But since 2019, S&P 500 companies have increased jet spending by 40 per cent.

"It stands to reason that the pandemic has something to do with it," Ibrahim said.

Four companies spent more than \$1mn on private jet travel for chief executives last year — Meta, Lockheed Martin, Netflix and Las Vegas Sands — versus two in 2021.

Defence contractor Lockheed spent \$1.3mn on flights for CEO James Taiclet, including commutes to his home out of state and "deadhead" flights — when an aircraft is used for a one-way charter. Lockheed spent \$1.1mn on flights in 2021. Jet spending at Netflix and Las Vegas Sands increased 129 per cent and 46 per cent respectively.

Netflix pointed to CEO pay changes announced this year, including a \$3mn salary cap. Meta and Lockheed said they had no comment.

Securities and Exchange Commission rules generally require companies to report air travel by executives as part of their pay package.

Dollar will be dominant for decade, say central banks

MARY MCDUGALL

The dollar will maintain its position as the world's dominant reserve currency over the next decade, confounding growing calls from some countries for the adoption of alternatives, according to a closely watched annual survey of central banks.

Research by the Official Monetary and Financial Institutions Forum, a UK central banking think-tank, found that reserve banks managing close to a combined \$5tn of assets expect the dollar to continue to decline as a proportion of global reserves at a "gradual" pace.

However, it will still account for 54 per cent of the total in 10 years' time compared with 58 per cent currently, the survey found.

Among those trying to challenge the dollar is Brazil's President Luiz Inácio Lula da Silva, who called for emerging markets to review their reliance on the currency at a summit in Paris last week.

The dominance of the dollar has gradually declined in recent decades as the role of the US in global trade has waned while the freezing of more than \$300bn worth of Russian central bank assets last year sparked fresh calls among some of the world's largest emerging economies to shift away from the US currency.

At the turn of the century, the dollar accounted for more than 70 per cent of global reserves, according to IMF data.

"The sense of de-dollarisation is in line with the historic trend over the past 10 years," said Nikhil Sanghani, managing director at OMFIF. "Reserve managers are telling us there's unlikely to be a major trend from that path."

The survey found that 16 per cent of reserve banks planned to increase US dollar exposure in the next two years compared with 10 per cent planning to reduce it. However, over the next 10 years, a net 6 per cent of reserve banks expected to reduce dollar holdings.

China, the world's largest reserve asset holder, has sought greater adoption of its currency. But Sanghani said some reserve managers "will be looking at US tensions with China and be reluctant to invest in China right now".

The study found just 13 per cent of respondents said they expected to raise holdings in China's currency, down from more than 30 per cent last year. However, on a 10-year horizon, its share of global reserves is forecast to grow from about 3 per cent to 6 per cent.

Additional reporting by George Steer

Hong Kong's crypto push puts HSBC and StanChart in a bind

INSIDE BUSINESS

ASIA

Kaye Wiggins



bank accounts, and that's making it difficult," said Gaven Cheong, a partner who advises on crypto funds at the PwC-affiliated law firm Tiang & Partners. "If you set up a bank account for a crypto exchange, you've got to worry about the flows that are coming in."

As a result, Cheong says the banks are concerned about protecting themselves against charges of handling the proceeds of crime. But Hong Kong's watchdogs seem to be actively trying to bring in crypto business, including by cajoling banks to make life easier for exchanges and meeting founders facing crackdowns in the US.

Tyler Winklevoss, whose New York crypto exchange Gemini was sued by the SEC in January, tweeted last week about a "great meeting" with Hong Kong's Securities and Futures Commission and said: "Hong Kong is ready to lead in crypto."

Few in Hong Kong's finance community seem to know why it wants to attract crypto firms, given the series of collapses in the industry and the US's move in the opposite direction.

Some speculate that Beijing decided to use Hong Kong as a testing ground for ways mainland China might one day allow crypto to return. Others say Hong Kong is worried that its role as a financial centre is in decline — in part because of Singapore's rise as a rival Asian finance hub.

Whatever the reasons, the pressure from the Hong Kong Monetary Authority is real. The regulator has summoned HSBC, Standard Chartered and other banks to a series of meetings to ask them why they are not providing the basic

services that would enable crypto exchanges to rent offices and pay staff in the territory.

It wants them to consider providing banking services to even those crypto firms that Hong Kong's SFC has not yet awarded a licence, especially if they are in the process of applying for one, it said in a letter to banks in April.

A top executive at a crypto firm applying for the licence said the letter "was one of the most direct I've ever seen a regulator issue".

But it is unable to offer meaningful reassurance. If banks were found to be handling the proceeds of crime it would fall to law enforcement bodies such as Hong Kong's police or potentially the US Department of Justice — not the HKMA — to take action. That puts the banks in an awkward position. If they keep Hong Kong's political and regulatory elite happy, they risk putting themselves in the DoJ's firing line.

The other option is to alienate Hong Kong, and risk losing goodwill in a market that is financially and strategically vital. Their best hope might be that Hong Kong's stringent approach to regulating crypto kills its allure.

So far, HSBC appears to be engaging in a delicate dance, turning up to meetings with regulators and making at least some of the right noises while its senior executives remain cautious. But it cannot do that indefinitely. In the end, this is about more than crypto.

For HSBC's leaders, it is a test of how intelligently they can navigate competing demands from the bank's twin bases, east and west, at a time of fracturing political ties. That problem will present itself in different forms, and perhaps with greater intensity, in the years to come.

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COMPANIES & MARKETS

Technology

Zalando clashes with EU over digital rules

Retailer says its inclusion on list of platforms with extra obligations is unfair

JAVIER ESPINOZA — BRUSSELS

The EU's landmark law designed to force Big Tech companies to more aggressively police content on their platforms is facing its first legal challenge, after Europe's largest online fashion retailer alleged it was being unfairly targeted by the new rules.

Germany's Zalando yesterday filed a complaint before the EU's general court in Luxembourg, arguing the European Commission — the bloc's executive arm — had unfairly labelled the company as

a "very large platform" under the Digital Services Act, which imposes extra obligations to tackle disinformation online.

The move will be monitored by Big Tech companies, some of which are considering launching their own challenges against recent EU legislation designed to rein in how online giants such as Google, Amazon and Facebook operate in Europe.

Such legal action was expected to be led by Silicon Valley groups, rather than a rare European tech giant.

"The DSA is the right thing to do but we are puzzled that we were designated as a very large online platform alongside 18 other companies," said Robert Gentz, Zalando's chief executive and co-founder. "We're the only European com-

pany on that list." The act, which comes into force on August 25, is part of a major overhaul of the bloc's digital rules. It sets new standards for policing hate speech, disinformation and counterfeits online that all large digital platforms must comply with.

In April the commission designated a total of 19 companies with special obligations under the law, including TikTok and Twitter. In its lawsuit, Zalando has argued that the commission's methodology to include the German retailer on the list was faulty.

"As the brand that we are, we don't want to be associated with this category," said Gentz. "These companies are talked about as bad actors and all of a sudden we are on the same list. This is

bad for our brand." The German company argues that, while there are more than 83mn visits to its website each month, there are fewer than 31mn visitors likely to buy products from third-party sellers. That's below the 45mn required by the commission to designate a company to be within the scope of the DSA.

"All the others were designated on the basis of users but we're designated on the basis of visitors," said Gentz. "That's unequal treatment."

Gentz said Brussels also misunderstood his company's hybrid model. More than 60 per cent of sales are derived from products sold directly to online shoppers, while the remaining less than 40 per cent come from other

vendors through the Zalando site. The DSA seeks to target intermediaries such as Zalando so that regulators can better police the safety and authenticity of products sold online.

Gentz held a meeting last week with Thierry Breton, the EU commissioner in charge of enforcing the digital rules, to discuss Zalando's responsibilities in relation to the DSA.

Last week Breton travelled to Silicon Valley where he oversaw a voluntary "stress test" of the rules at Twitter's headquarters.

"Technology has been 'stress testing' our society. It is now time to turn the tables," Breton said.

The European Commission declined to comment.

Financials

Brookfield makes \$4.3bn cash and share offer for US insurer AEL

ANTOINE GARA AND SUJEET INDAP
NEW YORK

Brookfield has offered to acquire American Equity Investment Life for \$4.3bn, making it the latest private capital manager looking to expand in credit investing by adding retirement annuity and life insurance assets.

The AEL board has lifted a "standstill" provision that allows Brookfield to purchase more company shares than the 20 per cent stake it already owns, according to a securities filing yesterday. According to a letter from Brookfield addressed to AEL directors in the filing, a definitive deal contract could be signed by the end of this week.

AEL, based in West Des Moines, Iowa, is one of a few independent annuities operators remaining amid a wave of consolidation and has more than \$70bn in total assets. Private equity groups have bought up similar businesses as they aim to expand their investable assets.

Under the terms of the proposed transaction, Brookfield's listed insurance affiliate, Brookfield Reinsurance, would acquire AEL shares for cash and stock for \$55 each, an implied premium of 35 per cent to Friday's closing price. Almost \$40 of the per-share consideration is to be in cash, with the remainder to be paid in shares of Brookfield Asset

AEL had long been coveted as one of the last large 'fixed-indexed' annuities merchants

Management, a listed affiliate of Brookfield. A deal would end a public dispute that erupted last year, when a Brookfield executive resigned from the AEL board and criticised the company's chief executive, Anant Bhalla, for what he said was a "fundamental change in the strategic direction of AEL".

The insurer had entered into a multi-billion-dollar reinsurance agreement with start-up private capital firm 26North, founded by the longtime Apollo executive Josh Harris.

AEL had also bought a \$250mn stake in 26North. Brookfield demanded AEL explain the circumstances of the 26North transactions which it suggested were ill-conceived by Bhalla.

AEL fired back, calling Canada-based Brookfield a "direct competitor" that could not remain on the board because in 2022 it acquired a Texas-based life insurer, American National, for \$5bn.

AEL had long been coveted by investment managers as one of the last large "fixed-indexed" annuities merchants whose customer premiums could be invested in complex corporate loans and other fixed-income assets besides traditional bonds. In 2020, AEL had repelled an unsolicited joint bid from Apollo's Athene unit, which had partnered with MassMutual.

At that time, Brookfield purchased a stake in AEL and entered into a reinsurance pact, which gave the asset manager responsibility for managing billions in AEL customer liabilities.

Bhalla took the helm of AEL in early 2020 and had been implementing a strategy he called "AEL 2.0" in which the company partnered with multiple alternative asset managers to more aggressively invest the funds of customers.

Amid the governance turmoil late last year, AEL faced another unsolicited bid from Prosperity Life, a life insurer owned by Elliott Management. Prosperity dropped that \$4bn offer early in 2023 after AEL's board rebuffed it.

Financials. Geopolitical risk

Banks grapple with doubts over \$9bn China IPO

Syngenta seems a dream ticket but deteriorating Sino-US ties pose threat of rude awakening

KAYE WIGGINS, HUDSON LOCKETT
AND CHENG LENG — HONG KONG
THOMAS HALE — SHANGHAI

Goldman Sachs, JPMorgan and other western banks have spent months lobbying to work on one of China's biggest stock market listings.

Syngenta's planned \$9bn Shanghai offering seems like a dream ticket: a large international group that has existing relationships with global institutions.

But as rising geopolitical tensions unravel commercial ties between the US and China, the banks might not even be able to participate, reflecting the rapidly changing landscape in the second-largest economy.

"We do want to be a part" of the Swiss agricultural chemicals group's initial public offering, said one Asia-based banker. But "we always have the question mark: are we able to eventually work on this or not?"

Syngenta's owner for the past six years, state-owned ChemChina, is on a US watchlist of companies with close ties to China's military. Global banks are asking lawyers and political consultants if they can or should be part of the listing, yet most have no clear answer.

The Syngenta listing "is the embodiment of how difficult it is from a financial services standpoint to succeed in China," said Han Lin, China country head at advisory firm The Asia Group. "If you can't even do [the IPO of] an established international firm with a long history, what hope is there of participating in local deals?"

This year, foreign banks have been involved in just \$297mn worth of new listings in China, or 1.2 per cent of the total — putting them on track for the smallest share of the annual total since they began operating in the country's securities sector in 2009, according to data from Dealogic.

The freeze-out has been harsh for US banks, which have failed to nab spots on a single mainland IPO in 2023, despite \$26bn being raised this year.

If successful, the Syngenta offering will be the fourth-biggest listing in the mainland.

It has taken years to materialise. ChemChina, which pulled off the largest-ever outbound takeover by a Chinese group when it purchased Syngenta in 2017, tried to list it earlier but was delayed by the pandemic.

This year, Syngenta dropped plans to list on Shanghai's tech-focused Star



A Syngenta biotech facility in Beijing. The Swiss group plans a Shanghai IPO while owner ChemChina is on a US watchlist of companies with close ties to China's military

Kim Kyung-Hoon/Reuters

board after the exchange rejected it without explanation.

The company got the green light from a Shanghai Stock Exchange listing committee this month to list 20 per cent of the group on the exchange's main board. If Syngenta achieves its goal of raising Rmb65bn (\$9.1bn), it would rank as one of the largest listings in China's history, according to Dealogic data.

Bankers at Goldman, JPMorgan, Morgan Stanley, UBS and HSBC — all of which have mainland investment banking businesses — had been lobbying for roles on the listing, for which a roadshow could begin within weeks,

said people with knowledge of the process. An executive at one of the banks said: "Even given the US-China relationship, we continue to stick to our strategy" of bringing international investors to China.

Western banks are drawn to the listing because it would position them well to win more business if the company carried out a secondary listing in London, Zurich or New York.

The global banks' main selling point is their ability to bring in international investors, such as hedge funds and sovereign wealth funds.

"It's a Swiss company," said a banker. "If you're a Chinese investor, you'd want to see foreigners investing. It would give you more comfort."

As recently as October, banks including Citi, Morgan Stanley, JPMorgan and HSBC advised the Swiss group on a \$500mn bond issuance in Hong Kong.

However, the Syngenta IPO prospectus is available only in Mandarin, and no western banks have been publicly appointed even to junior roles.

Syngenta and the banks declined to comment.

In 2021, when Covid curbs prevented senior western bankers from travelling to the mainland to make pitches in person, Syngenta appointed China International Capital Corporation, Bank of China International and Citic Securi-

'We do want to be part of the listing but 'we always have the question mark: are we able to eventually work on this or not?'

ties as the main underwriters and lead distributors.

One issue is complications from widening sanctions. In 2022, ChemChina was placed on the Department of Defense "Chinese military companies" list. The US "reserves the right to take additional actions" against groups on the list as part of its effort to combat China's "military-civil fusion strategy".

Banks were not legally prevented from advising Syngenta on that basis, said Benjamin Kostrzewa, former assistant general counsel at the Office of the US Trade Representative and a lawyer at Hogan Lovells in Hong Kong. "But it could create some scrutiny from policymakers in Washington who are anxious to prevent US companies from supporting companies associated with the Chinese military."

It is not clear whether western banks — especially US ones — will be able to get far enough into the process to have to worry about such questions.

Executives from two US groups said they would make final decisions about whether they could act on the deal if they won mandates to do so. In the meantime, their Asia-based bankers were in limbo. "Do we pitch it 100 per cent all in, or to 80 per cent?" asked one. "You probably wouldn't be all in."

Additional reporting by Arjun Neil Alim in London



Automobiles

Electric-truck maker Lordstown hits Foxconn with lawsuit as part of bankruptcy filing

CLAIRE BUSHEY — CHICAGO
PETER CAMPBELL — LONDON

Lordstown Motors has filed for bankruptcy protection, marking the end of the road for an ailing electric-truck manufacturer that promised a corner of the US Rust Belt hundreds of jobs tied to the industry's green transition.

The company said the move followed the unravelling of a deal with Foxconn, which in 2021 agreed to partner with Lordstown and help produce its flagship pick-up, the Endurance, and last year purchased its plant.

Lordstown yesterday accused Foxconn of failing to "execute on the agreed-upon strategy, leaving us with Chapter 11 as the only viable option to maximise the value of Lordstown's assets for the benefit of our stakeholders".

Lordstown is suing Foxconn as part of

the bankruptcy filing, alluding to a history of other ventures between US companies and the Taiwan manufacturer that floundered, saying "their modus operandi in the United States is to under-, or never, deliver".

The filing said: "This case arises from, and is based on, the fraudulent conduct of one of the world's largest manufacturing companies, which, over time, had the intended effect of destroying the business of an American start-up."

Foxconn said yesterday that it had sought to reach a solution with Lordstown and accused the US group of "malicious attacks".

The group, best known as a contract maker for Apple's iPhone, claimed Lordstown was trying "to mislead the public" and that it was suspending negotiations with the start-up while reserving "the right to pursue legal actions".

Launched in 2019 and operating out of a former General Motors plant in north-eastern Ohio, Lordstown is the highest-profile casualty of the wave of electric vehicle manufacturers established over the past decade.

Despite raising millions of dollars while interest rates were low, most are struggling to manufacture at scale. Lordstown has sold just a small number of the Endurance.

Electric vehicles represent the greatest change in car manufacturing since Henry Ford's assembly lines slashed output costs more than a century ago.

As part of the 2021 deal, Foxconn agreed to buy Lordstown's plant for \$230mn. Before Lordstown took it over, the plant was owned by GM, but the US carmaker ended production there in 2019.

Lordstown, founded by the chief

executive of the financially shaky EV start-up Workhorse Group, emerged as a potential white knight. It bought the plant from GM and said it planned to hire 400 workers to produce the Endurance, which it marketed to commercial customers.

Lordstown sold only a few units of the Endurance pick-up, dubbed by Donald Trump 'great technology'



Then-president Donald Trump had told residents of politically important states that the area's blue-collar jobs were "coming back" after decades of deindustrialisation.

Lordstown raised \$675mn after going public via a special purpose acquisition

vehicle orchestrated by a former Goldman Sachs real estate banker, even though its auditor questioned whether it could "continue as a going concern".

Shares in Lordstown, which debuted on the Nasdaq in 2020 at \$18.97, fell almost 30 per cent to a record low of \$1.95 yesterday.

Trump invited then-chief executive Steve Burns to the White House in 2020 and touted a prototype of the Endurance, calling it "great technology".

But Lordstown suffered a hit in 2021 when short seller Hindenburg Research published a report saying the company's 100,000 pre-orders were "largely fictitious and used as a prop to raise capital".

Both the US attorney of the southern district of New York and the Securities and Exchange Commission opened investigations into Lordstown, which are continuing. The group has said it is

co-operating. In June 2021, it said it lacked the money to start commercial production and might fail within a year. But four months later, it announced the Foxconn deal, and in November the Taiwan manufacturer said it would invest up to \$170mn in Lordstown.

But Foxconn never invested the money, Lordstown said in its lawsuit. Instead, over 18 months it secured the Lordstown plant and workforce, "then sabotaged [Lordstown's] business, starving it of cash".

Lordstown said in the filing that Foxconn arranged meetings with Japanese group SoftBank, which wanted to develop electric vehicles in North America. But that programme was "abruptly dropped", while Foxconn directed the start-up to focus on a different project.

See Lex

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Since 1948, the Seamaster has served every kind of ocean adventurer from solo free divers to entire racing yacht crews. Continuing this fine tradition is the 42 mm Seamaster Diver 300M in steel, available on a matching bracelet or blue rubber strap. It has a new wave-pattern dial in Summer Blue, varnished with a gradient finish to reflect its stated water resistance of 300M. A special seahorse logo on the back marks the 75th anniversary of our oceangoing icon. Signifying our proud past and enduring commitment to delivering new levels of depth-defying precision.



COMPANIES & MARKETS

HSBC's departure highlights clouds over post-pandemic Canary Wharf

Bank's planned relocation reflects London financial hub's waning allure after shift in working habits

AKILA QUINIO, OWEN WALKER AND WILL LOUCH — LONDON

For more than two decades, 8 Canada Square, the London skyscraper that houses HSBC's global headquarters and bears its logo, has been a symbol of Canary Wharf's status as a global financial centre.

But the bank's decision to ditch the city's East End Docklands in favour of a more central location reflects the business district's waning allure to finance companies after a transformative shift in working habits.

"It is another blow to a part of London that has been hit disproportionately hard since the pandemic began," said Mark Stansfield, senior director at commercial real estate data provider CoStar. "Many of the large banks based here are cutting their office footprints."

With the future of another landmark tenant, Credit Suisse, in flux following its near collapse and rescue by rival UBS this year, Canary Wharf's reputation as a hub for global banking has been cast into doubt.

The tower-strewn neighbourhood, developed in the wake of Margaret Thatcher's 1986 Big Bang financial reforms, has often battled with a perception of being too sterile and far removed from London's more vibrant areas. Now more desirable districts in the capital are competing on office space as demand for large buildings dwindles.

HSBC told staff on Monday that it expected to leave Canary Wharf in late 2026, preferably for Panorama St Paul's in the City of London, a building that was formerly an office for telecoms group BT.

Several other banks, such as Barclays, Citigroup and Société Générale, have been consolidating their operations in Canary Wharf, closing ancillary offices and subletting floors.

Marcus Phayre-Mudge, a property fund manager at Columbia Threadneedle, said Canary Wharf's woes were in part the result of its historic over-dependence on financial services tenants. Big banks' space requirements have declined since the area was developed in the 1980s computer trading boom.

They have since adopted new technology and flatter screens, while bankers who typically work long hours have embraced the remote working practices that became the norm during the pandemic. By contrast, central areas such as the West End are home to more diverse sectors such as tech, retail and fashion.

More than 1mn square feet of extra space have become available on the market in the Docklands area since the pandemic struck, according to CoStar. Analysts say the London office market has split, with strong demand for top-tier buildings with sustainable credentials and slumping interest for others.

"Lots of firms are downsizing so the City is more attractive," said Capital Economics senior economist Matthew Pointon, highlighting the historic financial district's better transport links and proximity to cultural institutions and restaurants. "If you're downsizing you probably get more valuable space in the City."

Some expect HSBC's departure to trigger a wider exodus that will benefit central London's property sector.

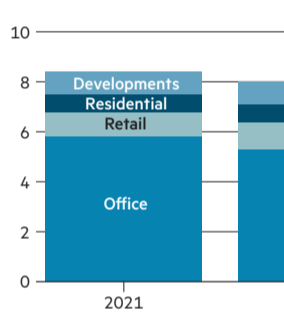
James Neville, a partner at property consultancy Allsop, said HSBC's decision was "fantastic" news for central London developers. He expects more companies to snap up "pre-lets" at a premium, with supply for top-tier central buildings still tight.

The Docklands has one of the highest office vacancy rates in London at 15.5 per cent, according to CoStar, against as little as 3 per cent in some parts of the West End and a central London average of 9 per cent.



Canary Wharf portfolio value

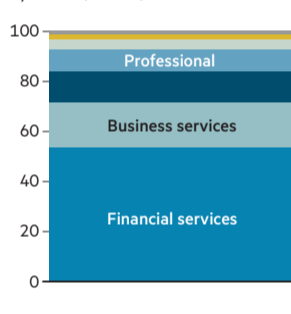
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Sources: company; CoStar

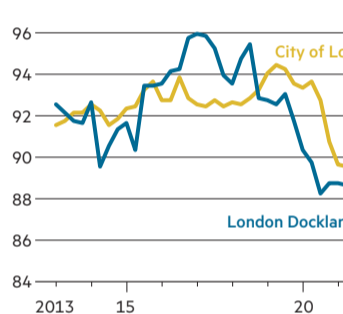
Office clients at Canary Wharf

By sector (% share)



Docklands vs City occupancy levels

Per cent



HSBC expects to leave Canary Wharf in late 2026, preferably for a site in the City of London, where firms are attracted to downsizing opportunities, transport links, cultural activities and restaurants

Dan Kitwood/Getty Images

Credit Suisse was one of the first big banks to move to Canary Wharf, taking up the 21-storey One Cabot Square site in 1991. The building underwent an expensive revamp just before Covid hit, with executive floors spruced up.

