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## The west must recognise its hypocrisy

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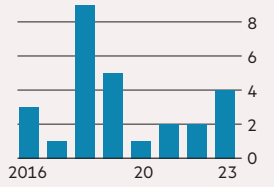
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### Datawatch

#### Buzzkill

Confirmed UK sightings of Asian hornet



Source: Defra

There have been 24 confirmed sightings of the Asian hornet in the UK since 2016. The species is thought to pose a threat to the European honey bee, of which it can eat 50 each day. Hornets have been seen as far north as the city of Newcastle

## Nato hopes Kyiv bridle at 'absurd' delay

World leaders gather for Nato's "family photo" session yesterday at the alliance's annual summit in Vilnius, Lithuania.

The leaders agreed that Ukraine's "future" was in Nato but failed to provide a timeline, provoking an angry response from Ukrainian president Volodymyr Zelenskyy, who slammed the communiqué as "absurd".

Jens Stoltenberg, Nato secretary-general, said the commitment would "change Ukraine's membership path from a two-step to a one-step process". Ahead of his arrival in Vilnius, Zelenskyy retorted: "For Russia, this means motivation to continue its terror."

Nato is also discussing weapons provision as Kyiv seeks to push forward its counter-offensive against Russia.

**Russian sub commander shot** page 2

**Nato summit** page 3

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Canada's Justin Trudeau walks towards Estonia's Kaja Kallas and Denmark's Mette Frederiksen, far left, as Europe's leaders line up for the photo — Paulius Peleckis/Getty

# Microsoft bears down on Activision as judge rebuffs regulator's challenge

◆ US court rejects FTC's block ◆ \$75bn deal for 'Call of Duty' maker ◆ UK watchdog open to discussions

STEFANIA PALMA — WASHINGTON  
RICHARD WATERS — SAN FRANCISCO

Microsoft has moved closer to securing its \$75bn purchase of Activision Blizzard after a US federal judge rejected the Federal Trade Commission's attempt to halt the deal and the UK's competition watchdog signalled it was open to discussing a merger it had rejected.

Shares in Activision, the group behind video games including *Call of Duty*, were up more than 11 per cent at \$92 in midday trading in New York, their closest to the \$95 a share offer price since Microsoft announced its bid in January 2022.

"The FTC has not shown it is likely to succeed on its assertion the combined firm will probably pull *Call of Duty* from Sony PlayStation, or that its ownership of Activision content will substantially

lessen competition in the video game library subscription and cloud gaming markets," Judge Jacqueline Scott Corley wrote in her decision.

The FTC has until Friday to appeal against the decision. The agency had sought an injunction to block the deal pending the outcome of a separate challenge it mounted in its in-house court.

The ruling deals a heavy blow to one of the most high-profile antitrust challenges under Joe Biden's administration,

### This ruling 'signals a path to full regulatory approval around the globe'

Bobby Kotick, Activision chief

which has appointed progressive officials such as FTC chair Lina Khan to tackle anti-competitive conduct.

Douglas Farrar, FTC spokesperson, said the agency was "disappointed in this outcome, given the clear threat this merger poses to open competition in cloud gaming, subscription services, and consoles".

The FTC has previously dropped cases after losing a request for an injunction. Deals are typically harder to challenge and break apart after they close.

The judge's decision clears the way in the US for Microsoft and Activision to close their deal before July 18, the deadline set when they announced the deal.

The two companies still face an obstacle in the UK, where the Competition and Markets Authority blocked the deal

in April, arguing it would hamper growth in cloud gaming.

But the CMA followed yesterday's US court ruling with a statement saying it was ready to "consider any proposals from Microsoft to restructure the transaction in a way that would address" its concerns, a sharp departure from its initial decision.

The CMA added that it had agreed with the companies that "a stay of litigation in the UK would be in the public interest". Hearings had been scheduled to begin at the UK's appeals tribunal on July 28.

Brad Smith, Microsoft vice-chair and president, said he was "grateful" for the decision in California, adding that "our focus now turns back to the UK". While Microsoft disagreed with the CMA's con-

cerns, he said, "we are considering how the transaction might be modified in order to address those concerns in a way that is acceptable to the CMA".

Bobby Kotick, Activision's chief executive, told staff that the ruling in California "signals a path to full regulatory approval elsewhere around the globe".

The FTC claimed that the acquisition would hurt competition in the video game consoles market, where Microsoft's Xbox trails Sony's PlayStation. The software company would have a strong incentive to boost Xbox sales by withholding games such as *Call of Duty* from rival consoles, it warned.

The agency also argued the deal potentially allowed Microsoft to dominate the nascent market for streaming games over the internet, or cloud gaming.

## Scientists near proof of new geological age where human action is irreversible

MARTHA MUIR

Scientists believe they are on the brink of proving the Earth has entered a new era for the first time in 11,700 years with the advent of the Anthropocene epoch, or the point when humanity's influence on the planet's geology became irreversible.

A small lake in an area outside Toronto has been identified as the site to provide the formal reference point for the new era, after research by the international Anthropocene Working Group, made up of geologists and historical scientists.