But successive rounds of job cuts at the bank in recent years have meant many of the floors are currently unused. Executives at the bank had already begun reassessing its global property footprint, including Cabot Square, before its rescue by rival UBS. The takeover, which completed this month, is expected to lead to thousands of job cuts in London, with possible implications for its future in Canary Wharf.

French lender SocGen is another bank that invested heavily in its Canary Wharf UK headquarters when it moved into seven floors of the 27-storey One Bank Street skyscraper in 2019, but it has since sublet some space in response to an increase in homeworking.

Barclays last year moved its investment banking staff out of 5 North Colonnade — one of two buildings it occupied in Canary Wharf — and consolidated its workforce in One Churchill Place, the 32-storey tower that opened in 2005.

Citigroup is also in the process of bringing all its 10,500 Canary Wharf staff under one roof. The Wall Street lender bought the 200-metre high, 42-storey tower at 25 Canada Square for £1.2bn in 2019 as part of a global strategy to own, not rent, its major office buildings to save costs.

The bank's global hybrid working policy — where staff can work up to two days from home — has meant it will no longer require its two other Canary

Wharf offices after the refurbishment is complete, which is expected in 2025.

Citigroup's investment in refitting 25 Canada Square was seen as an endorsement of the area, as was Morgan Stanley's decision to commit to its office after it scouted around for alternative potential bases over the past two years.

In a further sign of support for the Docklands, the European Bank for Reconstruction and Development relocated City staff to the top 13 floors it has leased in the 26-storey Five Bank Street.

Rating agency Moody's downgraded the debt of Canary Wharf Investment Holdings in May citing a "difficult operating and funding environment for real estate". Its report also cited Canary Wharf's £1.4bn of debt that needs to be refinanced in 2024 and 2025 as a contributing factor in the downgrade.

Clifford Chance, the last big law firm in Canary Wharf, is set to move in 2028 to a "net zero carbon" City office in Aldermanbury Square that is less than half the size of its current home.

Both Clifford Chance and HSBC said sustainability had been a strong pull factor in their decision to move to new buildings, while analysts say companies are looking to take advantage of the end of their leases to find more energy-efficient buildings that can help them meet their net zero commitments.

"A lot of [the Canary Wharf] towers were built 15, 20 years ago," said Phayre-Mudge. "They are well maintained but there are of course new ways of heating and cooling which were not used back then."

Canary Wharf was also recently hit by a high-profile insolvency after 5 Church-

'A lot of towers [in Canary Wharf] were built 15, 20 years ago . . . there are new ways of heating and cooling which were not used back then'

Place, a 12-storey building owned by Chinese developer Cheung Kei Group that was once home to Bear Stearns, entered administration last month.

Canary Wharf Group was bought in 2015 by Canadian private equity firm Brookfield and the Qatar Investment Authority in a £2.6bn deal and has sought to cut dependence on financial services tenants under their ownership.

The group has committed to building what it claims will be "Europe's biggest life sciences campus" on the estate, having attracted tenants such as Genomics England, the Barts Health NHS Trust and start-ups in the sector. It also opened a 40,000 sq ft life science lab.

The area's residential offering has also grown in recent years, with more than 3,500 people now living on the estate, compared with none three years ago. The company is developing an affordable housing scheme for people who earn less than £60,000 a year, as well as infrastructure including a school to service the residential community.

At the end of 2022, 54 per cent of the estate's tenants were linked to financial services, according to Canary Wharf's annual report. "Wherever possible steps are still taken to mitigate or avoid material consequences from this concentration," the report said.

But given the industry's dominance of the area, shifting to a substantively different occupancy mix will be tricky.

"What is going to happen on Canary Wharf is the conversation everybody's been having," said Neville. "There are other avenues they are having to look at but with the sheer size of the space that's going to be a challenge."

Automobiles

Aston plans to quadruple earnings in five years

PETER CAMPBELL

Aston Martin is aiming to quadruple its favoured profit measure within five years with a plan to double revenues and become a cash-generating business.

The carmaker said yesterday that it was targeting £2.5bn of revenues — double 2022 levels — and £800mn of adjusted earnings before interest, tax, depreciation and amortisation by 2027-28.

Raising profit margins on its forthcoming models and increasing car sales by pushing into electric vehicles from 2025 would help the business generate gross margins of 40 per cent, it said.

Chair and owner Lawrence Stroll on Monday projected that the company, which sold 6,400 cars in 2022, could one day make 17,000 models a year.

The business is aiming to cement recent investor confidence that has helped shares quadruple over eight months after years of sliding amid concerns over financing levels.

Aston Martin, which last summer brought in Saudi Arabia's wealth fund as an investor, has raised more than £1.5bn over the past three years.

Aston's goals include improving the health of its balance sheet, targeting a net leverage ratio of one, and becoming "sustainably" free cash positive.

"The focus that we have is on making

"The focus that we have is on making sure that the balance sheet is robust . . . we've made good progress"

sure that the balance sheet is robust," said chief financial officer Doug Lafferty. "I think the actions taken over the last 12 months mean that we've made good progress in that."

The update comes the day after Stroll projected that the business "will hit" its previously stated mid-term targets for 2025 of generating £2bn of revenues and £500mn of ebitda.

Stroll, who led a bailout in 2020, has been trying to turn round a business that has been ailing since its 2018 stock market listing. Aston has been trying to wean itself off chasing higher sales by aligning supply with demand.

Aston is refreshing its core sports car models, which account for roughly half of its sales.

The group, which expects to launch its first core all-electric model by the end of 2025, this week revealed a partnership with EV start-up Lucid to supply the batteries and driving systems.

Lucid's systems will feed into Aston's new electric platform, which will be able to underpin battery models from small sports cars to the largest SUVs that it plans to make.

Mercedes-Benz, which sells Aston engines and other technology, will supply some of the electrical systems for the new platform, which will underpin all future Aston battery cars.

Lucid chief executive Peter Rawlinson said the partnership was the first for the company's fledgling tech division, which aims to sell its systems to other businesses, as well as being a "validation" of the tech developed by the group.



The group has ambitions to manufacture 17,000 models a year

Financials

Odey Asset Management in talks with SW Mitchell over switching four funds

EMMA DUNKLEY, ANTONIA CUNDY AND LAURENCE FLETCHER — LONDON

Odey Asset Management is in "advanced talks" about transferring four funds and their manager, Oliver Kelton, to investment boutique SW Mitchell Capital, as the hedge fund reels from sexual assault allegations against its founder Crispin Odey.

In a letter to clients yesterday seen by the Financial Times, Odey Asset Management said the funds it was aiming to shift include Brook Continental European, Brook European Focus, Brook European Focus Absolute Return and Odey Pan European.

According to the firm's website, the

largest of these is Brook European Focus, which has €713mn assets under management.

Kelton took over the Odey Pan European fund earlier this month from Crispin Odey after he was ousted by partners at the firm he founded in response to the allegations.

The talks come after the firm said earlier this month that it was in advanced discussions about shifting funds to rivals, as part of broader measures to contain the fallout from the allegations and as investors rushed to withdraw their money.

SW Mitchell Capital is the first named potential buyer for the firm's assets since Odey Asset Management

announced it was to be broken up two weeks ago following an FT investigation into accusations from 13 women. Crispin Odey strenuously denies the allegations. Odey Asset Management,

The firm told investors it was halting trading in two flagship funds because of customer redemptions

established in 1991, manages about \$4.4bn.

SW Mitchell Capital is a London-based European equities investment boutique, founded in 2005. The firm

manages assets for clients globally, including pension funds, charities, and financial advisers. Its managing partner Stuart Mitchell used to work at JO Hambro Investment Management, where Kelton also used to work.

SW Mitchell Capital did not respond to request for comment. Odey Asset Management declined to comment.

Odey Asset Management said in yesterday's letter that talks with SW Mitchell were still subject to approval from regulators and the funds' boards. The letter added that "similar discussions are ongoing in relation to other funds" managed by Odey Asset Management.

The firm created a subsidiary in 2020 under a new brand, Brook, for funds

that were run by managers other than Crispin Odey.

The latest development comes hours after Odey Asset Management told clients that it was suspending trading in two of its funds that were previously run by Crispin Odey.

The firm halted trading in its flagship Odey European Inc and OEI Mac funds, which it said in a note to investors was due to customer redemptions.

Odey Asset Management has been forced to suspend trading in many of its funds as investors have sought to withdraw their money.

Until this week, five funds were suspended, including its Swan fund, which the firm said would be liquidated and

money returned to investors. The two hedge funds — Odey European Inc and OEI Mac — were subsequently suspended.

The funds came under pressure after Odey Asset Management's banking partners, which included JPMorgan, Goldman Sachs, and Morgan Stanley, pulled the plug on their prime broking relationship with the firm. JPMorgan also has moved to sever its custodian relationship. Prime brokers provide hedge funds with loans to amplify returns and hedging products to protect against losses, while custodians safeguard client assets.

Additional reporting by Costas Mourselas in London

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COMPANIES & MARKETS

Currencies. Summer sequel

Yen's retreat fuels speculation over government intervention



Japanese authorities promise to 'respond appropriately' if forex slide becomes excessive

LEO LEWIS — TOKYO
MARY MCDUGALL — LONDON

A sharp drop in the value of the yen is fuelling speculation among investors that Japanese authorities are preparing a "summer sequel" of massive market intervention to support the currency.

Finance minister Shunichi Suzuki said yesterday that the authorities were watching market moves "with a strong sense of urgency" and would "respond appropriately" if the drop became excessive.

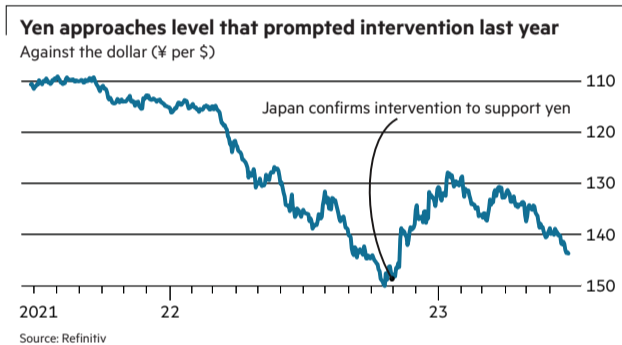
A day earlier, Japan's top currency diplomat, Masato Kanda, responded to reporters' questions on the likelihood of intervention by saying he would not rule out any options.

The comments followed the yen's sharp decline this month as markets judged that the Bank of Japan was now unlikely to lift interest rates from just below zero this year.

It slipped below ¥144 yesterday against the dollar for the first time since November — the pairing was ¥138.75 at the beginning of June.

"We think the risk of an intervention is high," said Adam Cole, head of FX strategy at RBC Capital Markets, who added that the Japanese authorities were most concerned about import prices and the country's high reliance on imported energy.

The yen remains stronger than levels of more than ¥150 to the dollar that triggered an effort to prop up the currency



by selling \$65bn of foreign reserves last October.

That intervention — the first time the Japanese finance ministry had stepped into markets to bolster the yen in 24 years — came despite a widespread belief that Tokyo would avoid the risk of irritating the US with a unilateral move and sparked a three-month rebound in the currency.

Still, markets are now approaching the point where investors should be on alert, said currency strategists at Nomura.

The yen began the year at just below ¥130 to the dollar. A weak currency helps to drive up inflation in Japan, which relies heavily on imported food and energy.

While the BoJ seems relaxed about the recent inflationary burst — which could help it sustainably hit its 2 per cent inflation target after almost three decades struggling with deflation — sudden price rises can cause political problems for the government.

Currency analysts noted that, in the days leading up to last year's intervention, Kanda had been far more direct in his warnings and at one point was clear that the ministry of finance "could conduct stealth intervention".

The language so far this year, said Nomura Securities FX strategist Yujiro Goto, is not yet an indicator of an imminent move.

Other market-watchers pointed out that the currency market was not as unbalanced now as it had been last year when there was a huge build-up of speculative bets against the yen by global macro funds.

Those positions had ballooned because of the rapidly expanding interest rate differential between the hawkish US Federal Reserve and the Bank of Japan's unwavering commitment to its ultra-loose monetary policy.

Since April, the BoJ has had a new governor, Kazuo Ueda, but remains a global outlier among major central banks for keeping interest rates — and

long-term bond yields — pinned close to zero in the face of rising consumer prices.

Benjamin Shatil, Japan FX strategist at JPMorgan, said that, even if the Fed was now slowing its pace of rate increases, the persistence of the rate differential with the BoJ meant that intervention was unlikely to have much impact.

"If the policy rate is going to remain so low, it is hard to imagine the yen going much higher and it is entirely logical for the currency to weaken," said Shatil. "I think the ministry of finance knows that."

He is forecasting that the yen will move to ¥152 against the dollar in the second half of the year.

Other currency analysts also said that, while the new warnings had powerful echoes of the language used in the build-up to Japan's record market intervention last year, the background circumstances this time were very different.

"We should certainly pay close attention to the escalated language" of trading in Milan after its share sale raised €265mn, according to exchange operator Euronext.

It has been a largely dismal year for European IPOs with the London market in particular suffering.

Chipmaker Arm rejected appeals by the government to list in the UK and building materials group CRH opted to switch its listing to New York.

Soda ash producer WE Soda this month blamed "extreme investor caution in London" for cancelling its planned IPO.

Bankers said investors had asked for too steep a discount while investors claimed the company's valuation expectations were far too high from the start.

However, the decision by CAB and

Global outlier: the Bank of Japan's ultra-loose monetary policy has created a rate differential with the US — *Androniki Christodoulou/Reuters*

'We should certainly pay close attention to the escalated language'

Equities

Naspers and Prosus unwind complex set of shareholdings

JOSEPH COTTERILL — JOHANNESBURG

South African internet group Naspers and its investment arm Prosus, which owns 26 per cent of China's Tencent, will unwind a complex set of shareholdings in each other that had threatened to impede stock buybacks funded by sales of the Chinese tech group's shares.

Naspers said yesterday that Amsterdam-listed Prosus would exit a shareholding in its parent that it acknowledged "is widely seen as negative by shareholders".

Naspers and Prosus have been selling their Tencent stock as part of a years-long effort to reduce a share price discount that, in effect, gives no value to its portfolio of global internet assets.

But the company said investors believed the "cross-holding structure introduces excessive complexity" and "should be removed".

Naspers and Prosus exchanged stock in 2021 to tackle another factor in the discount — Naspers' outsized weighting on South Africa's stock market that was forcing fund managers to sell its shares.

Naspers and Prosus chief executive Bob van Dijk said the cross-holding had been needed to resolve the "clearly unsustainable situation" of Naspers making up a quarter of the Johannesburg bourse "but it's true that shareholders didn't like it" and its purpose was served.

The structure meant that South African company law was also emerging as

an obstacle to the buybacks because of a limit on how many shares subsidiaries could own in their parent.

"At some point, Naspers will actually hit that limit," said Basil Sgourdos, chief financial officer of Naspers and Prosus.

Prosus reported yesterday that core headline earnings fell to \$2.7bn in the year to the end of March, down from \$3.8bn in the previous financial year, after weaker performance from Tencent.

Prosus is seeking to drive profits in other businesses, which stretch from online payments in India to South American food delivery and ownership of Stack Overflow, the Q&A platform for software engineers.

The Naspers investment in Tencent, which was made more than two decades ago into what was then a fledgling Chinese start-up, is seen as one of the greatest venture capital bets of all time.

Naspers will remain the controlling shareholder in Prosus through super voting shares but said the removal of the cross-holding would better reflect economic interests in the investment vehicle, under which Naspers holds 43 per cent and other shareholders 57 per cent.

The cross-shareholding will be ended through Naspers and Prosus each issuing new stock to shareholders without taking up their own rights to these shares.

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Equities

HK exchange chief upbeat on winning foreign listings with China retail army

JENNIFER HUGHES — NEW YORK

Stronger connections with China's vast army of retail investors will help Hong Kong's stock exchange lure more international companies to list — despite flaring tensions between Beijing and the west, its chief executive has said.

Nicolas Aguzin told the Financial Times that Hong Kong was working to rebuild its connections after three years of Covid-induced isolation but that the lure of tapping mainland Chinese money would remain a big draw for the exchange.

"Chinese retail is the biggest investor group of its kind — there's nothing comparable to it," the boss of Hong Kong Exchanges & Clearing said. "Essentially, we're offering companies an investor base uncorrelated with other markets."

His comments come against a backdrop of strained relations between China and the US, which has prompted western companies to discuss ways of "de-risking" Chinese operations by working to wall them off from other units.

Trading volumes fell by a quarter in Hong Kong last year and only recovered

slightly in early 2023 as China reopened. The exchange is more heavily dependent on equities listing and trading for its profits than many rivals.

Of the five biggest exchange groups by market capitalisation, Hong Kong Exchanges & Clearing is the worst performer this year, down 10 per cent.

Aguzin pointed to a scheme started in March allowing mainland investors to trade directly in international stocks listed in Hong Kong and a new "dual counter" scheme that launched this month. The latter allows the same Hong



Nicolas Aguzin's comments come amid talk over Chinese 'de-risking'

Kong-listed stock to be traded in either renminbi or Hong Kong dollars.

The so-called "one-stock, two-currencies" system, is currently limited to 24 of the most-traded stocks and also to renminbi already held offshore. Over time, it is expected to expand to include onshore funds.

Aguzin said the aim was to make buying a Hong Kong-listed share the same as buying mainland-listed stocks denominated in renminbi.

The bourse has tried before to promote a more international image, persuading Italian fashion brand Prada and luggage maker Samsonite to float in the city in 2011 amid a luxury brand boom in China and a growing pool of mainland money held offshore.

However, few followed, preferring other markets. Last year, Italian yacht builder Ferretti went public in Hong Kong, in large part due to its Chinese then-majority owner.

Its shares were trading flat against the initial public offering price until it announced a dual listing in Milan, set to complete yesterday. Those stutters have underscored HKEX's dependence on listing Chinese companies.

Equities

CAB targets £850mn valuation in rare bright spot for European IPOs

GEORGE STEER — LONDON

Fintech group CAB Payments is targeting an £850mn valuation in one of London's biggest initial public offerings so far this year in a rare sign of life for Europe's moribund market for listings.

The announcement yesterday came as shares in Italian luxury yachtmaker Ferretti rose 2 per cent on their first day of trading in Milan after its share sale raised €265mn, according to exchange operator Euronext.

It has been a largely dismal year for European IPOs with the London market in particular suffering.

Chipmaker Arm rejected appeals by the government to list in the UK and building materials group CRH opted to switch its listing to New York.

Soda ash producer WE Soda this month blamed "extreme investor caution in London" for cancelling its planned IPO.

Bankers said investors had asked for too steep a discount while investors claimed the company's valuation expectations were far too high from the start.

However, the decision by CAB and

Ferretti to come to market suggested that, despite high interest rates, stubborn inflation and the lure of deeper pools of capital in the US, at least some investors can still be tempted to bet on fresh European listings.

"The positive spin is that you have to start somewhere," said Roger Lee, head of UK equity strategy at Investec, referring to CAB's planned offering. "[But] clearly, it would have been a lot nicer to

'You have to start somewhere. It would have been nicer to really open up the market with Arm'

really open up the IPO market with Arm."

Excluding listings for blank cheque vehicles, CAB, which is seeking to raise roughly £340mn in a secondary sale, will be London's biggest IPO of the year, beating property developer DarGlobal and emerging markets-focused investment trust Ashoka WhiteOak.

Just eight companies have listed on the UK's main market so far in 2023,

raising a combined £539mn, data from the London Stock Exchange shows.

Announcing the company's plan to offer at £3.35 per share, CAB's chief executive Bhairav Trivedi said: "We have been pleased with the investor engagement so far and are excited to continue to meet the institutional and retail investment community over the next week."

Two investment bankers not involved in CAB's offering said it was unusual to do a fixed-priced deal, although one of them suggested that it implied "some notable and or sizeable high-quality demand".

The IPO "will work and it could even be a success but it's a weird one and it will probably lose liquidity fast", said the other. "Europe needs different kinds of companies to IPO."

CAB's offer will consist of a secondary sell-down of existing ordinary shares by a subsidiary of Helios Investors III, a fund run by private equity group Helios Investment Partners.

HIP partly underwrote a 2019 London IPO for Africa-focused telecoms towers company Helios Towers, whose shares have since fallen 27 per cent.

COMPANIES & MARKETS

The day in the markets

What you need to know

- Wall Street indices advance amid gains for Big Tech groups
- ECB's Lagarde warns of further rate rises as European stocks lack direction
- Oil prices decline, further puncturing shortlived rally caused by Russia mutiny

Wall Street shares gained yesterday, driven by a rally in big technology stocks, while the prospect of further interest rate rises dented markets in Europe.

The tech-focused Nasdaq Composite gained 1.1 per cent by midday in New York trading, rebounding from two successive days of declines, while the benchmark S&P 500 added 0.8 per cent.

The indices were lifted by gains for large tech stocks — the NYSE Fang+ index, which tracks some of the biggest tech companies, gained 1.2 per cent.

Across the Atlantic, the region-wide Stoxx Europe 600 index ended the session flat but was supported by a 0.2 per cent gain for the Stoxx 600 technology index.

"The outperformance of the tech sector mirrors the market's continued interest in AI and machine learning opportunities, which seem to be overshadowing the concerns over a more clouded growth outlook," said Francesco Pesole, a strategist at ING.

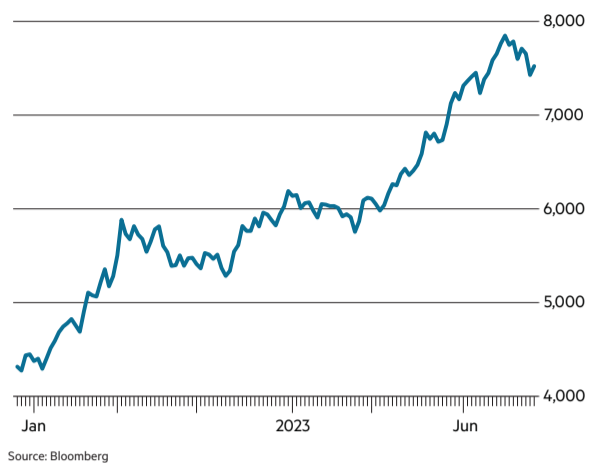
The moves came as traders received fresh signals that the European Central Bank was ready to lift interest rates again this year to combat inflation.

Christine Lagarde, ECB president, said its "job is not done" and indicated that there would be another rate rise in the eurozone in July.

The ECB in June raised its benchmark

Bullish investors return to AI-related US tech stocks

NYSE Fang+ index



Source: Bloomberg

deposit rate by a quarter point to 3.5 per cent, its highest level in 22 years.

Oil prices fell, further puncturing a shortlived rally after the weekend's armed mutiny in Russia raised serious questions about the outlook for President Vladimir Putin's regime and doubts over crude output from one of the world's top suppliers.

International benchmark Brent crude traded 2 per cent lower to \$72.72 a barrel while US equivalent West Texas Intermediate was down 1.9 per cent to \$68.04 a barrel.

In China, equity markets firmed with

Hong Kong's Hang Seng index advancing 1.9 per cent and China's CSI 300 index of Shanghai and Shenzhen stocks gaining 0.9 per cent.

Investors welcomed the assurance that China's officials intended to support growth in the world's second-largest economy, which has struggled to pick up steam this year since reopening after the pandemic.

The yield on the two-year British government bond, which is sensitive to interest rates changes, rose 11 basis points to a new 15-year high of 5.27 per cent. **Daria Mosolova**

Swiss regulators must face up to Credit Suisse failure

Daniel Davies

Markets Insight



In their reaction to what global regulators are euphemistically referring to as "the recent market turmoil", there could hardly be more contrast between the approach taken by the Swiss National Bank and the US Federal Reserve.

The Fed's report on the failure of Silicon Valley Bank was lacerating in its self-criticism of supervisors who "failed to take forceful enough action" but did not include inadequacies in the actual rulebook in its top four "takeaways".

The Swiss authorities, on the other hand, seem to have given a largely defensive response on the part of the supervisors at Finma while the SNB has called for quite a comprehensive set of changes to bank regulation.

The changes that the SNB suggests are all individually sensible but seem out of proportion to the problem they are meant to address.

One proposal to exclude deferred tax assets from what counts as regulatory capital in benchmark ratios of financial strength makes sense. These assets tend to lose their value in exactly the conditions in which capital is needed.

But the writedown of deferred tax carried out by Credit Suisse in the third quarter last year had an effect of only 0.48 percentage points on its common equity tier one ratio; this can't make the difference between success and failure.

Similarly, it makes sense for a bank like Credit Suisse to be required to keep much greater balances of assets that could be pledged at the central bank to cover short-term liquidity needs.

But even under existing rules, Credit Suisse managed to survive a bank run that lasted from the end of last October to the start of March. If four months was not enough time to turn things around,

what real benefit is there in providing resources to extend it to five or six?

The real problem — and the one that is most psychologically intolerable for bankers and regulators alike — is that when the shit really hits the fan, there is nothing at all that can save a bank.

So a supervisory relationship needs to be based on an understanding of the actual risks in the business model plus common sense and co-operation on the part of management. If either of these are absent, it is not reasonable to expect a really well-calibrated capital ratio to make the difference.

This seems to be the growing consen-

The changes that the SNB suggests seem out of proportion to the problem they are meant to address

sus in global regulators with the European Central Bank in particular taking the lead in rejecting "wholesale review of the regulatory framework or the components of regulatory frameworks".

When the last review of the global banking regulations (the so-called Basel IV standards) was finalised, there was an implicit promise that the industry could expect a period of prolonged regulatory stability with no more than technical tweaks.

Credit Suisse and Silicon Valley Bank were both quite unusual institutions, and bank supervisors are given considerable discretion to tailor the rules on a case-by-case basis.

Rather than allowing the regulatory standards to grow ever longer, in the forlorn hope that they might cover every

possible business model in the world, it makes sense to ask the supervisors to take their powers and use them.

What we should be worried about, therefore, is not the changes that the SNB is proposing but the rule book that it wants to change. The Swiss "Too Big To Fail" regulatory system was designed after the 2008 crisis to deal with those banks that were large compared with the country's economy.

Once the merger between UBS and Credit Suisse is complete, this will effectively be a one-bank regime. Although Zürcher Kantonalbank, PostFinance and the Raiffeisen Group are formally considered too big to fail, they are considered to pose little threat to the economy and have much less complicated structures and business models.

A system like this is known to be hard to manage. It is difficult at the best of times for a bank supervisor to stand up to a large institution; it becomes much more difficult to do so when that bank is a single national champion.

There is always a difficult question of balancing the need to build up technical expertise with the need to rotate personnel to avoid "regulatory capture". This is much harder to achieve when there is only one team in the building working on a complex global firm.

We only have to look at the problems BaFin in Germany had in supervising first Deutsche Bank and then Wirecard.

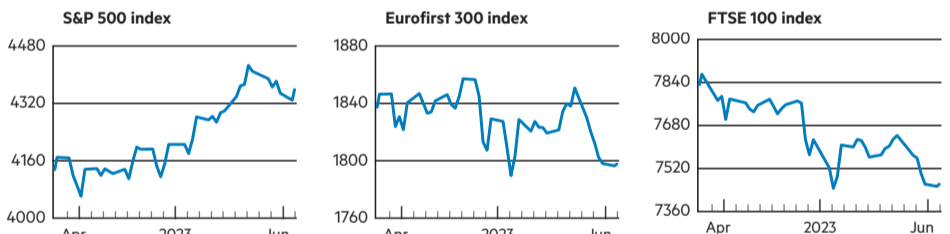
The Swiss system is going to be faced with a challenge that many others have failed at. Regulators will need to face up to it — rather than going into a comfort zone of tweaking the standards.

Daniel Davies is a managing director at Frontline Analysts and the author of 'Lying for Money'

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	4358.47	1797.72	32538.33	7461.46	3189.44	116750.96
% change on day	0.68	0.09	-0.49	0.11	1.23	-1.26
Currency	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	102.475	1.095	144.035	1.275	7.210	4.800
% change on day	-0.211	0.367	0.341	0.315	-0.255	0.473
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	3.759	2.356	0.369	4.425	2.736	10.547
Basis point change on day	3.690	4.800	2.050	6.700	1.300	-9.900
World index, Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LMEX)
Level	442.87	73.14	68.44	1922.90	22.80	3681.10
% change on day	0.54	-1.40	-1.34	-0.40	2.06	-1.04

Main equity markets



Biggest movers

	US	Eurozone	UK
Ups	Generac Holdings 8.50	Santander 3.63	Ocado 5.13
	Newell Brands 7.73	Schindler 3.40	Vodafone 3.70
	Carnival 6.34	Publicise 2.71	Int Consolidated Airlines S.a. 2.61
	Old Dominion Freight Line 6.28	Ses 2.63	Standard Chartered 1.98
	Charter Communications 5.53	Caixabank 2.59	Kingfisher 1.95
Downs	Walgreens Boots Alliance -9.09	Fresen.med.care -5.97	Bt -3.64
	Illumina -4.90	Merck -3.24	Jd Sports Fashion -2.73
	Thermo Fisher Scientific -2.95	Coloplast -2.32	Croda Int -2.22
	Danaher -2.59	Fresenius -2.14	Persimmon -1.60
	Insulet -2.28	Novo Nordisk -2.14	Bp -1.37

Wall Street

Sinking to the bottom of the S&P 500 index was **Walgreens Boots Alliance**, which trimmed its full-year guidance to reflect a more "cautious macroeconomic... view".

Rosalind Brewer, chief executive, said the pharmacy chain was navigating "significantly lower demand for Covid-related services, a more... value-driven consumer and a recently weaker respiratory season".

Annuities provider **American Equity Investment Life** hit a record high after agreeing to be bought by Brookfield Asset Management, its largest shareholder.

Brookfield's reinsurance arm made a cash-and-stock offer of \$55 per share — more than 20 per cent above American Equity's most recent closing price.

Lordstown Motors, the electric truck group, plummeted after filing for bankruptcy protection.

The news followed a breakdown in its partnership with Taiwan's Foxconn, which has a 8.4 per cent stake in the EV company according to data provided by Refinitiv.

Edward Hightower, chief executive, alleged that Foxconn "failed to execute on the agreed-upon strategy, leaving us with Chapter 11 as the only viable option to maximise the value of Lordstown's assets". **Ray Douglas**

Europe

A broker's endorsement helped lift Germany's **Delivery Hero**.

RBC Europe said the meal delivery group should achieve "double-digit growth once demand returns".

Analyst research suggested the company's service remained "attractive versus its peers", particularly in the Middle East and north Africa.

Another boost was news that Prosus had increased its stake in Delivery Hero from about 25 per cent to 29.95 per cent.

Under German law, noted Citi, the Dutch tech investor would have to make a mandatory takeover offer for the group if "its shareholding were to exceed the 30 per cent threshold".

Belgium's **Xior Student Housing** fell sharply after one of its main shareholders reportedly sold stock in the property group at a discount.

KBC Securities, quoting Bloomberg, said ST Holding offloaded about 1mn shares at €25.53 each — 8 per cent below Monday's closing price.

But KBC analyst Wim Lew said "the structural trend in student housing remains intact".

Volkswagen slid following a bulletin from news agency dpa-AFX stating that the auto group was temporarily reducing the production of electric cars at its Emden plant owing to weakening sales. **Ray Douglas**

London

Near the tail-end of the FTSE 100 index was **JD Sports Fashion** after the retailer warned of "some softening in trade" in North America this month.

JD did, however, seek to reassure investors that stateside inventory levels were "normal" and promotional activities would be limited in order "to remain competitive".

Aston Martin, having topped the FTSE 250 index a day earlier, sank to the bottom of the benchmark.

The luxury-car maker said it remained on track to deliver its 2024-25 financial targets, which aimed to deliver around £2bn in revenue and £500mn in adjusted core profits.

But what appeared to unsettle investors was the omission of a sales volume target in an otherwise bullish update.

Joining Aston in the lower half of the mid-cap index was consumer product group **PZ Cussons**.

Jonathan Myers, chief executive, said the recent sharp devaluation of Nigeria's currency would have a "one-off impact to the group's near-term reported financial performance".

The company behind Imperial Leather soap said weakness in the naira would lift raw material costs for its Nigeria business, reflecting the higher cost of dollar imports. **Ray Douglas**

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Global Fixed Interest Fund	£0.7486	-	-0.005	6.22																																			
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UK Equity Fund	£1.8508	-	-0.021	3.81																																			
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Mir - GB Street Bd I USD	£116.73	-	-0.27	0.00																																			
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ARTS

Dispatches from the fight for justice

Photographer Shahidul Alam, who was jailed and tortured in Bangladesh, refuses to play it safe. He talks to Rachel Spence

People hug me in the street. They say: 'You were so brave!' I don't think so."

Shahidul Alam takes a sip of almond milk, his mellifluous voice resonating through the sunlit sitting room of a mutual friend. "The things I said are not earth-shattering. They are things we should all be saying. They seem remarkable because others are silent. We have a tradition of resistance in Bangladesh. For people not to speak is a problem."

In August 2018, the photographer, artist, teacher and civil rights activist was arrested, imprisoned and tortured for 107 days by the Dhaka police after criticising his country's Awami League government in an interview on Al Jazeera. So Alam knows why his compatriots remain silent.

Although Bangladesh is a democracy, its draconian restrictions on freedom of expression are regularly denounced by organisations such as PEN and Amnesty International. Yet Alam, though still on

bail, refuses to play it safe. Since his release in November 2018 after a global campaign, his photographs, many focused on Bangladesh's battle for civil rights, have travelled the world.

Born in Dhaka in 1955, Alam went to the UK when he was 17, a year after his country won independence from Pakistan. In Britain, while studying to be a research chemist, he started taking pictures on the side. Always compelled to fight for social justice, he realised "the power of the medium" to "do things that words cannot do so effectively".

Since then, Alam's images have seared themselves on the collective retina of south Asia and beyond. Whereas Bangladesh is often viewed as the victim of poverty and natural disasters, Alam spotlights its courage and inventiveness. When reporting the devastating cyclone of 1988, for example, his shot of a woman cooking on the roof of her flooded hut encapsulated the nation's resilience. In his 2011 tribute to indigenous rights campaigner Kalpana



holes in a murrall wall; a stained, crumpled *gamcha* (working man's cloth) used as a blindfold before torture and death. Less oblique is the shot of a camera-wielding crowd photographing the police trying to close down *Crossfire* when Alam showed it at Drik, the exhibition space and picture library he founded in 1989.

As well as Drik, Alam founded the Pathshala South Asian Media Institute, the region's renowned photography school; Majority World, a picture agency for photographers from Asia, Africa and Latin America; and Chobi Mela, an international photography festival.

Alam's empathy pulses through every shot in *Singed But Not Burnt*, from a barefoot ballerina-straight young woman striding across a desolate construction site with a basket of earth on her head, to human traffickers, languid of limb, sharp of eye, on a river boat. "I am not parachuting in to take pictures," says Alam when I ask how he evades objectification. "I am photographing our community. It's my world too."

His awareness that human choices underpin our economic system has fed his current project: a film about the deaths of migrant workers in the UAE. "Around 3,500 corpses return each year but the Bangladeshi government isn't talking about it."

"People like you and me — we deprive other people. Somehow we've decided the place of the subaltern is to stay where they are. If they've been born there, they die there."

It's unlikely the film will make him any more popular with the Bangladesh authorities than the rest of his work. How long can he remain *singed but not burnt*? "Photographers have to be at the front line," he replies calmly. "It's about finding that space where you will feel the heat but stay alive. Martyrs do not make good reporters."

At Wrightwood 659, Chicago, to July 15, wrightwood659.org, then at the Kiran Nadar Museum of Art, Delhi, from July 17, knma.in



Clockwise, from below left: Shahidul Alam's 'Woman Earth Digger' (1993); Alam photographed for the FT by Kalpesh Lathigra; 'Woman Wading in Flood' (1988)

Chakma, who was "disappeared" by the army in 1996, he lasered images of her fellow activists — Kalpana's Warriors, as the sequence was known — on to straw sleeping mats. Such intriguing, ambiguous images typify a vision that fuses the political acuity of reportage with the unpredictable flair of art.

His latest project, *Singed But Not Burnt*, a book published by Kolkata-based gallery Emami Art and accompanied by shows in India and Chicago, proves his political fire is undimmed. Its cover bears "Woman in Ballot Booth" (1991). Captioned "A woman avenges Noor Hossain's death by casting a vote", the black and white photograph of the figure marking her paper, head bowed, is Alam's tribute to an activist murdered by police in 1987 during a protest.

The book's final pages document "The Cry of the Imprisoned" (2020), an artists' performance on the Dhaka streets protesting the latest law under which hundreds of writers, artists and journalists have been imprisoned.

Although these images testify to Bangladesh's "tradition of resistance", they also map a continuum of repression. Does Alam ever feel the struggle is hopeless? "No," he replies firmly. "I can see changes in the offing. There is an

awakened public in Bangladesh. The middle class was very, very protective of its comfort zone. But the BNP [Bangladesh Nationalist Party, chief opposition to the Awami League] are now standing in the streets and people are gathering around them. There are more and more dissenting voices."

He pauses, a slight figure in his candy-pink panjabi, immaculately embroidered by his partner, the writer and

"The things I said are not earth-shattering. They are things we should all be saying"

human rights activist Rahnuma Ahmed. Given the menace, why continue to risk his freedom? "The fact that I'm out here, talking to you, is dependent on the fact that there was a global campaign for my release. Many others were 'disappeared' without [anyone] knowing about them."

Alam's project *Crossfire* (2010), present in *Singed But Not Burnt*, testifies to those cruel fates. These are oblique yet hackle-raising pictures — bullet

Dilemmas that only gaming can deliver

Two video games, *Dordogne* and *Harmony: The Fall of Reverie*, tackle bereavement and disappearance in unique ways, writes Chris Allnutt

In a medium where inventory items are discarded in one click and lives are ten-a-penny, how much of a narrative touchpoint can loss be? Years of easy resets in first-person shooters have distanced players from the idea that any gaming loss is permanent, but two new titles handle bereavement and disappearance in unique ways.

Dordogne opens with two pieces of bad news: in the same week, French thirtysomething protagonist Mimi loses both her job and her grandmother, Nora, who leaves behind a box of shared memories in her house in the Dordogne. It is a place Mimi has visited but has no memory of because, mysteriously, she can't remember anything prior to her 13th birthday. Against the wishes of her father, Mimi resolves to go and find the box before the house is sold.

The game jumps between past and present as you, playing Mimi, gradually recall your relationship with your grandmother. But *Dordogne* isn't just about the rediscovery of old memories — it's about the creation of new ones too.

The game creates dialogue prompts that emphasise processing your emotions and sharing your feelings, while the point-and-click gameplay focuses on the minutiae: inserting a key into a lock and turning it, or funnelling fireflies into a bottle. There are stickers to collect and photos to take — both to reinforce the act of creating memories and to make you admire how pretty the game is. The aesthetic pushes you towards nostalgia: it's a gorgeous blend of 3D animation and watercolour backdrops.

This all makes for an experience that evokes childhood. In order to truly understand Mimi's story, it is not enough just to be a bystander; the player must play like a child and remember, as the older Mimi does, what it is they have lost in adulthood. It is no coincidence



Distinctive watercolour backdrops in 'Dordogne'

that young Mimi scoffs at Alain-Fournier's novel *Le Grand Meaulnes*, just as many anglophone teenagers cast aside *The Catcher in the Rye*. She cannot relate, since she has not yet lost the innocence which the novel wants us to yearn for. It's a shame the narrative isn't given just a little more exposition, because *Dordogne* otherwise manages to depict the loss that adulthood brings with beautiful sensitivity. ★★★★★

'Dordogne' manages to depict the loss that adulthood brings with beautiful sensitivity

In the dystopian near-future of *Harmony: The Fall of Reverie*, Polly must juggle homecoming and loss as she returns after five years to the fictional Mediterranean island of Atina. Her mother, Ursula, a poet with an antagonistic relationship with the technocrats gradually taking power, has gone missing.

But no sooner has Polly arrived than she is transported to the parallel dimension of Reverie, where her name inexplicably becomes Harmony. She meets the Aspirations — not, in fact, a Motown covers band but melodramatic personifications of dreams (power, glory, truth etc) who warn her of the impending destruction of both worlds. In order to

prevent this, you have access to the Augural, a vertical dialogue tree that allows you to see into the near future.

You must therefore decide whether knowing in advance where your actions will lead affects how you make them. It's a clever way of deconstructing destiny — one that pits passion against pragmatism, truth against happiness. But it is also frustrating: there are a fixed number of paths you can take, so sacrifices can seem arbitrary, restrictive or ambiguous, and removing the mystery of the game's outcomes can undermine their impact.

Dordogne is more linear, but the strictures of the story feel less limiting because they are more convincing. This raises all sorts of deterministic questions about whether the fictions you make for yourself are more or less satisfying than ones written for you — questions that *Harmony* aims to answer, even if it doesn't quite succeed.

Both titles illustrate the narrative potential of having to confront the consequences of your actions head-on in a way that only games can. As Polly puts it, "The future is like a car with no brakes, careening out of control. All I can do is choose which road it goes down." ★★★★★

'Dordogne' is out now on PlayStation 4 and 5, Xbox One and Series X/S, Nintendo Switch and PC. 'Harmony' is out now on Nintendo Switch and PC

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FT BIG READ. INFRASTRUCTURE

The Australian investment management company was a pioneer in turning public utilities into lucrative assets, but critics question whether using private finance in essential state monopolies is good policy.

By Gill Plimmer and Nic Fildes



Managed by Macquarie

Macquarie chief executive Shemara Wikramanayake. Her group has become known for its wide range of investments in public infrastructure, such as UK water companies

FT montage/Bloomberg

the amount the monopolies can charge customers] normally allow prices to rise so that the risk of having high debt levels is very low for investors."

As governments opened up to the idea of transferring public assets into private hands, Macquarie's investments fanned out across the world, such as the Chicago Skyway toll bridge in 2004. At the time, it was the largest infrastructure privatisation deal in US history and the first time one of the country's toll roads passed into private operation.

By that point, Macquarie had developed a well-honed playbook: it uses a standard private equity model, which creates infrastructure funds by raising cash from large-scale investors, such as pension and investment groups.

These provide the equity portion of the funding used to buy an asset, such as a water or power company, a road, or gas or telecoms network, for example. The balance is then borrowed from the large global banks or private debt funds.

Macquarie's income, as the manager of the funds invested in various assets, comes from management and performance fees tied to the fund's returns. After acquisition, the stable cash flows generated by the asset provide the security for further borrowing, allowing Macquarie to significantly increase the indebtedness of the acquired company.

This provides funding which can either be used to invest in the business or to enhance investor returns through dividend payments and early repayment of the loans made by investors as part of the initial deal.

Folkman, who is himself a private equity investor, points out the risk: "Given the incentives and investor objectives they choose to take the money out rather than reinvesting in

the business." The result, Folkman says, can be ageing assets loaded with debt.

But Paul Jarvis, managing editor at Partnerships Bulletin, which reports on public-private partnerships, defends the industry: "Obviously it is more expensive to raise private finance than for the government to pay for infrastructure directly, but the fact is that states aren't going to put all these projects on their balance sheets.

"And although a lot of fuss is made about the negative cases, the majority of projects are running as originally planned and are delivering the services as needed."

Troubled waters

Macquarie first dipped its toe into the UK's waters in 2003, with its shortlived acquisition of South East Water.

After buying the company for £386mn from the French conglomerate Bouygues, Macquarie sold its final stake three years later for £665mn. During that period, debt – some of which was raised via a Cayman Islands subsidiary – increased more than fourfold from £87mn to £458mn.

The increase in borrowing was used to pay investors more than £60mn in dividends as well as to pay off most of the costs of acquiring the company so that the final sales price was mostly profit.

Although this was a win for investors in Macquarie's funds, which benefited from the returns guaranteed from providing an essential daily service, it was a loss for customers because a greater proportion of their bills – up from 8.7 per cent of turnover in 2002 to 14 per cent in 2006 – began to go towards paying the interest on debt.

"This is part of a pattern for investors," says Kate Bayliss, an infrastructure finance expert from Soas, University of London. "Macquarie [and other private equity investors] move in and change the corporate structure. They refinance the assets, hiking up the debt and reducing the equity investment. Sometimes part of the acquisition cost is allocated to the company purchased."

Macquarie repeated exactly the same strategy, but for bigger stakes, when it and its co-investors acquired Thames Water, which now has 15mn customers in London and the Thames Valley, from German utility RWE for £4.8bn in 2006. One of the Macquarie consortium's first acts was to arrange for Thames Water to pay a £656mn dividend in a year in which profits were just £241mn. Within six years, the group of

companies managed by Macquarie had recovered all the money it and co-investors had spent on the acquisition, by borrowing against its assets and paying out dividends.

By the time Macquarie sold its final stake in Thames Water in 2017, the company had spent £11bn from customer bills on infrastructure. But far from injecting any new capital in the business – one of the original justifications for privatisation – £2.7bn had been taken out in dividends and £2.2bn in loans.

Meanwhile, the pension deficit grew from £18mn in 2006 to £380mn in 2017. Thames Water's debt also rose from £3.4bn in 2007 to £10.8bn at the point of sale, a sum still being paid off with interest by customers long after Macquarie has moved on. Just weeks after Macquarie sold its final stake in the business in 2017, Thames Water received a £20mn fine for river pollution.

Bayliss compares this to buying a house, where the stability of the revenue flow from customer bills enables the financiers to purchase the company and take a mortgage against it. "The difference is that unlike homebuyers who pay the mortgage, they transfer the mortgage back to the company so it's the customers who pay the interest."

Such practices are common to private equity structures, but when the underlying companies are utilities there is an added tension: the decision over how much they can charge customers to pay for investment – both for day-to-day running and improvements – is made by the regulators who oversee monopolies. With demanding shareholders on one side and price restrictions on the other, it is the investment in the infrastructure that is often sacrificed.

"Let's be clear," says Folkman, of Alliance Manchester Business School. "If my financial incentive is that I will be paid if I satisfy my investors, then I will do things that will satisfy my investors . . . and that's the problem. It's not that you're wicked, it's what you're paid to do."

Macquarie's decision to take over Southern Water – another UK water utility facing huge investment challenges – as it teetered on the brink of bankruptcy in 2021 was welcomed by the water regulator Ofwat.

Earlier that year, Southern Water had been fined £90mn for deliberately dumping billions of litres of untreated sewage into the sea between 2010 and 2015. Since taking over as the majority investor from a consortium including

'If my incentive is that I will be paid if I satisfy my investors, then I will do things that will satisfy my investors . . . that's the problem'

JPMorgan Asset Management and UBS Asset Management, Macquarie has pledged to raise transparency, close Cayman Islands subsidiaries at the company and to significantly increase investment in sewage treatment works.

Macquarie says it is a responsible investor. "As custodians of vital businesses which touch every aspect of people's daily lives, we have both a responsibility and an opportunity to ensure that we are actively driving positive change," reads a statement on its website.

But the pollution and water leaks across the sector have given ammunition to critics from all sides of the political and economic spectrum who are concerned over private ownership of crucial public infrastructure, where the government – and taxpayers – would be forced to take over in the event of any financial or environmental catastrophe.

Now, more than three decades after the regional water authorities were sold off with no debt, the privately owned monopolies are saddled with £62bn in borrowings and regulator Ofwat has raised concerns over financial stability.

Sir Dieter Helm, a former UK government adviser and professor of economics at Oxford university, warns that instead of privatisation being used as intended, to finance investment and spread the cost long-term, "regulators have allowed [it] to be subverted by widespread financial engineering."

"Now the balance sheets of these big utilities are largely exhausted, and without gaining the benefit of the really good infrastructure that privatisation promised," he adds. "On the contrary, recent evidence from both water and electricity distribution suggests that in some cases not even the necessary capital maintenance has been done."

Expanding empire

With US\$200bn of global infrastructure assets now under management, Macquarie remains the biggest player in an area still rife with opportunities.

Since becoming chief executive in 2018, Shemara Wikramanayake, a Macquarie insider who joined just after the 1987 financial crisis, has prioritised climate change and renewable energy for investment as well as digital infrastructure in the form of subsea cables and data centres. The company's £2.3bn purchase of the UK government's Green Investment Bank in 2017 helped catalyse that vision, and it is now one of the world's largest renewable investors in wind farms and solar power.

With supportive governments worldwide and A\$35bn (\$23.7bn) of available so-called dry powder – money kept in reserve to spend when opportunities arise – few observers expect Macquarie's influence to diminish, particularly if it is eyeing up the vast amount of investment needed to help the world move on from fossil fuels.

The company says it is mindful of the responsibilities that come with owning essential assets. "Ageing infrastructure, population growth and the impacts of climate change all necessitate significant, multi-decade investment programmes to upgrade critical infrastructure and redress what can often be many generations of under-investment," Macquarie says.

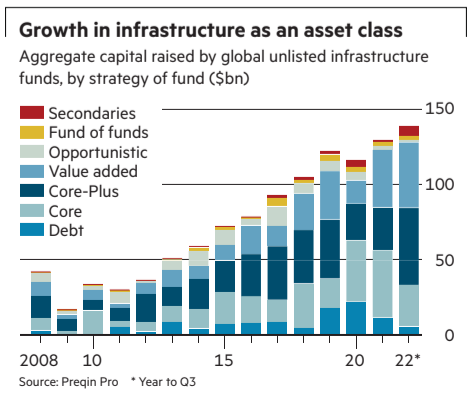
In committing to these kinds of programmes, active investment managers expect "a reasonable return to match the construction, operational and wider risks they are taking". But when the public perceives owners to be failing to keep up their end of that deal, it can quickly stir anger. Campaigners recently challenged Southern Water chief executive Lawrence Gosden, the former Thames Water executive appointed by Macquarie, to swim at one of England's effluent-soaked beaches.

Although the pollution long predates Macquarie's involvement in Southern Water, Gosden will join many water company bosses in declining to take a bonus this year, stating the utility has "clearly not met the wider expectations of our customers".

Yet Macquarie's grip on the UK's infrastructure more widely is set to tighten. In January, Macquarie, alongside the British Columbia Investment Management Corporation, bought a 60 per cent stake in the 7,660km gas distribution network in the UK, with plans to convert them for hydrogen use.

Now, more than three decades after privatisation first became popular, governments are faced with a conundrum: how they can use private finance in infrastructure in a way that delivers adequate returns for shareholders and high-quality services for the people – their voters – who are paying for them.

"This is the issue of the decade," says Folkman. "We know we want lots of investment to transition to net zero and even just to repair what's failing. But if we want to make it work for investors as well as the public we need to figure out how to do it better and soon."



"People like owning essential monopolies because, in the absence of close regulation, they can extract high profits," says Jon Moulton, a private equity veteran and founder of Better Capital. "Given that no one wants to suffer the potentially ugly consequences of a bankruptcy . . . regulators [which set

The FT View



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A spiralling cycle of violence in the West Bank

Western capitals should decry Netanyahu's plans to expand Israeli settlements

A renewed cycle of violence risks spiralling out of control in the occupied West Bank. Clashes between Israelis and Palestinians have surged since Benjamin Netanyahu's ultranationalist government took office in December; they have intensified after Israeli forces last week killed seven Palestinians and injured more than 90 in a raid on the city of Jenin. The bloodshed comes against the backdrop of the government's moves to accelerate expansion of Israeli settlements in the territory which are inflaming tensions and emboldening settlers. The US administration has criticised the plans for more settler homes. But western democracies need to do more to hold the Israeli premier to account.

The government Netanyahu formed

after last year's general election, where he aligned with religious Zionists, is the most far-right in Israel's history, and includes ultranationalist settlers. Itamar Ben-Gvir was handed the national security ministry, and Bezalel Smotrich a ministerial-level post at the defence ministry that includes wide powers over civilian affairs in the West Bank, on top of the finance minister's job.

Both posts were rewards for supporting Netanyahu's alliance. They have bolstered Israeli settlers in the West Bank as the government steps up its encroachment across a territory that Palestinians seek as the heart of a future state. The government has advanced plans for 13,000 settlement units this year, against 4,427 in 2022. One of its early moves was to approve the legalisation of nine settlements previously deemed illegal even under Israeli law.

Some fear the West Bank is now as close as it has ever been to a third intifada, or Palestinian uprising. Last year, 151 Palestinians were killed in the terri-

tory, the highest toll since the second intifada ended in 2005. Another 114 have been killed in the West Bank this year, and Palestinians have killed 16 Israelis in the territory. Israeli forces have been conducting near-daily raids on Palestinian targets following a spate of attacks by Palestinians on Israelis last spring. Last week's raid in Jenin used a helicopter gunship for the first time since the second intifada.

Yet recent attacks by Israeli settlers on Palestinians prompted even the Israeli military to warn this week that they constituted "nationalist terrorism" that harmed the state of Israel and the "legitimacy of its security forces to fight Palestinian terrorism".

The US has said it opposes unilateral actions by Israel to accelerate West Bank settlements that "make a two-state solution more difficult to achieve". But given the gravity of what is happening, Washington and European capitals – which mostly consider Israeli settlements illegal and support a two-state

Last year, 151 Palestinians were killed in the territory, the highest toll since the second intifada ended in 2005

solution – should take a tougher line. That means threatening to ban imports of goods produced in the settlements, and making clear that Israeli entities in occupied territory will not be treated as part of Israel. In the UK, a Conservative bill designed to stop local councils boycotting Israel sends the wrong message.

A robust stance towards Netanyahu's extremist government is important not just to try to quell violence in the West Bank and save what may be left of the peace process, but to send a broader message. While the situations are extremely different, Palestinians and Muslims across the Middle East note that the west has vigorously countered Russia's seizure of parts of Ukraine, but has long been muted in its reaction to Israel's creeping annexation of the West Bank. If the US and Europe want countries elsewhere to join their condemnation of Moscow, they must avoid appearing hypocritical by failing properly to condemn unacceptable behaviour when it comes from a traditional ally.

Opinion Society

The tech sector's free pass must be cancelled



Margaret Heffernan

How has the tech sector got away with exceptionalism for so long? Whenever the harmful effects of a new technology emerge, the loudest clamour opposes regulation, arguing that it would strangle innovation and that the engineering is too complex for legislation.

The costs may indeed be high – loss of trust, the degradation of democracy, the rising death toll of adolescents – but regulation would be a sacrilege against the crusade for knowledge and economic growth. Or so the argument goes.

Even when apostate pioneers in artificial intelligence warn vociferously against its dangers, an equal and opposite cohort (sometimes even including the same voices) argues that the technology is too young to be constrained, that there isn't yet sufficient

evidence of harm and that business can be trusted to do the right thing.

But no other industry gets such a free pass. Electrical appliances are tested to ensure they don't explode or catch fire. Cars aren't allowed on the road if they don't meet safety standards. Pharmaceutical businesses must prove their products are safe before they can go on sale. If harms emerge in any of these, regulation piles on top of regulation. Developing and enforcing standards is a cornerstone of the social contract: citizens expect their governments to strive to keep them safe.

So why is technology the exception? When Facebook was found to have experimented on users without their consent, when social media has been shown to harm young and vulnerable users, calls for regulation resound and then go quiet. In the argument that new technology is too precious an economic opportunity, AI is but the latest target. Its evangelists argue that, so far, it hasn't shown any signs of harm, and the engineering is too abstruse for legislators to understand. The first point is debatable, the second is often correct. I have had many conversations with MPs and chief executives who privately acknowledge feeling out of their depth when it comes to tech. It's less embarrassing to avoid the gnarly problems, meaning they find

common cause with the companies who also benefit from ignoring them.

Such wilful blindness is not the only option. In 1982, the Warnock Committee was established in the UK "to consider recent and potential developments in medicine and science related to human fertilisation and embryology". Keen to maintain its lead in the field, the British government recognised that the science also posed profound ethical and social questions that had to be answered if the new technology was to be acceptable.

To lead the committee the government appointed Mary Warnock, a moral philosopher who had no expertise in the field. That philosophers have no subject, she told me once, was a gift. It meant that people trusted her and that she had no authority or perspective to defend. Her skill lay in thinking through hard problems.

To do so required convening scientists, lawyers, GPs and theologians "to have", Warnock told me, "the conversation we are not having". The scientists weren't ethicists, the ethicists weren't scientific experts. Understanding the painful first-hand experience of infertility was critical. Everyone had to learn a great deal.

Divisions ran deep. At one point, Warnock said, she learnt that the wife of the then Bishop of Ely had held secret meetings to undermine the committee. But she persevered, helped by the scientist Anne McLaren, who had a gift for clarifying complexity without simplifying it.

The recommendations published in 1984 met a gold standard for regulation: even the people who didn't like them could understand and live with them. Although many bishops in the House of Lords stood against the resulting bill, it did become law. Innovation wasn't throttled, Britain maintained its leading position and the technology benefited hundreds of thousands who had endured the agony and grief of infertility.

That AI is also complex is no reason to avoid the challenge of containing it. AI systems optimise for specific outcomes, but risk generating solutions that are worse than the problems they were designed to solve. (Solving climate change by preventing procreation is a favourite example of mine.)

Formulating standards around the technology isn't impossible; it will simply require agreeing principles and limits of the kind that all other industries have to live with and work around. Doing that demands people from a variety of disciplines and backgrounds listen, learn and have the informed, thoughtful and non-polarised conversations that, right now, are missing. That AI is so powerful means we have no choice but to try.

The writer is the author of 'Uncharted: How to Navigate the Future'

Letters

Why the EU should make balance sheets account for nature

"Ratio-nality" implies a balanced proportion when making decisions, as the Latin etymology of the word reveals. The fascination with protecting investors' interests breaks this balance, making companies burn natural capital in the pursuit of shareholders' value. Heather Grabbe (Opinion, June 26) is right to call for the EU to move fast in valuing nature but accounting regulators are blinded by the material need to safeguard investors' interests.

The first step towards a solution would be to recognise nature as a

stakeholder. For example, Faith in Nature, a UK cosmetics company, has done so by allowing a representative for nature to sit on its board.

The second step would be to do the same in financial reports. The EU's fourth directive on company accounts prescribed a format of income statement that represented how value was produced and distributed among equally powerful stakeholders (workers through salary, providers of capital and equity through interests and dividends paid, the state through

taxes, and the company through retained earnings). It would be sufficient to add a "provision to a fund for nature" in the income statement, with a related constitution of a "fund for nature" in the balance sheet, to recognise nature as a stakeholder.

A small line would make visible the implicit exploitation of natural capital. Companies would be called to disclose their environmental policies and be accountable for them. The provision could even be equal to zero. However, companies would have to justify

this to the market and the public.

This idea would imply less value distributed to conventional stakeholders. Are they ready to put their hands in their pockets rather than playing with dubiously effective and highly politicised impact metrics? I believe not, which is why the EU should step up in making count what counts: financial reports.

Paolo Quattrone
Professor of Accounting, Governance and Society, Alliance Manchester Business School, University of Manchester, UK

Trump's circus highlights tricky task for his party

As Harry Hopkins said of Winston Churchill, we can say of Donald Trump: wherever he is, is the vortex ("Trump's mounting legal jeopardy", FT View, June 12). As the former president is well into his eighth decade, we note he has never achieved maturity, his world of "I" has never become "we". A monomaniacal devotion to self eclipses all else. As former US attorney-general William Barr noted, all Trump had to do was comply with the request to return the documents. But he is the scriptwriter, producer and star in his own three-ring circus, casting defiance ahead of sensible acceptance for a star turn.

If and when Republicans come to their senses, they will find the party that Ronald Reagan made exemplary is far gone and the reclamation project, when it commences, will be awkward. Not unlike Samson, Trump has brought himself down along with his political party. For while his base may remain strong, the general electorate is watching the show and even a weak Joe Biden, hiding in the basement, may be preferable to the Trump circus.

Paul Bloustein
Cincinnati, OH, US

Indian curbs on media started long before Modi

John Reed ("Realpolitik smooths the way for Modi's visit to Washington", Opinion, June 20) rightly points out the slow strangulation of a free and independent media in India. However, the alleged strangulation of the press was initiated, not by the rightwing Hindu nationalist Narendra Modi, but by the leftist secularist first prime minister of India, Jawaharlal Nehru.

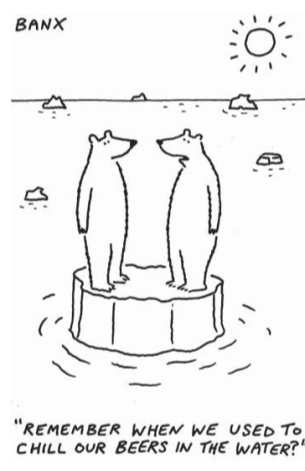
In 1951, Nehru introduced the very first amendment to the constitution of India, allowing these actions on dubious grounds such as "public order" etc. It was because of his amendment – the Press (Objectionable Matter) Act 1951 – that the poet and songwriter Majrooh Sultanpuri was jailed for writing a poem critical of Nehru.

India's recent raids on the BBC offices in New Delhi and Mumbai are not just an isolated event; they are part of the same process that Nehru began, and his daughter, Indira Gandhi, followed – during the Emergency of 1975 – with gusto. Modi may be a Hindu nationalist, but the credit or discredit of allowing press strangulation in India to grow by leaps and bounds must go to India's leftist secularist politicians, not nationalists.

Simren Kaur
Jalandhar City, Punjab, India

An embarrassment, but Putin's fate is not certain

Wishful thinking about the imminent demise of the Putin regime has



its obvious emotional attractions ("The Putin system is crumbling", Opinion, June 26). However, let's get real about today's Russia.

This is a country whose entire governance is built around the authority of one man and which is fighting a desperate war (the obvious, if to some extent misleading, comparator is the 1941 USSR). Its elite knows that if President Vladimir Putin goes, then in the ensuing chaos they almost certainly would too. And its people, despite the supposedly devastating impact of western sanctions, remain instinctive patriots, broadly supportive of Putin and the war. Only if the prospects begin to look much worse than is the case at present will they be tempted to kick the keystone away.

The Prigozhin farce is undoubtedly an embarrassment, but also a sharp reminder of how unpleasant a post-Putin Russia might be, and of the ultimate necessity of firm presidential authority to see off such dangers. Putin's fate will not finally be settled by the Prigozhin saga but on the (currently uncertain) battlefields of Ukraine.

Sir Tony Brenton
Former British Ambassador to Russia, 2004-08, Cambridge, UK

Politics resembles the 1960s, except the scandals

It is interesting that debt as a portion of gross domestic product has risen above 100 per cent for the first time since 1961.

In 1961, the UK had a Conservative government that had been in power for a long time, approaching the dying years of 13 years of Tory misrule, in Harold Wilson's memorable words. History seems to be repeating itself. Partygate is no match for the entertainment of the Profumo scandal, however.

Barrie Bain
Wadhurst, East Sussex, UK

Britain's Horizon position remains a sticking plaster

Protracted negotiations over the UK's membership of the Horizon Europe programme risk damaging our world-leading research and development sector and undermining the prime minister's vision of "an island of innovation" ("Scientists and industry leaders reject delayed return to Horizon as 'absurd'", Report, June 27).

The previous Horizon programme led to 31,000 global collaborations, with nearly 2,000 businesses from across the country benefiting directly, including many smaller firms and start-ups. Russell Group universities alone won 1,400 European Research Council grants, worth £1.8bn – more than were awarded in the whole of France – which was only made possible due to the UK's association with Horizon.

The government's decision to extend its guarantee for eligible research projects that are unable to sign grant agreements with the EU until September 30 is welcome, but it is a short-term sticking plaster.

Swiftly rejoining Horizon is critical to Britain's research and development work, which has a key role in driving economic growth and improving productivity at a time when the risk of a recession is rising. Not only does it support individual projects, Horizon offers wider network benefits from being part of a world-leading consortium of scientists, researchers and businesses.

The prime minister should seize this opportunity to rejoin Horizon and ensure the UK remains at the cutting-edge of research and development.

John Dickie
Chief Executive, BusinessLDN, London EC1Y, UK

Who incurs pension risk?

The leader, "How to make Britain's pensions assets work harder" (FT View, June 5), rightly points out that a large majority of defined benefit schemes are closed and thus have decided to opt for so-called liability-driven investment since they have a limited life (when the past pensioner dies). But even DB schemes that are still alive have opted for LDI, notably the Bank of England's scheme, for reasons of "risk management".

A question may be asked. Whose risk is being managed? I would suggest the risks are largely those being borne by the sponsoring organisation as a result of FRS 17 and the Pension Protection Fund, which has encouraged LDI to avoid the risk of having to bail out insolvent schemes. Not the risk to the scheme members who would most likely enjoy better pensions with DB schemes with greater equity exposure.

Mark St Giles
Chairman, Cadogan Financial, West Lydford, South Somerset, UK

Dismissal of AI fears could force some backpedalling

John Thornhill's article ("Why we should worry about the technological pessimists", Opinion, June 25) was an interesting riposte to technophobes.

However, his use of historical arguments as counterpoints to artificial intelligence worriers' present concerns may need some qualification.

Haven't teachers' fears of electronic calculators borne out in the appalling lack of basic numeracy in, for instance, the UK general population?

He then highlights how generative AI models, accessing the internet to assimilate knowledge like humans, may address challenges at lightning speed.

But if these future applications are digesting incorrect data, including "fake news" at an exponential rate, how reliable is their outcome and how will actual humans moderate this?

I would also like to point out that, from my experience in a local gym, English doctors' fears about the overuse of bicycles resulting in "bicycle faces" turned out to be totally accurate!

James Morris
Malmesbury, Wiltshire, UK

Open data can halt threat to ESG research freedom

The intimidation and bullying described in "Academic freedom in ESG research is under threat" (Opinion, June 15) could be ended with a straightforward solution: open ESG data. Open data is, by definition, non-proprietary, providing research freedom to all and, in some cases, permits commercial derivatives.

A regulatory crackdown on ESG providers that threaten academic integrity is likely to only work in the short term. Political leaders must mandate companies to collect and publish sustainability information as open ESG data; the EU's incoming corporate sustainability reporting directive is on the right path to do that, as is the Net-Zero Data Public Utility, championed by Emmanuel Macron.

The results would mean greater academic freedom, better commercial ESG analysis from more competition, and data for civil society to challenge claims. Opening up ESG data this way would lead to innovation and a more informed public who can shape company impacts on people and the planet.

Philipp Hürche
Founder and Chairman, Wikirate.org open data platform, Berlin, Germany

OPINION ON FT.COM

Alphaville
Some notes on what the Russian coup that wasn't could mean for oil, banks and Dubai property, writes Bryce Elder

Superforecasting with AI promises the best of all future worlds, writes Igor Tulchinsky
www.ft.com/alphaville

Opinion

The myth of autocratic competence takes another hit

AMERICA

Janan Ganesh



understanding with America. As unforced errors go, it might not be possible to make a more consequential one short of war.

In other words, the farrago in Russia is only the second-biggest case of autocratic misjudgment in the news. Pushing Narendra Modi into America's muscular embrace is the one with century-shaping potential. One of these stories is about a lack of domestic executive grip. The other is a case of external policy gone wrong. But both are embarrassing. Each western generation has to fight the idea that autocrats are generally, or even often, competent. To that end, the past week has been one to mark.

The question is how that myth — of the masterful, cat-stroking strongman — survives. Almost all of the world's richest countries are democracies. So are almost all the countries to which people want to move. Nato expands; the Warsaw Pact is 32 years dead. Without

even getting into Amartya Sen's line about famine (it never happens in a "functioning democracy") or the democratic peace theory (that no two democracies have ever fought), there shouldn't be a meaningful debate about the practical efficacy of the two governing models. Even authoritarianism's one boast, that it can take a nation from hardship

think in hundred-year cycles. While the west falls for cultural fads, autocrats perceive eternal truths about human nature. Where the gloating liberal press sees a failed war on Ukraine, the Kremlin tots up dogged strategic gains. There is usually something in there about "warm water ports", half-learned from Reddit threads.

Tech Bro, I say, but this habit of mind is older than that. *Ex oriente lux*, is an ancient cry. "Out of the east, light." At times, as in the Middle Ages, when the Byzantine empire and Arab scholars kept the flame of classical civilisation going, the phrase is resonant with truth. But it can suggest something else: a credulous belief in the special wisdom of the non-liberal world. When this sets in, western voters lose confidence. (Look at surveys of millennials.)

And so it matters to explain why — not just that — authoritarians misgovern. First, co-operation is beyond them.

Their aggression, so intimidating to observe from afar is, in the end, almost without fail, turned on each other. Hitler's war on Stalin and the Sino-Soviet split were cases of existential threats to the free world fracturing of their own (if this is the word) accord. But the same can happen *within* regimes. The wonder isn't that men as bellicose as Putin and Yevgeny Prigozhin fall out, but what took them so long.

What else undoes autocracies in the end is, and you'll pardon the MBA-speak, the absence of feedback loops. Last week, David Cameron, 56, a white male once of Westminster, reported to a building in the unlovely streets around Paddington station for two hours of questions on his planning for the Covid-19 pandemic. As he had stopped being prime minister four years before that crisis, his successors can expect similar or worse heat. Each squirm and nervous cough is free to stream live or at

one's leisure. The inquiry is expected to last into 2026.

What explains the autocratic misadventures — the botched war in Ukraine, the alienation of India — if not a void of accountability? A state with no checks on power, save factional intrigue, needs an executive genius at the top to function. History doesn't produce enough.

The moral case for democracy is too hard to make. A system that came along a century ago, if we date it from the universal franchise, can't be said to be intrinsic to human fulfilment. It is the utilitarian case — the battle for minds, not hearts — that western leaders must prosecute. Two summers ago, as the US flunked its withdrawal from Afghanistan, and its Covid death toll mounted, its autocratic enemies exuded a severe competence. Events are rather humanising them.

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It is the utilitarian case — the battle for minds, not hearts — that western leaders must prosecute

to middle-income, isn't special. Think Japan after 1945.

And still it endures: the Tech Bro view of geopolitics. It goes like this. While democratic leaders fret about the next election, Vladimir Putin and Xi Jinping

US has buyer's remorse for the world it built

Martin Wolf Economics

Jake Sullivan has called for a new 'foreign policy for the middle class'. But what does that really mean?



When the US talks, the world listens. It is, after all, the world's most influential power. This is not due only to its size and wealth, but also to the potency of its alliances and its central role in creating the institutions and principles of today's order. It played the decisive part in creating the Bretton Woods institutions, the General Agreement on Tariffs and Trade and the World Trade Organization. It promoted eight successive rounds of multilateral trade negotiations. It won the cold war against the Soviet Union. And from the early 1980s, it pushed for a deep and broad opening of the world economy, welcoming China into the WTO in 2001. Whether we like it or not, we all live in the world the US has made.

Now, suffering from buyer's remorse, it has decided to remake it. Janet Yellen, US Treasury secretary, outlined the economic aspects of the new US vision in a speech delivered on April 20. Seven days later, Jake Sullivan, the national security adviser to Joe Biden, gave an even broader, albeit complementary, speech on "Renewing American Economic Leadership". It represented a repudiation of past policy. It could just be seen as a return to Alexander Hamilton's interventionism. Yet, this time, the agenda is not for a nascent country, but for the world's dominant power.

What was Sullivan saying? And what might it mean for the US and the world?

The starting point is domestic. Thus, a "shifting global economy left many

working Americans and their communities behind. A financial crisis shook the middle class. A pandemic exposed the fragility of our supply chains. A changing climate threatened lives and livelihood. Russia's invasion of Ukraine underscored the risk of over-dependence." More narrowly, the administration sees itself as confronting four huge challenges: the hollowing out of the industrial base; the rise of a geopolitical and security competitor; the accelerating climate crisis; and the impact of rising inequality on democracy itself.

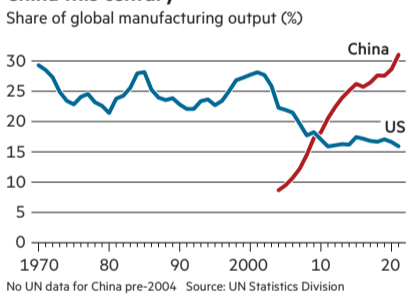
In a key phrase, the response is to be "a foreign policy for the middle class". What, then, is this supposed to mean?

First, a "modern American industrial strategy", which supports sectors deemed "foundational to economic growth" and also "strategic from a national security perspective". Second, co-operation "with our partners to ensure they are building capacity, resilience, and inclusiveness, too". Third, "moving beyond traditional trade deals to innovative new international economic partnerships focused on the core challenges of our time". This includes creating diversified and resilient supply chains, mobilising public and private investment for "the clean energy transition", ensuring "trust, safety, and openness in our digital infrastructure", stopping a race to the bottom in corporate tax, enhancing labour and environment protections and tackling corruption.

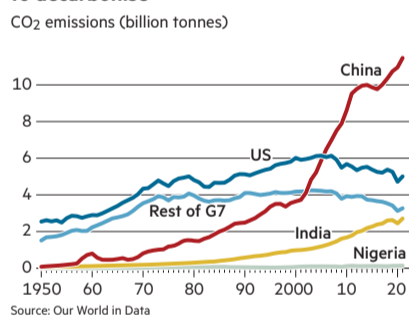
Fourth, "mobilising trillions in investment into emerging economies".



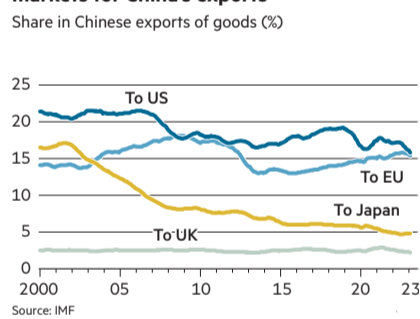
The US's role as a manufacturing superpower has been overtaken by China this century



The US still has a long way to go to decarbonise



The US and EU remain consistently large markets for China's exports



Fifth, a plan to protect "foundational technologies with a small yard and high fence". Thus: "We've implemented carefully tailored restrictions on the most advanced semiconductor technology exports to China. Those restrictions are premised on straightforward national security concerns. Key allies and partners have followed suit." It also includes "enhancing the screening of foreign investments in critical areas relevant to national security". These, Sullivan insists, are "tailored measures"

It is going to be hard to persuade China that this is not the beginning of an economic war upon it

and not a "technology blockade".

This is indeed a fundamental shift in the goals and means of US economic policy. But both the depth and durability of these shifts depend on how far it reflects a new American consensus. Where it is nationalist and protectionist, it already surely does. Where it downplays the priorities of business and the role of markets, it could also prove durable. Donald Trump's populist Republicans could surely accept almost all of this.

Do the new objectives make sense? In some fundamental respects, yes. Having just published a book called *The Crisis of Democratic Capitalism*, I agree that the anger and disappointment of what Americans call "the middle class" is a dangerous reality. I agree, too, that climate is an important priority, supply chains need to be resilient and national

security is a legitimate concern in trade policy. Russia has surely taught us that.

Yet will it work to make Americans and the rest of us better off and safer? One doubt concerns the scale. Sullivan states, for example, that it is "estimated that the total public capital and private investment from Biden's agenda will amount to some \$3.5tn over the next decade". That is at most 1.4 per cent of GDP over that period, which is far too little to be transformative. Another is it is hard to make industrial policy work, especially for economies on the technology frontier. Another concerns how disruptive this new approach will be for economic and political relations with the rest of the world, notably (but not only) with China, especially on trade.

In particular, it is going to be hard to distinguish purely commercial technol-

ogies from ones with security implications. It is also going to be tricky to distinguish US friends from foes, as global reactions to Russia's invasion of Ukraine shows. Not least, it is going to be hard to persuade China that this is not the beginning of an economic war upon it. Yet China already holds many cards in such a fight, as Harvard's Graham Allison has noted for the case of solar panels. Rare earths are another such case.

Above all, the new approach will only work if it leads to a more prosperous, peaceful and stable world. If it leads to a fractured world, environmental failure, or outright conflict, it will fail in its own terms. Its authors need to be careful in calibrating the execution of their new strategy. It could backfire badly.

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AI salesbots are coming for your cash

BUSINESS

Brooke Masters



If I cancelled, the app warned, I would lose the three book credits that I have already paid for but not used. Instead, it touted a "pause" button that would put off the next payment for three months. Not wanting to set that money on fire, I dutifully obliged and set a calendar reminder to cancel in October.

The UK Financial Conduct Authority has been worried about abusive online sale techniques for nearly a decade. It first warned against forcing customers to untick boxes or otherwise "opt out" to avoid paying for add-on insurance in 2015 and has since expanded its efforts.

Now regulators have stepped up their war on what they call "dark patterns" — menu after menu of confusing options aimed at maximising spending and deterring cancellations. That's needed, as companies use data mining, algorithms and sophisticated artificial intelligence to suck customers in and keep them sweet.

The US Federal Trade Commission sued Amazon last week, contending that it had "tricked and trapped people into recurring subscriptions" to its Prime service. It followed up this week by making Publishers Clearing House

Real-time emotion-sensing technology could be used to press offers at vulnerable moments

repay \$18.5mn to customers who had been lured into making purchases and paying fees while entering its sweepstakes.

"We are really trying to send a message that these types of practices have caught our attention and will not be tolerated," a senior FTC official told me.

In the EU, pressure from Brussels led

Amazon to begin allowing customers to end their Prime subscription with just two clicks using a clearly labelled "cancel" button. It also changed its UK policies around that time, but only altered US cancellations this year, ahead of the FTC lawsuit. The company, which plans to fight the case, insists that its cancellation procedures are "clear and simple... by design".

Even as regulators crack down on dark pattern website processes, companies are turning to artificial intelligence to make their sales methods more sophisticated, and potentially exploitative.

Businesses will soon be able — if they cannot already — to predict not just what to offer but also what time of day a purchase is most likely. Real-time emotion-sensing technology could be used to press offers at vulnerable moments.

Just as predictive autofill inserts errors into texts, a sophisticated genera-

tive AI could search for and pre-fill purchase information in ways that benefit sellers rather than offering buyers a full range of choices.

Imagine telling the AI to look for information on robot mops. If it came back with the sign-up page for a one-year subscription to a consumer site with the details filled in, some people would just click yes. They might then miss out on a free trial.

"The more versatile AI becomes, the more we need regulation... to make sure that it doesn't manipulate us and doesn't exploit us," says Matthias Holweg of Oxford's Saïd Business School.

Regulators need to set principles and procedures now that will make it easier to crack down on abusive sales practices as they emerge. At least three different approaches have merit.

The FCA's new consumer duty, which comes into effect next month, specifically warns companies against trying

"to exploit the behavioural biases of consumers... to create a demand".

The European parliament is working on new legislation to put limits on the use of AI technologies such as biometric categorisation, emotion recognition and generative systems. Much of the focus so far has been focused on employment and law enforcement. But the principles extend to sales.

The FTC is demanding that companies that settle deception cases keep records of psychological and behavioural research they conduct, including A/B testing. That should be expanded. As more firms use AI to stoke sales, they should expect to face scrutiny.

It is one thing to tempt customers with personalised offers. It is something else entirely to exploit their weaknesses to get them to pay for services they do not need.

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Put your hand up if you have looked at a credit card statement recently and spotted a charge for a subscription that you had forgotten signing up for.

You're not alone. The number of new subscriptions per US consumer peaked last year and cancellations are now outpacing new sign-ups. But for many services, getting out can be a lot more complicated than getting in, as I discovered when I tried to end my monthly payment to Amazon's Audible recorded books membership.

Lex.

Twitter: @FTLex

Renault/Ampere: demerger urges

Spinning out a business can electrify a company's share price. That may be the hope behind Renault's plan to float Ampere, its independent electric vehicle manufacturer. Yet Renault's long-term future depends on switching out of combustion engine vehicles. So why sell any of its EV business?

Energy transition could place legacy businesses into run-off. Some can afford to retain new ventures with high growth potential in-house as insurance policies. Others lack the required capital. A third group believes a partial demerger will create new currency for expected mergers and acquisitions.

Consider the possibilities. Renault sold 228,000 EVs and hybrids in Europe last year. That put the French carmaker third in market share.

An initial public offering of Ampere could raise €1bn to €2bn from share sales. But is the transaction really needed? Renault wants to lift growth. It has enough cash to cover Ampere's needs for years – some €4bn to €5bn Dan Roeska at Bernstein estimates.

Germany's Thyssenkrupp is in a different boat. It would like to float its hydrogen unit, Nucera. The parent does not have the capital to give this energy transition business a decent push.

Nucera has electrolyser production capacity of 1GW annually, Lex estimates. That is high. But profits may take time to materialise and competition can only intensify.

The parent wants to simplify its structure and decarbonise other capital intensive businesses including steel. It could use any funds raised. Thyssenkrupp's joint venture share in Nucera could be worth €2bn.

A successful IPO can, meanwhile, offer a smaller division a chance to grow independently. Competing for capital is tough within a conglomerate. Finance directors favour divisions with quick returns on investment.

Italian energy group Eni expects its renewables unit Plenitude to grow partly via acquisitions and thinks a share currency will help. The markets have not warmed to the spin-off idea so far. Eni may try again. TotalEnergies and BP – both with in-house renewables units – will watch closely.

We have omitted one reason for spinning off energy transition:

corporate happenstance. Managerial ambition and activity for the sake of it are real factors. They would appear to apply at Renault more than strategic logic. Ampere may be worth more to its parent as a division than a demerger.

Kering/Creed: scent flying

The "essence of strength and majesty" does not come cheap. Just 100ml of the Aventus fragrance costs €295. Its maker, Anglo-French perfume house Creed, also commands a premium price. French luxury group Kering is buying the 263-year-old Paris-based business for €1bn to €2bn.

The €5bn market for ultra-pricey brands is expanding at 15 per cent a year, at least three times faster than the rest of the fragrance market. A loyal, price-insensitive customer base also justifies a stiff price tag.

Creed's vendors, chair Javier Ferrán and funds controlled by BlackRock, are likely to have secured a multiple at least as high as Australian brand Aesop. L'Oréal bought the latter for \$2.5bn, or 4.7 times last year's sales. Creed generated more than €250m of revenues in the year to March.

Kering's first beauty buy comes shortly after it announced plans for an in-house unit for its cosmetics and perfumes business. Running these businesses directly, rather than licensing them to third parties, should improve its control of critical brands.

The Creed deal should accelerate the build-up of Kering's beauty unit by up to two years. Kering should be able to develop Creed in China, in travel retail, and as a women's fragrance. The latter accounts for just 15 per cent of sales.

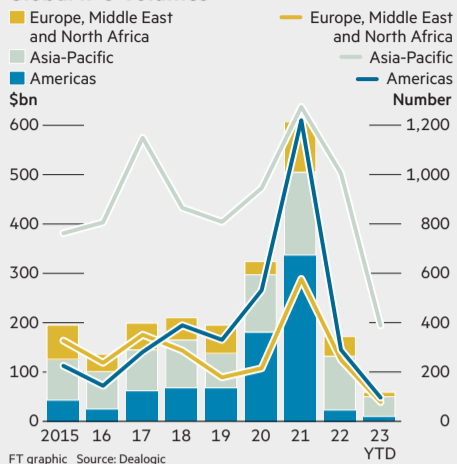
There is just a whiff of doubt about this deal. It is a potential distraction from sorting out underperforming Gucci. Kering is using up funds on bolt-on takeovers that might be better employed on a needle-moving deal. It should reduce reliance on Gucci, which accounted for two-thirds of operating profits last year.

That explains why Kering shares are priced at 16 times next year's earnings, about a third lower than the sector mean. Over the past year, its stock has moved sideways. The S&P Global luxury index is up nearly a quarter. Buying Creed is understandable,

Europe IPOs: sprats to catch mackerels

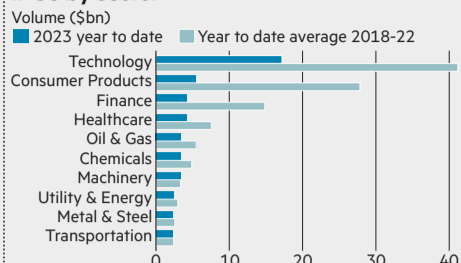
The Ukraine war and rate rises have destabilised the initial public offerings market. Issuers have offered only \$60bn shares so far this year. Once high-flying sectors such as technology and finance have seen especially sharp shortfalls. Investors are skittish, not least because recent listings performed poorly in the after-market.

Global IPO volumes

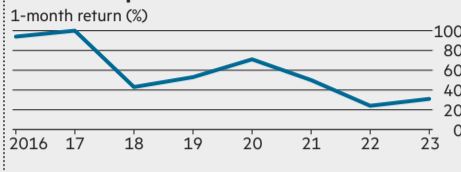


FT graphic. Source: Dealogic

IPOs by sector



Global IPO performance



Initial public offerings parallel the wait for London cabs. First, there are none. Then they arrive in convoys.

Europe's investment bankers hope so, at any rate. Their kerbside wait has been unproductive of late. The Ukraine war and successive interest rate rises have destabilised markets. Globally, issuers have only offered \$60bn of shares to date in 2023 – the least for the past six years. But a few pale headlights are winking in the distance.

In London, CAB Payments – a specialist in business-to-business money transfers to emerging markets – plans to float at an £850m valuation. In Romania, hydroelectric group Hidroelectrica will price its €8.5bn to €10.2bn IPO shortly.

German investors, meanwhile, await the listings of Nucera, Thyssenkrupp's hydrogen unit, and Schott, a maker of pre-filled syringes.

This modest renaissance reflects improving market conditions. The Euro Stoxx 600 index is up almost 20 per cent since last September's low. Risk, measured by price volatility, has more than halved. Indeed, one might have expected the IPO window to have flown wide open.

Potential investors eye new listings with caution, though. It is hard to blame them given the poor performance of the few 2023 IPOs. The worst, German web hosting group Ionos, trades 30 per cent below its aspirational IPO valuation.

This is a buyer's market. Market

hopefuls must offer larger-than-usual discounts to attract interest. At the midpoint of its range, Hidroelectrica would price at 10 times last year's ebtda, a 25 per cent discount to Germany's Verbund. Similarly, at a mooted valuation of €2.4 to €2.7bn, Nucera would price at about 3.5 times 2025 sales, about 15 per cent below Norway's NEL.

Unsurprisingly, that limits IPO candidates to those very keen to get a deal done. Thyssen and Nucera both have heavy investment programmes ahead, while CAB's private equity owners have waited seven years for the ride home. Timing is all. The recent stock market rally hints at a greater appetite for risk, if the price is right.

given Kering's beauty ambitions. But stronger, more majestic moves are needed to lift the share price.

Ecommerce/TikTok: more form than function

TikTok's comment section is filled with viewers asking creators where they bought the shirt/bag/lipstick they are wearing. Parent ByteDance wants to cash in. Its ambitions for logistics will never catch up with Amazon.

Retail ecommerce topped \$5tn last year, according to Insider Intelligence, more than double the total five years earlier. It expects the market to exceed \$8tn by 2026. TikTok wants a bigger share. This will diversify the private

group's revenue from digital advertising, which slowed last year. In addition to TikTok Shop, which lets brands sell directly on the platform, it has begun to sell products directly.

This is a direct challenge to Amazon. The holy grail of social shopping is authenticity. Seeing a favourite creator use a product is more compelling than digital ads. TikTok's ecommerce ambitions highlight the failures of Amazon, where functionality overrides entertainment. This explains why Amazon launched a lacklustre TikTok-style feed of its own, with videos of products available.

But if TikTok is able to create a more enjoyable shopping experience, it faces problems Amazon does not. It must persuade retail partners that political threats to ban or limit the app are not

serious, for example. It is years behind Amazon's investment in logistics.

Amazon does not give details on per-warehouse costs but it is possible to gain a sense by looking at losses reported in 2022, something chief financial officer Brian Olsavsky linked to capacity expansion. In the pandemic, the group doubled its logistics capacity to meet demand. Between 2019 and 2021, annual capital expenditure more than quadrupled. In 2021, Amazon spent some \$33bn on fulfilment centres and transport.

Amazon has some of the biggest warehouses and a fleet of planes. It is investing in driverless vehicles to ferry goods around. Last year it announced a \$1bn fund to invest in logistics start-ups. No logistics company that TikTok partners with can compete.

Lordstown/Foxconn: electric slide

The flagship truck of Lordstown Motors is known as the Endurance, a metaphysical state the electric vehicle maker has notably failed to achieve itself. Yesterday, the US start-up filed for bankruptcy just four years after it was founded and two years after its US listing via a "blank cheque" merger.

Since 2019, Lordstown has raised capital approaching \$1bn. It has manufactured just 65 Endurance vehicles. According to court papers, legal expenses have cost it \$60m, or about \$1m per truck.

Those expenses are only going to grow. As a part of the bankruptcy the company is suing partner Foxconn. Lordstown alleges that the Taiwanese contract manufacturer did not meet operational or financial commitments. Foxconn denies any wrongdoing.

Lordstown made an ambitious bet on a promising technology in an era of optimism and cheap cash. When the going got tougher, it had seemed a smart bet to bring in a capable partner.

Lordstown first took an investment from Foxconn in 2021. The contract manufacturer later bought the start-up's auto plant – previously owned by General Motors in Lordstown, Ohio – for \$230m. This became a backbone for its foray into auto production. At one point, tech investor SoftBank wanted to work with Foxconn on making an EV in Lordstown.

The US start-up alleges Foxconn slow walked intentionally, then reneged on agreed investments. Courts may decide whether that is true or false. But it is not obvious that even \$200m more of investment could have changed the game. Moonshot projects take more time and cash and still fall short.

Lordstown is among EV and auto tech groups that burnt through cash raised via special purpose acquisition companies. The business has \$136m left to fund its bankruptcy. The intellectual property is in other hands.

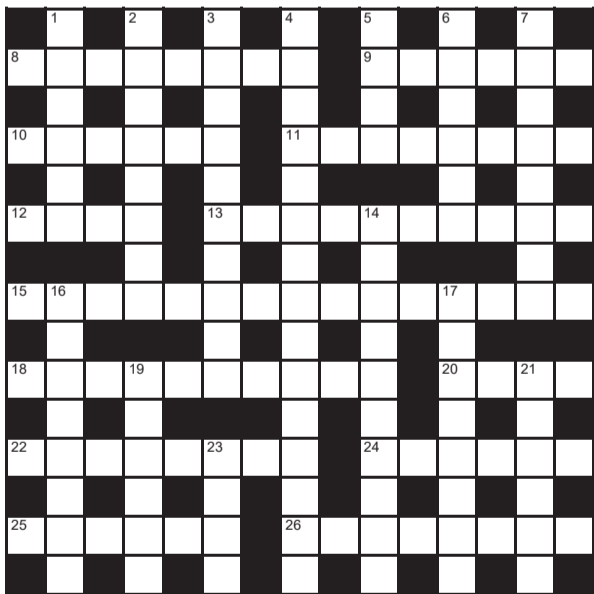
The Spac phenomenon brought many immature concepts to markets too soon. The legal fallout will endure longer than many of the companies.

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CROSSWORD

No 17,454 Set by MONK



ACROSS

- 8 Bond stopping out for birthday (8)
- 9 One after the other, as disputants may be (2,1,3)
- 10 Stone block crushing state's defunct space hardware (6)
- 11 I work in Essen when picked up (8)
- 12 Duty dealt with by the FT? (4)
- 13 Where to change old biker – menace, according to Spooner (6,4)
- 15 Similar characters offer hatred and bias freely (5,2,1,7)
- 18 Councillor having viewed housing put back court's conclusion in recording of trial? (6,4)
- 20 Man and wife beset by depression (4)
- 22 Old filmmaker, note, brought back yellow parrot (8)
- 24 Volunteers to pack McIlroy's club (6)
- 25 Chief in China crossing border (6)
- 26 Calamity as sliver of glass found in fresh cat food (3,2,3)

DOWN

- 1 Assumed extremely new floor should be included (4,2)
- 2 Put into service uniform, is wearing hat upon commencement of duty (8)
- 3 Maybe publishing revision of urban novel (6,4)
- 4 Hear a low-pitched shot somewhere in the East End (11,4)
- 5 Christian city in China (4)
- 6 Novel caught up in your outcry (6)
- 7 Raised left side of base in girl's Victorian toy (8)
- 14 Core Atlee stirred? (10)
- 16 Artist arrived secretly (2,6)
- 17 Bailiff dashed past, breaking up squabble (8)
- 19 Bury old medic beneath hospital department? (6)
- 21 Hawk makes turn to pull up (6)
- 23 Powder line inhaled by soaring jazz fan (4)

JOTTER PAD

Solution 17,453



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Investing in Nigeria

Wednesday June 28 2023

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Tinubu gets off to a dramatic start

New leader defies rock-bottom expectations by scrapping fuel subsidy, writes *David Pilling*

If it was the intention of Bola Tinubu, Nigeria's new president, to attract the attention of investors, he could not have picked five more potent words to achieve his aim.

"The fuel subsidy is gone," he blurted out during his May inauguration speech — departing from prepared remarks that had spoken merely of "phasing out" the costly policy. Its removal has been the third rail of Nigerian politics since subsidies were introduced in the 1970s.

The impact was immediate. The price of petrol almost tripled to N557 (\$1.20) a litre. Bonds rallied. The naira weakened on expectations that exchange rate simplification might follow.

Tinubu had spoken directly about that, too. "Monetary policy needs thorough house cleaning," he said in his speech. "The central bank must work towards a unified exchange rate," he added, referring to the 40 per cent spread between the official and the parallel rate. "This will direct funds away from arbitrage into meaningful investment in the plant, equipment and jobs that power the real economy."

Days later came news of the suspension of Godwin Emefiele, the central bank governor who presided over an opaque exchange rate regime for the eight-year tenure of President Muhammadu Buhari. Not long after, news that banks could bid freely for dollars sent the naira falling by more than 30 per cent, its biggest one-day drop in history. Tope Lawane, managing partner of



Monetary shift: president Bola Tinubu plans policy changes to reinvigorate Nigeria investment — Kola Sulaimon/Getty Images

Helios Investment Partners, an Africa-focused private investment firm, says rationalising the exchange rate and subsidy regimes is vital to making Nigeria investible again. "We haven't made a new investment in Nigeria in possibly six or seven years," he notes — adding

that, hitherto, the continent's most populous country had been Helios' investment priority. The problem, he explains, was that "the policy environment just seemed to make it impossible. "Whether you're a private equity or a portfolio investor, the thing you cannot

price in is an inability to take your money out," Lawane says. "You can bet on a stronger or weaker currency, but you need some level of liquidity to live with the bet you're making."

Worries about getting hold of dollars trumped Nigeria's positives, he says,

from its huge domestic market to its buzzing tech sector — arguably the most dynamic in Africa. "The difficulty of getting your money out inhibits putting your money in," Lawane points out.

In remarks that sounded positively pro-business compared with Buhari, who had favoured state intervention and protectionism, Tinubu addressed all these private investor concerns: "We shall ensure that investors and foreign businesses repatriate their hard-earned dividends and profits home."

Chidi Odinkalu of the Fletcher School of Law and Diplomacy at Tufts University argues that Tinubu has done the minimum necessary given the hand he was dealt: "We shouldn't be impressed."

But Bismark Rewane, head of Lagos-based consultancy Financial Derivatives, says Tinubu's first weeks mark an "inflection point" in Nigeria's policy framework after the past eight years when growth and investment collapsed, oil theft spiralled, and kidnapping and violence spun out of control.

"Scrapping of the fuel subsidy is good for Nigeria," he says, noting that it was difficult to manage, politically, given politicians' low credibility with the public. "There are crony capitalist profits everywhere so, if we can get one big piece of that puzzle out, then all of the other pieces will follow."

Because much of Nigeria's debt is denominated in naira, traders believe a devaluation need not precipitate a debt crisis. Converting dollar receipts from oil revenues into a weaker naira would also strengthen government finances undermined by chronically low tax revenue, they add.

This air of optimism in the first few weeks of Tinubu's presidency comes as

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Theft, vandalism and under-investment blight the sector

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Bold beginning, yet deep problems and rampant poverty remain

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President Tinubu's inaugural message on profit repatriation did not disappoint

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Growth of middle class boosts cultural profile

Diverse talents enable central role in rise of African art

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China increases focus on Nigerian potential

Chinese companies ready to build from the grassroots up

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Ainojie 'Alex' Irune
President & CEO
Oando Clean Energy

Decarbonizing Africa For Prosperity

For Africa, the energy transition is about access, security, and affordability. How can Africa achieve a just and inclusive energy transition for all Africans amid a climate crisis?

For Africa, the concept of a just transition is an inflection point beyond decarbonization and global climate objectives. It is about the far-reaching implications of energy poverty on the continent's socioeconomic development against a backdrop of growing energy demand and a teeming population actively demanding a better future. It is about equipping our people with the requisite expertise and resources to drive the right transition for the African continent.

Though referred to as the next renewable powerhouse, Africa has been unable to exploit its abundant but underutilized renewable energy resources because there are barriers to unlocking this in the near term, including developing our energy infrastructure amid a global climate crisis. Since the beginning of the industrial era, Africa has accounted for less than 4% of the world's total cumulative greenhouse gas emissions. Still, the continent is on the front line of a climate crisis while the burden on economies and livelihoods is disproportionately high.

Therefore, pushing for total abandonment of fossil-based fuels in favour of greener energy sources will further exacerbate energy poverty in a continent that, amidst all of the above, is struggling to play catch up in the race to industrialization.

The energy mix is still being contended, the developed countries have a view of what it should be but as Africans, we have a different view and must be allowed to curate an energy mix that recognizes our peculiarities and sets the continent on a pathway to an inclusive transition. A step in the right direction was made in this regard at the Executive Council of the African Union on July 15, 2022, where the African Union Commission adopted the African Common Position on Energy Access and Just Transition. This approach ensures Africa has the right to a differentiated energy development pathway to spur universal access to energy and transition without compromising its development efforts.

Four key actions must be deployed as a prerequisite for a just transition; de-risking and promoting private sector investment, a holistic approach to power generation, innovative financing and instituting comprehensive policies to foster transformative decarbonization.

African governments must create an enabling environment by developing and instituting policies to attract high-quality investments and boost public-private partnerships. They must improve and harmonize regulatory frameworks for energy generation, invest in the modernization and expansion of energy

infrastructure. Today, the investments required to meet Africa's growing energy demands far outweigh the funds available from public sources. The private sector, specifically oil and gas companies, have balance sheets that can take the risk to facilitate this transition. The private sector will lead this transition and thus must be encouraged by an enabling environment to do so.

As leaders in the private sector, striving towards achieving a carbon-neutral Africa, we will continue to exploit the continent's clean and renewable energy sources to solve the continent's energy deficit. In the short term, a mix of renewable energy sources, natural gas and low-carbon hydrogen will be critical in expanding modern energy access. Africa has an enormous amount of renewable energy capacity, estimated to reach 310GW by 2030 in addition to its natural gas reserves. We must be deliberate about how we harness the resources within our reach, such as sunlight, and identify opportunities to produce energy in more carbon-friendly ways because we cannot afford to decarbonize Africa into poverty.

How is Oando adapting its business model to the new normal and what are some of the bankable renewable projects you are working on in the short to medium term to ensure energy access, security and affordability?

The Coronavirus pandemic was a global awakening. Like everyone else, we realized we needed to act quickly to mitigate the energy and climate crisis. Being part of an industry that directly contributes to greenhouse gas emissions and global warming, we have a responsibility to create a path that enables us transition as a country to more sustainable modes of operation. This birthed Oando Clean Energy Limited (OCEL), the clean energy subsidiary of Oando PLC.

Since its incorporation in 2021, the mandate for OCEL remains the design and development of climate-friendly and bankable energy solutions. The first step in our clean energy journey was to address the highest contributors of carbon emissions in Nigeria such as transportation and energy consumption. We partnered with Lagos state to drive the transition of their municipal transport to electric-powered buses through the development of an Electric Vehicle (EV) infrastructure ecosystem, marking Nigeria's first electric mass transit. Developing the infrastructure was less about the vehicles and more about the impact of fossil commuting on the environment and how we could significantly reduce pollution by transitioning the State's current public transport system.

Lagos, the most populous city on the continent, has seen a four-fold increase in vehicles on its roads, with over 1,000 mass transit buses operating in the state. Lagos contributes 243,000kg of carbon dioxide equivalent from its public mass transit per day, making it a suitable development ground for sustainable technologies that can be modelled across Africa. We are confident this will create a spill-over effect and accelerate electric mobility possibilities within the state and country.

The future of downstream is electric. Though e-mobility might seem far-fetched considering the continent's energy deficiency, we see this as an opportunity to design and lead the creation of what our future should look like. We are confident that this will make private uptake of EVs a lot easier.

We are also making significant inroads in the power sector. Demographic trends and development plans show the country's growing energy demand is inescapable. We are clear in our minds that a sustainable solution to ensuring all Nigerians have access to power will include deploying innovative and captive power solutions that address the unique needs of each community. To this end, we have partnered with the Rural Electrification Agency (REA) of Nigeria to deploy solar mini-grids towards achieving energy security, power accessibility and affordability across rural communities.

Nigeria is one of the fastest-growing markets for solar power in the world. According to the Global off Grid Market Report, Nigeria is the 5th largest market in terms of volume of solar products sold. Sales of off-grid solar systems (50-100W output) have increased exponentially year on year since 2018. Yet approximately 90% of solar panels used in Nigeria are imported with China taking the lead position.

We see this as an opportunity for value accretion. Our strategic ambition is to establish a 1GW solar module assembly factory in Nigeria. In the initial stages, we will assemble but using locally sourced materials i.e., glass and aluminium with our utopia being to manufacture locally, thus enabling capacity development and making us the go-to destination for solar modules in Nigeria.

Other verticals we are looking at include producing energy and alternative fuel from waste through biochemical processes, such as anaerobic digestion, fermentation, and thermochemical processes, such as pyrolysis and gasification. In addition, we'll explore the country's wind energy potential by developing a 1 Gigawatt (GW) coastal and offshore wind farm.

Whilst this is not a comprehensive list of all we are working on, it gives you a glimpse into how keen we are to explore the full spectrum of the renewable energy value chain to create value for the nation.

These are daunting feats which cannot be achieved from a place of comfort. Every step of the way, we have approached and tackled each challenge by collaborating with private sector partners and the Government where necessary.

OCEL's DNA is no different from Oando's. We welcome audacious projects and are unafraid of being the first. We have an army of experienced and passionate individuals fueled by a desire to turn challenges into opportunities if the end journey is one of positive impact. So, we are confident about our abilities to manage the complexities around new technology introductions, more so within Nigeria's unique and sometimes challenging terrain.

How has Oando scaled the challenge of financing its renewable energy projects?

Achieving energy sufficiency for all Africans would require an almost four-fold increase in financing to approximately US\$100 billion annually till 2040, above current spend. Despite the promise of the energy transition and being the most vulnerable to the impacts of climate change, Africa has received only about 2% of global renewable energy investments in the past two decades.

Africa has a profile that is not risk friendly, but it is our job as Africans, to de-risk and create the requisite confidence needed to attract investments. Approximately 70% of renewable projects are stuck in conceptual design and feasibility stage. The inhibitors to these projects include scalability, inefficient market, and limited technical skill for expansion amongst others.

At Oando, we deploy an evidence-based approach to showcase the viability and bankability of climate adaptation projects. We understand that risks must be taken at the early stages of these projects, and as a leader in the transition journey, we are ready to take on those risks. Our project structuring efforts include developing business plans and feasibility studies emphasizing the sustainability of our initiatives and aligning them with the criteria required for these funding groups. We embrace innovation, exploring products and services that are sustainable. These efforts collectively position us to attract interests to fund our initiatives and drive the clean energy transition in Nigeria. We also leverage the support of our parent company, Oando PLC, to mitigate these risks.

Investing in Nigeria

Digital pathway aims at guiding farmers out of isolation

Agriculture

Integrated loan and trading system is lifting incomes, reports *James Kynge*

The first time Ige Akinwale Benson, a Nigerian cocoa farmer, heard of a company called AFEX Commodities Exchange, he was unimpressed. "I looked at them and I thought 'these guys are totally 419,'" says Benson — using a common Nigerian term for fraudsters.

The reason for his first impression was that AFEX seemed to be offering something too good to be true. The company — which tops the FT ranking of Africa's fastest growing companies — provides loans to smallholders for buying seeds, fertilisers and pesticides and then buys their produce at market prices, stores it in warehouses, and transports it to market.

In developed economies, such services are de rigueur. But, in Nigeria, a country with an estimated 34.5mn smallholder farmers, the package being offered is little short of revolutionary.

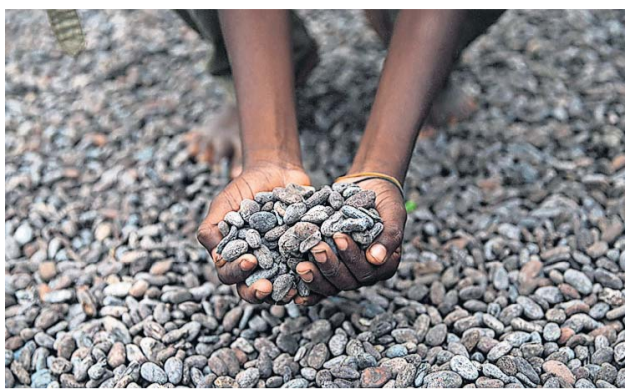
Agriculture is of crucial importance to

a country in which about 70 per cent of its 220mn people are engaged in the sector, mainly at subsistence level, according to the UN's Food and Agriculture Organization (FAO). Limited financing, poor access to farm inputs and markets, and a lack of warehouses are commonplace problems, the FAO says.

However, since Benson signed up in 2019 to be part of AFEX's system, he has overcome the issues that for generations have kept his family poor. "Before 2019, our family's annual income would be about 1.2mn naira (\$1,463) but now we are getting between about 4.5mn (\$5,488) and 5mn (\$6,098) naira," says Benson, who farms about 65 acres around the village of Ajue in Ondo state.

"I don't spend the money extravagantly," he stresses. "I put it in the bank account. I have a house and a car now, so I don't need much. I will spend the money on a good education for my four children. I will send them to a better school."

AFEX, which was founded in 2014, recorded a compound annual growth rate between 2018 and 2021 of 502 per cent, according to the ranking by the Financial Times and data research company Statista. Its president and group



Yielding results: better inputs have boosted harvests of crops like cocoa — Reuters

chief financial officer, Kunle Adesuyi, says it is aiming to raise \$75mn in equity and debt by the end of this year, potentially from international investors.

AFEX's business model relies on taking Nigerian farmers out of isolation and subsistence and including them in an integrated agricultural system. After farmers have signed up to its platform, AFEX provides months of training on what crops to grow, which seeds are

most suitable, which fertilisers, fungicides and pesticides to use, how to avoid flooding and swarms of pests, how to reduce post-harvest crop losses, and other competencies, notes Adesuyi.

It provides loans in the form of farm inputs — such as seeds and fertiliser — rather than money. AFEX charges 15 per cent annual interest on the inputs loaned. When farmers come to sell produce to AFEX after harvest, the cost of

the inputs plus interest is deducted from the sum they receive.

Applying better farming inputs in this way has resulted in a dramatic increase in crop yields. Almost 500,000 farmers registered on AFEX's database produced around 500,000 tonnes in crops last year, up from some 507,000 tonnes in 2021, says Adesuyi.

A huge problem with waste has been reduced by AFEX's network of warehouses. They have a capacity of 600,000 tonnes, and can store harvested crops including cocoa, sesame, cashew, ginger, rice, sorghum, coffee, and barley. Before the warehouses were built, post-harvest losses because of inadequate storage were as high as 40 per cent, Adesuyi points out. After the application of AFEX's methods, he adds, the percentage of waste has come down to a fraction of that.

AFEX is not the only company in this area, though. Thrive Agric, backed by California start up accelerator Y Combinator, has 514,000 farmers on its database and works in 26 Nigerian states, says its chief executive, Uka Eje. "When you go to the US, you are travelling over a thousand kilometres and all you see is productive farmland," notes Eje, who

grew up in rural Benue state. "But when I was going to school, I would travel and see very little activity on the farms. Millions of hectares are not cultivated."

Thrive Agric's model is similar to that of AFEX, but with a twist. It groups the farmers on its platform into "clusters" — usually into groups of about 10 but sometimes as many as 50. They cross-guarantee each other's output so that, if one falls short, the others are liable for the shortfall. Eje says: "The social pressure helps to drive performance."

As with AFEX's model, digitalisation is a crucial aspect of Thrive Agric's operations. Not only are mobile phones used to map and verify a farmer's land, digital processes are also used to provide loans using a farmer's bank verification number, identity card and online account. Thus, the prevalence of mobile phones, which can be bought in Nigeria for as little as \$50, has become a crucial enabler of agricultural aggregation.

"Digital technology allows us to build structure from a chaotic environment," says Eje. "Africa, these days, is pretty chaotic and there may be some infrastructure that does not exist. But we can build a technology system that can service this unstructured market."

Fossil fuels Theft, vandalism and decades of under-investment have blighted revenues even as prices have surged, writes *Aanu Adeoye*

Oil and gas fail to cash in on global energy hunger

Nigeria's oil and gas industry, the source of much of the country's foreign receipts and more than half of government revenues, is in bad shape. Although figures released by Nigeria's national statistics bureau show \$45.6bn in revenue last year, a 46 per cent rise on 2021 levels, those numbers hide an uncomfortable truth: oil production in Nigeria has been falling steadily over the past few years.

In April, the country produced less than 1mn barrels of oil daily, far below its 1.8mn bpd Opec quota. So, even though oil prices spiked in 2022, due to Russia's invasion of Ukraine, the longer-term story of Nigeria's energy industry has been one of lost opportunity. Hence, former finance minister Zainab Ahmed says the overall impact of high prices has been "nil or negative".

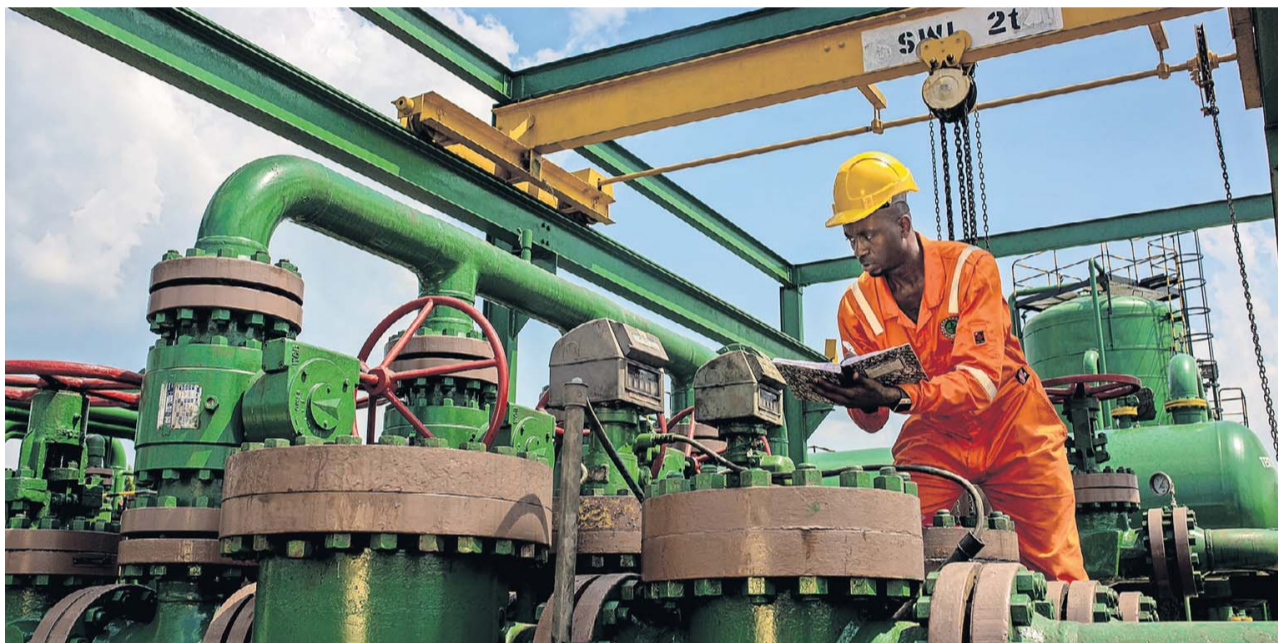
Oil production in the country has been blighted by large-scale theft and vandalism, as well as decades of under-investment in infrastructure. As such, state oil company NNPC cannot meet its output targets. Mele Kyari, head of NNPC, has alleged that as much as 600,000 barrels of oil are stolen daily by government and security officials, and

even members of the clergy. The security situation is so dire that Nigerian authorities have contracted Government Ekpemupolo — better known as TomPolo, a former Niger Delta militant leader — to protect pipelines.

Fuel subsidies, introduced in the 1970s to provide cheap petrol for Nigerians, have also robbed NNPC of vital resources to invest. Last year, it paid out \$10bn worth of subsidies to distributors.

Official figures suggest that Nigerians now consume about 68mn litres of petrol daily, compared with about 49mn in 2015. Yet there has not been a commensurate increase in population or economic activity. Some believe that the numbers have been fiddled and that oil distributors sell subsidised oil in neighbouring countries at a huge profit. Bola Tinubu, the new president, cut subsidies on his first day in office.

Experts say the combined effects of all these negatives are behind the recent rush of international oil companies to exit Nigeria's onshore sector. China's Addax handed its four oil blocks to NNPC last November. Meanwhile, ExxonMobil's planned \$1.28bn divestment from four oilfields remains in limbo. Last August, local producer Seplat



Meter reading: a worker at an NNPC facility in Edo state. Nigeria's oil production is below its Opec quota — Ikachi Ugwojio/Shutterstock

thought it had secured approval to receive the assets from Exxon, after president at the time Muhammadu Buhari, who doubled as petroleum minister, granted the go-ahead. A few days later, however, Buhari rescinded his support for the deal.

Noelle Okwedy, an energy analyst at Lagos-based data company Stears, says the operating environment in Nigeria is no longer conducive to efficient oil production. "Vandalism and theft have severely constrained production, causing production shutdowns for months on end," she notes, pointing to disruption at leading export terminals. Shell, for example, declared force majeure for just over a year from March 2022 on exports of high-quality Bonny Light crude as a result of attacks on pipelines.

Fractious government agencies and consequent regulatory uncertainty

have also damped investor confidence, Okwedy adds. "There's no clarity on who regulates what," she says.

The gas sector is not faring much better. Analysts say a price cap on the domestic market has limited investment for gas around the world. Matthew Baldwin, deputy director-general of the European Commission's energy

Some gas wells have lost as much as 80 per cent of their capacity to theft and vandalism

department, says Nigeria supplies 14 per cent of the EU's gas imports and that 60 per cent of Nigeria's liquefied gas is shipped to Europe. Both sides agree there is scope to do more.

Yet Nigeria's main gas company, NLNG, faces multiple challenges. A nationwide flood that killed more than 600 people and displaced 1.3mn last October led it to declare force majeure on its operations after its gas suppliers were affected. The group, which is jointly owned by energy majors Total, Eni and Shell, as well as by NNPC — which holds just under half the shares — also faces the same security problems that bedevil the oil industry. Some gas wells have lost as much as 80 per cent of their capacity to theft and vandalism.

Clementine Wallop, senior adviser to political risk consultancy Horizon Engage, believes Nigeria should push

for the completion of long-term infrastructure projects to help it take advantage of Europe's hunger for gas. Investors are quietly hoping that the new government can deliver the funding. In his run for the presidency, Tinubu presented himself as a pro-business candidate capable of luring investment back to a country sorely in need of it.

His choice of oil minister and head of NNPC will be critical to investor confidence, says Okwedy. "There's a lot of diplomacy involved and we did not see a lot of this from Buhari," she says. "Instead, the measures he took as minister of petroleum scared investors away."

But even optimistic investors acknowledge that a shrewd appointment would be only a start. Getting a grip on theft and vandalism will ultimately determine how Nigeria's oil and gas industry fares in the coming years.

Dangote scheme raises hopes of a more refined future

One of Muhammadu Buhari's last acts as Nigeria's president was cutting the ribbon at the Dangote oil refinery on the outskirts of Lagos, Nigeria's commercial capital.

The project, long in the making, was the work of Africa's richest man, Aliko Dangote. Finished seven years later than planned, it cost more than double its original \$9bn budget.

But it is still unclear when the refinery will begin delivering refined products to market, despite Dangote's claim at May's inauguration ceremony that he expects production to begin in July. A more realistic target could be November, according to a source familiar with the plant's operations.

Insiders say the ribbon-cutting fanfare was a political sop to Buhari, who was a champion of the project, so he could take credit for bringing a potentially game-changing infrastructure project to fruition. NNPC, Nigeria's state-owned oil company, owns a 20 per cent stake in the plant.

A cement and sugar tycoon, Dangote has a record of success and domestic production. Although his critics accuse him of a cosiness with successive governments that has proven beneficial to his empire — worth about \$21bn, according to the Bloomberg Billionaires Index — Nigerians will be hoping he succeeds in his latest venture. The



Opening ceremony: Aliko Dangote, left, and Muhammadu Buhari

project also comprises a fertiliser processing complex, a deep seaport and a 435MW power station.

Nigeria is largely incapable of refining crude. Its three state-owned refineries are in disrepair and operate at only about 30 per cent of capacity, despite the government spending \$25bn to revamp them.

Thus, Nigeria spends \$23bn annually on importing petroleum, which is then subsidised to the tune of about \$10bn a year — at least until Bola Tinubu, the new president, removed subsidies on his first day in office, last month.

At full production, Dangote's refinery could process as much as 650,000 barrels per day. Although Nigeria's Opec production quota is 1.8mn, the country now routinely produces just under 1mn barrels daily due to theft, vandalism and infrastructure problems (see above). The IMF said in a recent report that it does not expect the refinery to reach more than a third of its production capacity by 2025.

Nevertheless, Dangote is bullish about the prospects of reaching full output by the end of next year.

Securing crude supplies will be crucial to the plant's success. But the rampant violation of pipelines in the Niger Delta could make achieving that a big challenge.

As such, no magical solution to Nigeria's oil woes appears likely. Analysts at Lagos-based consultants SBM say that while Dangote's refinery — which at full stretch could produce 53mn litres of petrol daily — may "largely provide" the capacity for Nigeria "finally" to solve the supply problems that lead to periodic scarcities, it will have "little impact on the price of the products". These will continue to be determined by global oil prices. However, the refinery could be a boon for neighbouring countries, which often have to import petroleum products from further afield.

Aanu Adeoye

Solar 'mini-grids' light the way towards last-mile electricity

Nigeria is usually Africa's largest oil producer, with an output of almost 1mn barrels per day, most of which is consumed by an energy-hungry economy that needs fuel for industries, transport and offices.

And this reliance on oil has been exacerbated by a chronic shortage of electricity in most parts. About 43 per cent of Nigeria's almost 200mn people lack access to grid electricity, especially in rural areas.

Meanwhile, many of those who are connected to the grid are often left in the dark for days — or even years, in extreme cases — because of power supply problems that successive governments have left unsolved. In many urban centres, businesses and households are forced to resort to generators, which increase the demand for petrol and diesel.

However, this energy crisis is now powering a different kind of innovation in Nigeria, says Ifeoma Malo, chief executive of Clean Technology Hub, a renewable energy research institute. She points to government regulations designed to encourage investment in solar mini-grids that can supply electricity to remote areas.

"There has been a focus on getting electricity to rural communities," says Malo. "And this is where a lot of investors in the solar mini-grid sector have come from and even a lot of

renewable energy technologies. We've seen investment in wind too."

The investments have typically been in the form of grants from multilateral organisations, such as the World Bank and philanthropic foundations. But industry experts say there has been a shift from solely grant-based investments to a hybrid model of grants and investments, such as loans on favourable terms.

In 2018, the World Bank provided a \$350mn concessionary loan to Nigeria's Rural Electrification Agency (REA) for solar off-grid projects. Malo credits



Energy boost: rural communities are benefiting from solar power

Damilola Ogunbiyi, who served as managing director of the REA from 2017 to 2019, for quickening the pace of investments in the rural electrification programme.

Private capital has also shown an interest in Nigeria's renewable sector, with some significant deals being completed. Last year, oil major Shell acquired Daystar Power Group, a solar power provider, as part of its efforts to move into cleaner energy.

Solar is regarded as a good entry point for would-be investors in renewables in Nigeria, since making electricity accessible, and affordable, remains a massive challenge.

But Malo notes that local investors are not as active as their international counterparts because many worry that good returns will take too long to appear. The renewable energy sector, she says, needs "patient capital" that is willing to invest long-term in projects where profits may need more time to materialise.

A further factor for investors to consider is the lack of security that pervades much of Nigeria, particularly in the north. Since most of the areas that require support are in rural, last-mile and northern communities, investors have been forced to pull their funds and contend with stranded assets in areas of high volatility.

Aanu Adeoye

Investing in Nigeria

Early reforms focus on alleviating debt stress

Credit
New administration wants economic growth prospects placed on a firmer footing, writes *James Kyngé*

The banqueting hall of the Oriental Hotel in Lagos buzzed with anticipation. A few days after Nigeria's new president took office in late May, about 80 of its business elite gathered around tables draped in gold cloth waiting to hear a briefing on what the future might hold. Bismarck Rewane, a leading Nigerian economist, was clear. Zipping through a deck of slides, he had one message: the new administration had no alternative but to undertake a series of bold economic reforms. Further delay would pitch the country into "freefall". "Nigeria is choked," he said in an interview after his address. "There is a poverty problem, unemployment problem, an oil smuggling problem, an inflation problem, the deficit and all of that.

It is like a desperate case lying in the emergency room."

There was one silver lining. Once tough decisions have been taken and reforms pushed through, there will be an "inflection point", after which economic growth will bounce back, Rewane predicted.

Among the toughest of Nigeria's challenges is debt.

So rapid was the build up of foreign and domestic debt under Muhammadu Buhari's government, which preceded that of incumbent Bola Tinubu, that last year the IMF warned, by 2026, the Nigerian government may be spending 100 per cent of its revenue on servicing the interest payments.

Since Tinubu took office, two of the biggest reforms – the scrapping of a \$10bn-a-year petrol subsidy and abandoning a policy of propping up the naira's value against the US dollar – have been motivated partly to counter debt stress.

Debt markets have broadly welcomed the moves. The fuel subsidy's demise should swell Nigeria's hard currency earnings, thus allowing it to more easily

meet interest payments on most of its \$41.9bn foreign debt – a sizeable chunk of which is in Eurobonds.

"The removal of the fuel subsidy is one of the most significant fiscal reforms Nigeria has seen in years," says Razia Khan, Africa and Middle East research head at Standard Chartered Bank. "It is an undoubted credit positive, and Eurobond spreads have tightened as a consequence."

The reforms may also convince market players that Nigeria is serious about tackling its chronic economic frailties. "The strong reform momentum makes it cheaper for Nigeria to borrow again externally, so the fuel subsidy removal helps to bring down financing costs overall," Khan adds.

The external debt's composition is varied. The lion's share is owed to multilateral lenders, including the World Bank, IMF and African Development Bank. Much is on concessional terms, analysts say. Just over \$4bn is owed to Chinese lenders, principally the Export-Import Bank of China, analysts add.

Asked whether Nigeria could avoid an overseas debt default, Rewane says: "I

think so. First and foremost because you are taking policy decisions, you are more likely to achieve the rescheduling of debt with your creditors. The rescheduling of debt means that you avoid default."

But some non-sovereign debtors could have a tougher time making hard currency debt repayments as the value of their naira earnings decline with the Nigerian currency's nosedive. Early this year, Fitch Ratings said most Nigerian

banks have sufficient capital buffers to withstand a significant naira depreciation. In June, however, it placed local lender Coronation Bank Limited on watch for a potential downgrade.

The outlook for domestic debt, which totalled N27.55tn at the end of last year, may be manageable, says Khan: "Despite the anticipated rise in inflation

as a result of the fuel subsidy removal, yields on Nigerian local currency bonds are still negative in real terms." This helps "to inflate away the accumulated stock of local currency debt so far, making it less of a hurdle for Nigeria". Jason Tuvey at Capital Economics says the naira's devaluation will add to inflationary pressures, though, which already had reached 22.2 per cent in April, a 17-year high.

If, as Tuvey expects, inflation rises significantly further, the central bank will be obliged to raise interest rates sharply from a current 18.5 per cent. Tuvey sees Nigeria's key interest rate rising to 21.5 per cent by the end of the year, but adds that the risks are towards a larger increase. This may presage turbulence for Nigeria's credit market and for its economy. More optimistic observers, however, say Tinubu's policies should put expectations for future growth on a firmer footing. In turn, this could attract more foreign direct investment, thus rehabilitating the balance of payments and allowing the government to service its foreign debt more comfortably.



Tinubu gets off to a dramatic start

Continued from page 1

a surprise to some. In the run-up to February's election, many investors had considered Peter Obi, who ended up in third place, the change candidate.

For them, Tinubu, the 71-year-old "Godfather of Lagos", had started with rock-bottom expectations. Not only was he a political kingpin who critics claim amassed a fortune through the crony capitalism that now needs dismantling, he also forfeited \$460,000 to the US government in 1993 after a Chicago court determined he had benefited from drug trafficking. Tinubu strongly denies any accusation of impropriety.

Nor was his election victory a ringing endorsement. According to official results, a challenge to which is trundling through the courts, 8.8mn people voted for him on a woefully low turnout of 27 per cent in a country of about 220mn.

Still, says Kevin Daly of ABRDN, an emerging markets asset manager, Tinubu comes with a reputation for having been an effective two-term governor of Lagos, Nigeria's buzzing commercial capital. He has a strong coterie of technocratic advisers, Daly says, and, unlike the two other presidential candidates, Tinubu had never flirted with the idea of restructuring debt.

"My view is that we should be overweight Nigeria on prospects of structural reform," Daly suggests. "Putting those two – Nigeria and structural reform – in the same sentence is something you wouldn't have been doing for a long time."

Dipo Salimonu, chief executive of Moteriba, an oil and gas company, says: "Whatever you say about the guy, Tinubu is the most prepared president Nigeria has ever had."

Before the president took office, Aliko Dangote, Nigeria's richest businessman and biggest investor, told the FT that Tinubu would be a likely surprise on the upside. Nigeria's problems from security to its fiscal situation were so bad, that Tinubu would be obliged to end the fuel subsidy, normalise the exchange rate and reverse rampant oil theft: "He has no choice but to do it."

Dangote, for one, has placed a huge bet on the country with a long-delayed, but potentially transformative, oil refinery and fertiliser plant outside Lagos, which may end up costing as much as \$18bn. It could have a huge impact on the country's fiscal position, even if there is nothing to prevent his company selling the bulk of its output abroad.

Dangote has never wavered from his belief in Nigeria: "But we have always lacked adequate leadership." Few imagined that Tinubu was the man to reverse that trend. It is the new president's job to prove them wrong.

Additional reporting by James Kyngé

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Boldness welcomed as step towards 'fiscal sanity'

Economy Years of pressure on per capita income mean problems remain deep, writes *David Pilling*

In early June, Wale Edun, a close economic adviser of Nigeria's new president, indicated that market participants would not have long to wait before the country's exchange rates were unified. But even he may have been surprised at the speed of events.

On June 15, just a few days after former central bank governor Godwin Emefiele was suspended and subsequently arrested, banks were informed that they could bid for dollars at whatever exchange rate they wanted.

The impact was immediate. The naira recorded its biggest fall in history. By the end of the day, the official rate had dropped to N600 to the dollar, a 23 per cent fall. Traders said the currency was changing hands at N750, roughly the same as the parallel market rate – the unification that Edun had promised.

It is too early to say what the new policy will be, or whether a gap will reopen between rates. "There is still significant uncertainty about how the forex market will operate," says Razia Khan, chief economist at Standard Chartered Bank. "Today's price action may point to a free float, even though Nigeria has historically had a managed exchange rate."

She predicts the naira will be trading at N695 to the dollar by the end of the

year, before appreciating slightly.

Nor is it certain what the impact will be on foreign reserves or inflation, which is already running at 22 per cent. If dollars are freely available there could be, at least initially, a huge rush of trapped hard currency leaving the country. It is less than a year, for example, since Emirates suspended flights to Nigeria because the airline could not repatriate funds.

But, coupled with the scrapping of the fuel subsidy, the measures undertaken in the first few weeks of Bola Tinubu's presidency amount to the biggest reform package in decades, according to Dipo Salimonu, chief executive of oil and gas company Moteriba.

"This restoration of fiscal sanity – the boldness is unprecedented," Salimonu says, adding that it brought an end to the "analysis paralysis" of previous governments that knew they had to remove distortions in the economy but lacked the courage to do it.

However, Chidi Odinkalu of the Fletcher School of Law and Diplomacy at Tufts University warns that investors should not get overly excited by the quick-fire changes of Tinubu's first weeks in office. The previous administration had made no budget provision

for fuel subsidy, he says, and rather forced Tinubu's hand.

"The reason why Tinubu cannot play along is that the country is insolvent," Odinkalu says. He would be more impressed, he adds, if Tinubu – who has already got clearance to appoint 20 advisers – stops the notorious excesses of government and devotes his efforts to tackling the problems of a country where an estimated 90mn people live on less than \$1.90 a day. "That means not funding the lifestyle of politicians but addressing the social needs of ordinary Nigerians," Odinkalu says.

'The reason why Tinubu cannot play along is that the country is insolvent'

Chidi Odinkalu

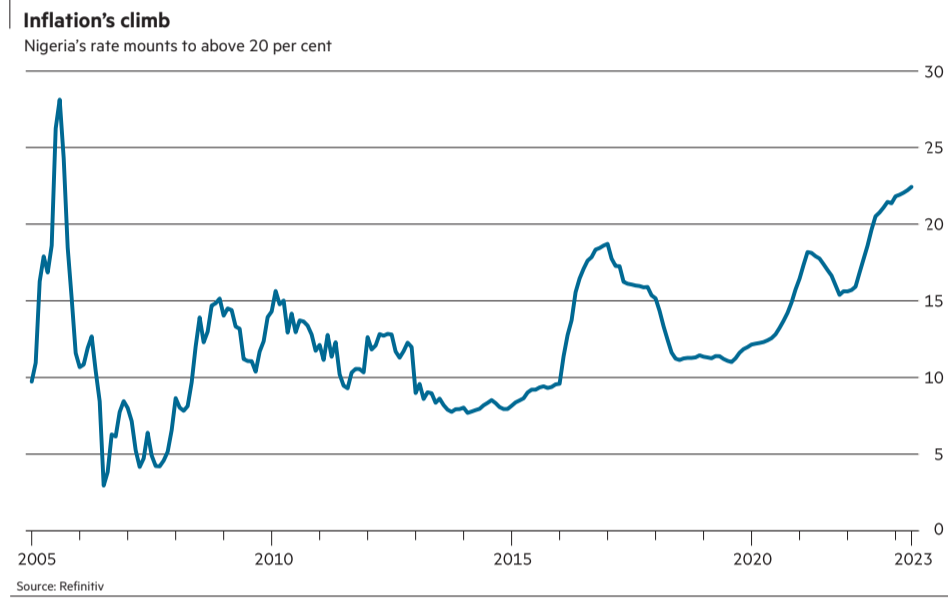
After eight years in which per capita income has stood still at best, the problems are deep indeed. On the social side, about a third of Nigerians, according to official figures, are unemployed, while government data classifies 135mn people as "multidimensionally poor".

Years of neglect of the hospital and school systems mean Nigeria's social indices are lower than expected for a middle-income oil producer. Unicef estimates that 18.5mn Nigerian children are out of school. Life expectancy is just 53 years, according to the World Bank, nine years lower than Niger, its much poorer neighbour.

The macroeconomic picture has been no less bleak. Tax revenue has been about 6 per cent of gross domestic product, according to the OECD, one of the lowest levels in the world, though it may have nudged up slightly in recent years. Virtually all federal revenue goes on paying for government and servicing debt, leaving almost nothing to invest in Nigeria's future.

Oil theft has been rampant, though there have been signs of recent improvement, with the massive Bonny oil terminal reporting virtually no losses in May. Oil revenue that has come in has mostly gone on paying for the subsidy, which rises with the oil price, thus depriving the treasury of the benefit.

The twin "shock therapy" as Salimonu calls it – of removing the subsidy and freeing up the exchange rate – could help deal with these structural issues in the medium term.



Foreign investors hope for return to orthodoxy

Stocks
President's message on profits and dividend repatriation raise market spirits, writes *Chris Newlands*

Overseas investors watched with eager anticipation as Nigeria's new president, Bola Tinubu, gave his inaugural speech in Abuja's Eagle Square last month.

The 71-year-old inherits an in-tray overflowing with tasks that demand his urgent attention. But what foreign investors were especially keen to hear about was how he intends to breathe life into Nigeria's economy – in particular, whether he had anything to say about the severe lack of foreign exchange that has hamstrung international investors.

Tinubu did not disappoint: "I have a message for our investors, local and foreign: our government shall review all their complaints about multiple taxation and various anti-investment inhibitions. We shall ensure that investors and foreign businesses repatriate their hard-earned dividends and profits home."

Soon, Tinubu suspended the much-

censured central bank governor Godwin Emefiele. Tinubu had been critical of Emefiele in his inauguration speech, stating that interest rates must be lowered and Nigeria's multiple exchange rate systems should be unified.

The president's comments, as well as the removal from office of Emefiele, will be warmly received by non-domestic investors who have left Nigeria in their droves in recent years. The problems they have encountered come not from a lack of investment opportunities, but from not being able to get their money back, and out of Nigeria.

As oil prices slumped at the beginning of the Covid-19 pandemic, the central bank imposed foreign exchange restrictions in an attempt to ease a dollar shortage. This made it extremely hard for foreign investors in Nigerian stocks to repatriate funds when they sold holdings. As a result, international investors have stayed away, evidenced by the participation rates of foreign investors within the Nigerian stock market.

In 2014, foreign investors dominated the Nigerian market, accounting for 57 per cent of all trading. By the end of 2021, this had fallen to 22 per cent and, by the end of 2022, to 16 per cent. Latest figures from the Nigerian stock

exchange show foreigners accounted for 4 per cent of Nigerian equity trading as of April – a statistic that one international fund manager described as "deeply worrying".

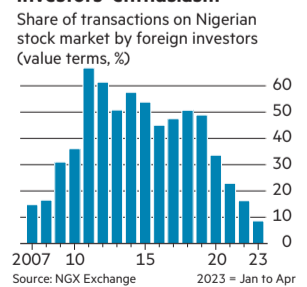
"The poor political environment, turmoil in the currency markets, along with the foreign exchange problems, make the situation very problematic," says veteran emerging markets investor Mark Mobius.

Some international fund managers have stopped investing. Allan Gray, the South African wealth management group, has not invested any new money in Nigeria for the past three years.

Rami Hajar, a portfolio manager at Allan Gray, says the capital controls have had "a material impact on investor confidence" with many "unwilling to bring capital into the country as they lack the confidence that they will be able to get it out... thus, despite the fact we believe equity valuations in Nigeria are attractive and, in some instances, highly attractive, we have sought to redeem funds when the opportunity has presented itself."

Andrew Schultz, head of frontier markets at Investec, the South African bank and wealth manager, agrees: "Investors need to be confident that they can get

Political turmoil and foreign exchange restrictions have curbed international investors' enthusiasm



their money out before they will put it in." He adds that the problems in Nigeria "escalated when the Covid-19 crisis hit and the central bank stopped supplying foreign exchange".

Emefiele was in charge when that policy was implemented. Nigeria is Africa's biggest oil producer and relies heavily on crude sales for its foreign exchange. But, when oil prices fell during the onset of Covid-19, so did Nigeria's FX reserves and Emefiele began rationing supply, with overseas

investors finding themselves a long way down the pecking order.

Emefiele was responsible for several other hugely unpopular policies, including a botched redesign of the naira, which led to a chaotic banknote shortage in the build-up to the presidential election. It was little surprise that investors were buoyed and Nigeria's sovereign dollar-denominated bonds jumped on the first full day of trading after news of Emefiele's suspension broke.

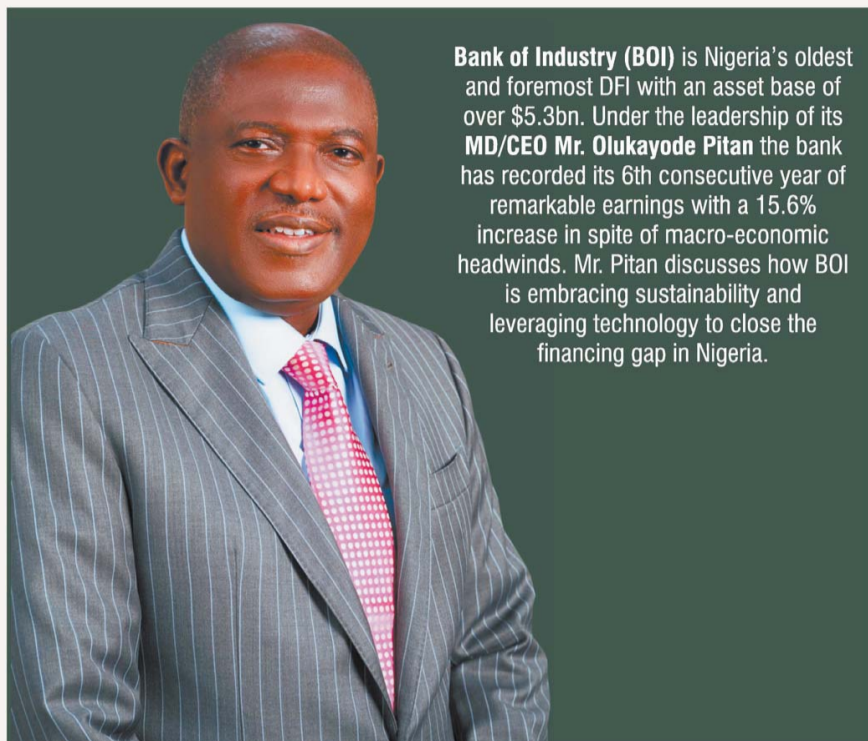
"We believe the changes signal a new era of focused, predictable monetary policy and a shift towards non-interventionism in the foreign-exchange regime," Barclays economist Michael Kafe told clients following the suspension. He said it indicated that Tinubu was "keen to pursue all the difficult reforms at the early stages of his term".

Gregory Longe, portfolio manager of Africa frontiers strategy at Cape Town-based Coronation Fund Managers, is equally optimistic. "The suspension of the central bank governor is a significant step," he says. "Emefiele has implemented numerous unorthodox monetary policy measures that have negatively impacted the banking sector and wider economy. We may finally be getting closer to a return to normality."

ADVERTISEMENT

Bank of Industry:

Driving Nigeria's Industrial Transformation



Bank of Industry (BOI) is Nigeria's oldest and foremost DFI with an asset base of over \$5.3bn. Under the leadership of its MD/CEO Mr. Olukayode Pitan the bank has recorded its 6th consecutive year of remarkable earnings with a 15.6% increase in spite of macro-economic headwinds. Mr. Pitan discusses how BOI is embracing sustainability and leveraging technology to close the financing gap in Nigeria.

How would you describe your mission and BOI's efforts to transform Nigeria's industrial sector towards achieving sustainable economic development?

We have a clear mandate from the Federal Government of Nigeria to provide financial assistance for the establishment of micro, small, medium and large enterprises; we also support the expansion, diversification and modernisation of existing enterprises and rehabilitation of existing ones.

It is therefore, critical that our interventions translate to, amongst others, the following: increasing the production capacity of enterprises that we support, improving linkages between MSMEs and Large Enterprises, support the competitiveness of locally produced goods in the international markets, creating healthy industry dynamics and supporting local sourcing of industrial raw materials

Our overarching mandate is to support the Federal Government's drive to create sustainable jobs, ameliorate poverty, and stimulate economic growth

“ We have deepened our capital base by leveraging various fundraising debt instruments and strategic partnerships, raising a total of \$5 billion from the international capital markets to date. ”

You recently recorded a 39.2% increase in assets, what was the key driver of your impressive growth?

Yes, the bank's total asset crossed the ₦2 trillion mark in 2022 to ₦2.38 trillion, indicating a 39.2 percent growth when compared with the preceding year. This significant leap was achieved following the successful conclusion of three landmark capital raising transactions in the year, worth €1.85 billion (about \$1.97 billion) from the international financial markets.

A fundamental enabler of this sterling financial performance is the successful conclusion of three key capital raising transactions in the year, from the international financial market.

The first of the transactions was the bank's maiden Eurobond of €750 million, which was concluded in February 2022. This transaction marked the first of its kind in several ways to the bank, our country and Africa. This deal was the bank's first Eurobond transaction, as well as the first Euro-denominated Eurobond transaction in Nigeria. The transaction was also the first Eurobond transaction that was

covered by Nigeria's sovereign guarantee, and also represents the first of its kind by a national Development Finance Institution in Africa. It therefore represents a benchmark for other prospective issuers from the African continent. This transaction earned the bank, the Agency Bond Deal of the Year award at the 2023 Awards event of the Bonds, Loans and ESG Capital Markets.

The second capital raising transaction was the €1 billion guaranteed senior loan facility, which was concluded in August of 2022. This deal also represents the first of its kind, by any Nigerian financial institution, both in terms of its size and structure. Through this transaction, the bank was not only able to raise liquidity, but was also able to diversify its funding sources by attracting new lenders, despite the fact that the international capital markets were prohibitively expensive and shut to many borrowers at the time.

Our €100 million line of credit from the French Development Agency (AFD) was also concluded in August 2022. Through this credit facility, the bank shall be able to expand its financing interventions in environmentally friendly and green projects. A grant of €2.5 million is also included in this deal to support capacity building for both our staff and customers.

How have your innovative funding transactions propelled you to advance your mandate?

Over the last six years, we have deepened our capital base by leveraging various fundraising debt instruments and strategic partnerships, raising a total of \$5 billion from the international debt market to date. These transactions have not only improved our capacity to continually support MSMEs and large enterprises with affordable long-term financing in a sustainable manner, but has also enabled us to expand the base of our international financial partners.

The success recorded in these transactions is attributable to the immense support received from the Federal Government and the Central Bank of Nigeria through the provision of sovereign guarantees and foreign currency swap deals respectively to secure and protect these transactions. These guarantees also helped in ensuring competitive pricing of these transactions.

We have also harnessed our strategic alliances with state governments, institutional investors and multilateral agencies to develop various matching and managed funds to advance our mandate.

What role does Bank of Industry play in improving financial inclusion? How do you leverage technology and innovation to achieve this?

BOI has been at the forefront of promoting financial inclusion in Nigeria by harnessing the reach of digital platforms to provide tailored products for the financially excluded in rural areas.

In implementing these programmes, we leverage technology through the use of our nationwide infrastructure that deploys big data and an extensive field agent network to deliver end-to-end design and facilitate easy access to financial services for beneficiaries. Through our nationwide infrastructure, we have disbursed over \$400 million to over 4 million enterprises under both our corporate initiative - North East Rehabilitation Fund (NERF) as well as the following financial inclusion programs that we have managed on behalf of the Federal Government, multilateral agencies and other strategic partners States Enterprise and Empowerment Program. The Government Enterprise Empowerment Program (GEEP), MSME Survival Fund, and the World Bank Nigeria COVID-19 Action, Recovery & Economic Stimulus Program (NG-CARES).

How is BOI collaborating with Fintechs and other tech-companies to ensure the long-term profitability of the bank?

We also recently partnered with the Federal Government of Nigeria and the African Development Bank (AfDB) to coordinate and supervise the recently-launched \$617.7m Investment in Digital and Creative Enterprise (i-Dice) programme in Nigeria. The objective of the programme is to boost innovation, create jobs, encourage entrepreneurship, and achieve economic transformation by fostering growth among Nigerian MSMEs operating in the technology and creative sector segments.

The Bank has earmarked \$18.75 million towards its technology product, the BOI Technology (N-Tech) Fund. The fund invests in technology-enabled companies that are in the early growth stages of their business.

On the back of this we also developed a digital-lending product in 2021 that leverages collaborations with credible Fintech companies to on-lend to micro enterprises within the shortest turnaround time while alleviating the challenges experienced by micro-enterprises in accessing capital for their business activities. Through these credible technology platforms, we are able to support more micro-enterprises with affordable finance.

As part of our corporate social responsibility strategy, we have wholly funded the establishment of 10 technology hubs in various locations across the country, with four in the pipeline, as we speak. The hubs offer co-working spaces, infrastructure, and funding to support the MSME technology ecosystem for innovation and creativity. Several business start-up events, hackathons, incubation programs and capacity-building activities have been held at the tech hubs.

You offer several products specifically targeting under-served groups such as young people and women. Please explain the Youth Entrepreneurship Support Programme – the work it does and the impact it has – and then the same for the BRAVE Women Project

Considering the unique challenges encountered by women in accessing credit in Nigeria, the bank has partnered with the Islamic Development Bank (IsDB) since 2019 on the Business Resilience Assistance for Value Adding Services for Women (BRAVE) Programme. BRAVE is a \$14.27m initiative designed to develop and increase the economic opportunities of female entrepreneurs, particularly those living in economically disadvantaged areas arising from conflicts and social unrest. The project features a mix of capacity building and grant matching schemes and to date, 600 women owned or led businesses have received business training, most of whom will be eligible to apply for the grant matching portion of the scheme to support their recovery and growth.

We have disbursed \$4.5 million, out of an investment commitment of \$10 million in Alitheia IDF Fund. Alitheia fund is a \$100 million investment equity fund, which provides financial support to women led organizations across various sectors, such as hygiene and personal care, healthy food snacks, education supplies and humanitarian/relief products.

The bank also created the Youth Entrepreneurship Programme (YES-P) fund of \$21.7 million to offer business loans to entrepreneurs aged 19 to 36 with viable business ideas, at a 9% interest rate without the need for landed property as collateral.

BOI is the first Nigerian DFI to become an official signatory to the United Nations Principles for Responsible Banking – how are you incorporating this firm commitment to sustainability into your operations?

As a signatory to the *United Nations Environment Programme Finance Initiative (UNEP-FI) Principles for Responsible Banking (PRBs)* we are committed to aligning our business strategy to be consistent with and contribute to society's goals, as expressed in the UN Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Since we became signatories in 2021, we have embedded sustainability into our operations and continue to create programmes, products and services that enable us *impact our community; protect our environment* through our efforts towards responsible consumption, carbon emission reductions, resource efficiency and climate action; *develop our economy* – through responsible, green lending (especially in the renewable energy); ensuring Environmental, Social and Governance (ESG) risk management in our business portfolio whilst driving financial inclusion and financial health. As such, we work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for future generations.

We also participate in multi-stakeholder initiatives and collaboration with other local, international and sector-wide efforts (including: United Nations Global Compact, World Economic Forum amongst others.

“ BOI has been at the forefront of promoting financial inclusion in Nigeria by harnessing the reach of digital platforms... we have disbursed over \$400 million to over 4 million enterprises. ”

How is BOI embracing environmental sustainability and balancing industrial growth against the challenges of climate change?

We recognize that climate change represents a major threat to achieving the Sustainable Development Goals while also representing an existential crisis in the sense that many African countries are underdeveloped and require more industrialisation activities which could contribute to climate change.

At BOI, we assess climate change risk and continue to support measures on climate adaptation such as investing in low carbon energy, energy efficiency and renewable energy.

Environmental sustainability is a key priority area for the bank; and a key consideration when evaluating potential customer projects. In 2021, we established an Environmental and Social Governance (ESG) risk management unit to ensure that BOI-funded projects align with global ESG standards, and are within agreed environmental thresholds.

In order to boost lending to greener projects, BOI's recently concluded €100m line of credit with the French Development Agency. This is dedicated to supporting climate-friendly and renewable energy projects in Nigeria.

We continue to leverage key partnerships with local and international organisations towards improving climate change such as the World Economic Forum via the Mobilizing Investments for Clean Energy in Emerging Economies (MICEE) which aims to mobilize efforts and investments to significantly contribute to clean energy transitions and towards achieving SDG7 in key emerging and developing economies.

We also collaborate with the United Nations Industrial Development Organisation (UNIDO) on Industrial Energy Efficiency (IEE) and Resource Efficiency and Cleaner Production (RECP) Projects.

Investing in Nigeria

Nigeria plays leading role in rise of African arts

Culture Expansion of the middle class after end of military rule viewed as crucial factor, writes *Ima Jackson-Obot*

Onyinye Anyaegbu remembers when, as a young girl, she visited an uncle who had an artwork on his wall by the Nigerian artist, designer and architect Demas Nwoko. She greatly admired it, though recalls no one putting a value on it. Last month, Nwoko – now in his late 80s – received the Golden Lion for Lifetime Achievement award at the Venice Architecture Biennale.

Such cultural honours indicate the growing appreciation of African art, with works by the likes of Nwoko and the late Nigerian painter Ben Enwonwu in the vanguard. In 2019, Enwonwu's "Christine" fetched \$1.4m at Sotheby's; Bonham's sold his portrait "Tutu" for \$1.7m in 2018.

Anyaegbu, now the founder of Art-split – a UK-based online trading platform for African art – says she had not fully appreciated the value of the continent's artists until she set up her company last year. Art-split operates a fractional ownership investment model to make art accessible to people who might not be able to afford to buy a piece on their own. "There's such an emotional connection to art," Anyaegbu says, "because, for people, it is part of their heritage".

Keturah Ovio, a director at Lagos-based art dealers Patrons MCAA, says art in Nigeria used to be seen as the preserve of hobbyists. But, over the past 20 years or so, there has been a shift in people's view of art and in the opportunities available to artists.

This was largely triggered by Nigeria's transition from military dictatorship to democracy in 1999. With the growth of the middle class, prices of African art have risen. "The number of high- and ultra-high-net-worth individuals has been growing rapidly," Ovio notes. "This new money actively seeks tangible assets to diversify their wealth, and art has shown a steady return on invest-



ment in portfolio performance."

Recently, she adds, "there has been a significant rise in the number of African art dealers and auction houses, which has made it easier for collectors and investors to buy and sell."

Christophe Person, owner of the eponymous Paris gallery which specialises in African art, says Nigerian art's rise was marked by two events: the 2013 launch in London of the 1-54 international fair of contemporary African art; and the curation by the late writer and art historian Okwui Enwezor of 2015's Venice Biennale. "They [really were] game changers . . . many artists were shown in these huge events."

"Our people are super-creative and we are sitting on a trove of inspiration," says Kola Aina, general partner at venture capital fund Ventures Platform and an art investor. "Since we have had a democratic government, that has driven a steady rise of local patronage."

In a country of more than 250 ethnic groups, the art scene has multiple strands. Two key influences are the

1960s Oshogbo Movement in southwestern Nigeria, whose members were active in painting, sculpture, music and theatre; and the Zaria Art Society, which was formed in the north in 1958 – two years before independence – and sought to explore the roots of the country's art outside of western influence.

Aina, who also invests in film, notes that Nollywood, Nigeria's film industry, is likewise thriving. Since the early 2000s, it has moved from low-budget to higher-quality productions that enjoy global reach, with recent offerings including *Battle on Buka Street*, *Brotherhood* and *Gangs of Lagos*. "Nigerians all over the world," says Aina, "consume Nollywood productions." Nigeria's diaspora (some estimates put it at 15m-17m, with the largest number in the US and UK) "have carried those films with them . . . that has definitely helped movies become items of export".

Jonathan Haynes, an expert on African film and professor emeritus at Long Island University, says of Nollywood that, while the country has suffered a



'We believe investment opportunities in the Nigerian film industry will continue to grow'

Clockwise from above: Onyinye Anyaegbu, Afrobeats star Tiwa Savage, Ben Onwonwu's 'Christine'

EOD Studios, Getty Images, Ben Enwonwu Foundation/Sotheby's

brain drain over the decades, "there's an immense amount of talent and creativity in Nigeria which, against all odds, have made it the . . . dominant film and television industry in Africa."

"We believe investment opportunities in the Nigerian film industry will continue to grow," says Dayo Adeniji, associate director at KPMG Nigeria, "particularly considering that Nigeria has a largely youthful population – about 70 per cent of Nigeria's population is under 30 years old."

Tola Odunsi, producer of Nigeria's popular online television series *The Men's Club*, says that, as well as investments from international streaming platforms, the biggest investor in Nollywood has been the sub-Saharan African direct broadcast satellite service DSTV.

Owned by South African media giant MultiChoice, it filled the gap left by Nigeria's poorly performing terrestrial

TV to create channels like Africa Magic, a leading distributor of Nigerian films.

Music is flourishing, too, with Afrobeats, the west African genre that has gone global, overwhelmingly represented by Nigerian artists. Odunsi, a former director of music label Storm Records, credits music streaming platforms and live sponsored events as big drivers of Nigeria's music industry. "The situation of local labels partnering with international labels has really driven investment," he says. Big record companies know they can "focus on the distribution", leaving the local labels to understand the culture, artists and repertoire.

In literature, Lola Shoneyin, founder of Lagos publisher Ouida Books, points to Nigerian writers' rising popularity abroad. Chimamanda Ngozi Adichie is among those winning wide acclaim since her first novel *Purple Hibiscus* appeared in 2003. More recently, Adichie wrote the preface to Pope Francis' book, *Hands Off Africa!*, a critique of continuing exploitation of the continent by western powers, published in May.

China affords Nigeria 'super' target status

Foreign interest

Chinese backers see huge potential to launch fintech apps across the continent, writes *James Kyngé*

The dream of establishing smartphone "super apps" that can operate across Africa's markets is galvanising Chinese investment into Nigeria.

Nigeria, with about 220m people, is the continent's most populous country and its biggest economy. So, when two Chinese-backed fintech companies hatched ambitions to build African versions of Chinese mobile payment giants Alipay or WeChat Pay, they decided to start in Lagos.

"[We are building] a very, very super app," says Chika Nwosu, managing director of PalmPay, one of the Chinese-backed mobile payments start-ups. "Nigeria is the hub for business in Africa." Also open for business in Ghana, PalmPay has seen its active users grow fivefold to 25m over the past year and plans to expand to Kenya, Uganda and Tanzania, Nwosu says.

So-called super apps aim to be one-stop shops for a range of services, and PalmPay's offering through its smartphone app is increasingly comprehensive. Users in Nigeria can pay utility bills, top up mobile phone accounts, pay about 500,000 merchants for a variety of goods and services, make bank transfers, arrange loans, receive money and perform a host of other transactions.

Nigerians are able to conduct about 80 per cent of their financial lives through the PalmPay app on their phones, according to Nwosu. By early next year, he says, new features will increase this to "100 per cent".

The boldness of such a model, combined with the successful examples of Asian super apps, has drawn strong backing from international investors and fomented an intense competition for market share that is helping to drive a digital revolution.

PalmPay is backed by Transsion, a Chinese mobile phone company that dominates Africa's smartphone market,

plus Chinese internet company NetEase, Taiwanese chipmaker MediaTek, and a clutch of Chinese funds.

Its main rival, OPay, was valued at \$2bn when it raised \$400m in 2021 from Chinese investors and SoftBank Vision Fund 2. OPay chief Yahui Zhou, a top web game developer, said "financial inclusion" was his goal when he announced a strategic partnership last year with Mastercard in several countries in Africa and the Middle East.

In Nigeria, where the World Bank says 64 per cent of adults remain unbanked, most people still pay by cash. But, with smartphones available in Lagos shops for as little as \$50, people are increasingly making cashless transactions.

Almost all of Transsion's smartphones – which bear the bestselling Tecno, Infix and Itel brands – are sold with the PalmPay app pre-installed, giving the app immediate traction.

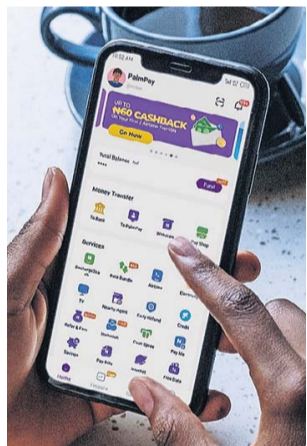
PalmPay and OPay's decision to focus on Nigeria gives a sense of the importance that Chinese companies attach to the country's potential. It became one of the top five Chinese investment destinations in Africa in 2020, after Kenya, South Africa, the Democratic Republic of Congo and Ethiopia, according to Merics, a Berlin-based think-tank focused on China.

The cumulative value of Chinese foreign direct investment into Nigeria by 2021 was more than \$20bn, according to Cui Jianchun, China's ambassador to

'The middle class here is not yet large but we have to prepare for one day when the market starts to mature'

Nigeria. He cites the Abuja-Kaduna and Lagos-Ibadan railways, new airport terminals, the Lekki deep water port and Zungeru hydropower station as key infrastructure projects financed by Chinese state banks.

The finance they offer helps Chinese companies win crucial contracts. For instance, Huawei, the Chinese telecommunications giant, is dominating the



PalmPay offers a range of services

installation of 5G telecoms base stations after MTN, the South African mobile operator, chose to roll out 5G services in the country using Huawei equipment.

However, the position that Huawei holds in basic telecoms infrastructure, coupled with the popularity of PalmPay and OPay super apps, has raised concerns among some Nigerian officials over potential future Chinese dominance in digital infrastructure and data.

"We always need to be pragmatic to balance Chinese influence," says one government official, who declined to be identified. "Chinese loans to the government have been growing and there is always secrecy. We need to be careful."

Such statements urging caution are joined by others highlighting Chinese resourcefulness. "The Chinese are pretty relentless," says a senior Nigerian banker, who asked not to be identified. "They have delivered a lot of important infrastructure projects for us."

This resourcefulness was on display at the Lagos Motor Fair held at the Federal Palace hotel in Lagos in June, where scores of exhibitors promoted auto parts to Nigerian customers. Almost all stalls were taken by Chinese companies and, at most counters, salespeople who had flown in from China told roughly the same story of starting small and growing businesses in Nigeria, patiently, from the grassroots.

"We don't have more than a few clients in Nigeria," said Chen Xiaoling of Zhejiang Gold Intelligent Suspension Corp, which already sells car parts in Egypt, Morocco, Algeria and South Africa. "The middle class here is not yet large but we have to prepare for one day when the market starts to mature."

The only sign of US presence at the show was a large Ford pickup truck parked near the entrance. No sales executive appeared on hand to explain Ford's approach to the market.

Optimism prevails in booming Lagos start-up scene

Entrepreneurship

Entrepreneurs show much can be achieved with relatively small investments, reports *James Kyngé*

Ifeoluwa Dare-Johnson's career as a start-up entrepreneur in Nigeria began with a personal tragedy. Her father died of a treatable condition which nobody in the family knew he had.

"I got a call that I lost my Dad and that really changed everything for me – because I realised that, no matter what your ambitions, without good health they come to nothing," she says.

"He had diabetes and hypertension for so long and nobody knew," Dare-Johnson adds. "He didn't feel there was any need for him to go and have a check-up and then, one day, he just slumped."

Her grief was mixed with a sense of guilt because she had studied medical science and knew the importance of conducting regular check-ups. "I began to ask all my friends and nobody was paying attention to their own health."

Her answer was to co-found Healthtracka in 2021, funded partly out of Silicon Valley. It offers home health tests, online consultations with doctors, and an app that logs test results so users can track their health readings.

Healthtracka is one of many participants in a Nigerian start-up boom that has sucked in venture funding from the US, Europe and Asia. Investors are betting that, if they can make it in Africa's biggest national market, they may be able to build a business that spans the whole continent.

This has lifted venture capital funding in Nigeria from an estimated \$50m in 2015 to nearly \$1bn in 2022, says Benjamin Dada, publisher of Bendada.com, a local tech media publication. This year, funding has cooled because of a global crunch attributed mainly to rising interest rates, Dada notes.

Nevertheless, the optimism that underpins start-ups such as Healthtracka remains palpable as digital platforms enable companies to build scale at a speed barely imaginable a decade ago.

Healthtech, fintech, agritech, renewable energy, logistics and education are some of the sectors that have experi-

enced strong inflows of capital, says Abubakar Suleiman, chief executive of Sterling Bank, a Nigerian commercial lender that invests in several domestic start-ups.

In addition to speed, another attraction of Nigeria's tech scene is the ability to make an impact with relatively small investments. Healthtracka has delivered 20,000 tests to 5,000 users in 14 Nigerian states in the two years since it was founded, but it had seed capital of just \$1.2m, according to Dare-Johnson.

Its tests detect common conditions, including diabetes and some forms of cancer. One offering on its website is advertised as a "pre-wedding test" that allows users to "walk down the aisle with complete assurance". It screens for tuberculosis, HIV, testosterone, hepatitis B and pregnancy.

Kola Aina, founding partner at Ventures Platform – a fund with a pan-Afri-

'Unicorns . . . are now a critical part of the national economy'

Kola Aina, Ventures Platform

can portfolio of 80 companies that have together raised more than \$1bn – estimates that "about seven" unicorns (start-ups valued at more than \$1bn) have emerged from the Nigerian tech scene in recent years.

"The number of unicorns will



Healthtracka offers home health tests

continue to grow," comments Aina. "They are now a critical part of the national economy."

Aina adds that, while venture capital from the US, Europe and the UK has helped fuel start-ups across Africa and in Nigeria in particular, local capital is crucial: "We are seeing the rise of local capital. We think that merely having international capital without local capital can be problematic."

Bigger ticket funding rounds are increasingly common. Manoj Sinha, chief executive of Husk Power Systems, a US clean energy company based in Colorado, is confident of raising \$100m in a current funding round to set up solar power installations in Nigeria and other countries in Sub-Saharan Africa.

Husk installs "minigrids", or solar modules, that enable rural and semi-rural communities to switch from expensive and polluting diesel generators, or to receive electricity supplies.

The change that such technologies promise is considerable in a country where many rural communities are isolated and as many as four out of 10 people live below the national poverty line.

Other start-ups work to improve the social fabric. Chibuzo Opara is co-founder of DrugStoc, a company that raised \$4.4m in 2021 to help combat the national scourge of fake medicines.

Since its 2017 launch, it has set up direct links with about 270 drug manufacturers and 3,500 hospitals and clinics, allowing them to cut out middle men who have long profited from inserting counterfeit drugs into the medical supply chain, Opara says.

DrugStoc has attracted investment from the Africa HealthCare Master Fund, a Singapore-based fund backed by Japanese money that has a portfolio of investments across Africa. Further investment has come from Vested World, a Chicago-based venture firm, and the German Development Bank.

Opara says it took trial and error to develop a system that ensures purity in the supply of medicine to hospitals and clinics. Technology in Africa is becoming "quite Afro-centric", he says.

In the past, the view was, "I am just going to take whatever Amazon is doing and slap an African flavour on to it." But, now, "these innovations have matured and the growth models have indigenised".

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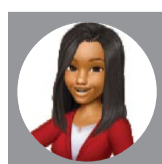


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