The group was formed in 2009 and set itself the challenge of establishing the Anthropocene era in relation to Earth's 4.6bn-year timeline. The current Holocene epoch began at the end of the last ice age.

The scientists say changes to the

planet can no longer be explained without taking into account human activity and interventions, the effects of which have been evident since the 1950s.

"We can see that humans have basically created a new Earth sphere beyond the biosphere," said Jürgen Renn, a scientific member at the Max Planck Institute for the History of Science, referring to the areas of Earth where life exists.

"If we really want to understand the system, we have to not only take into account the traditional Earth spheres, like hydrosphere, the atmosphere and the biosphere, but also the human technosphere," he said.

The concept of the Anthropocene was first introduced by Nobel Prize-winning chemist Paul Crutzen in 2000 and has slowly gained acceptance in the scientific community. In the past three years, the working group has sought to find a

"golden spike" location, or point that defines the start of a new ecological era.

To test whether signs of the Anthropocene are present across the planet, the team assessed 12 sites, including the Antarctic peninsula, Ernesto Cave in Italy, Flinders Reef in Australia and Crawford Lake in Ontario, Canada.

Crawford Lake displayed the most evidence of changes in species and human activity in fossils over time, since its depth of almost 24 metres means matter is well preserved.

Plutonium markers in the rocks allowed scientists to identify the start of the cold war, since radioactive material fell out of the atmosphere during weapons testing. They also saw evidence of rapid geological change owing to fossil fuels, indicating that the Anthropocene may have begun in the 1950s.

**Minerals spending boost** page 4



### Sandwich shop holds clues to Trafigura nickel scandal

Analysis ► PAGE 7

Austria	€4.50	Morocco	DK50
Bahrain	Dh18	Netherlands	€4.30
Belgium	€4.50	Norway	Nkr45
Croatia	Kn33.91/€4.50	Oman	OR160
Cyprus	€4.20	Pakistan	Rupee350
Czech Rep	Kc725	Poland	Zl25
Denmark	Dkr46	Portugal	€4.20
Egypt	Eg80	Russia	€5.00
France	€4.50	Serbia	NewD530
Germany	€4.50	Slovenia	€4.20
Greece	€4.20	Spain	€4.20
Hungary	Ft1450	Switzerland	Sfr6.70
India	Rup220	Tunisia	Din750
Italy	€4.20	Turkey	TL110
Luxembourg	€4.50	UAE	Dh24
Malta	€4.20		

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### World Markets

#### STOCK MARKETS

	Jul 11	Prev	%chg
S&P 500	4428.76	4409.53	0.44
Nasdaq Composite	13733.24	13685.48	0.35
Dow Jones Ind	34156.83	33944.40	0.63
FTSEurofirst 300	1788.42	1776.62	0.66
Euro Stoxx 50	4286.71	4256.51	0.71
FTSE 100	7282.52	7273.79	0.12
FTSE All-Share	3973.18	3965.80	0.19
CAC 40	7220.01	7143.69	1.07
Xetra Dax	15790.34	15673.16	0.75
Nikkei	32203.57	32189.73	0.04
Hang Seng	18659.83	18479.72	0.97
MSCI World \$	2931.05	2924.19	0.23
MSCI EM \$	981.88	980.66	0.12
MSCI ACWI \$	674.94	673.44	0.22
FT Wilshire 2500	5715.31	5693.02	0.39
FT Wilshire 5000	44555.00	44374.70	0.41

#### CURRENCIES

Pair	Jul 11	Prev	Pair	Jul 11	Prev
\$/€	1.099	1.098	€/£	0.910	0.911
\$/¥	1.290	1.282	€/¥	0.775	0.780
€/¥	0.852	0.856	€/€	1.174	1.168
¥/\$	140.615	141.685	¥/€	154.542	155.520
W/€	181.352	181.592	€ index	82.623	82.786
Sfr/€	0.970	0.975	Sfr/£	1.138	1.139

#### GOVERNMENT BONDS

Yield (%)	Jul 11	Prev	Chg
US 2 yr	4.89	4.87	0.02
US 10 yr	3.98	4.01	-0.03
US 30 yr	4.02	4.04	-0.01
UK 2 yr	5.42	5.34	0.08
UK 10 yr	4.72	4.70	0.03
UK 30 yr	4.66	4.63	0.03
JPN 2 yr	-0.04	-0.03	-0.01
JPN 10 yr	0.45	0.47	-0.02
JPN 30 yr	1.31	1.33	-0.02
GER 2 yr	3.30	3.29	0.02
GER 10 yr	2.65	2.64	0.01
GER 30 yr	2.65	2.64	0.01

#### CRYPTO

	Jul 11	Prev	%chg
Bitcoin (\$)	30491.00	30419.54	0.23
Ethereum	1868.36	1880.61	-0.65

#### COMMODITIES

	Jul 11	Prev	%chg
Oil WTI \$	74.65	72.99	2.27
Oil Brent \$	79.20	77.69	1.94
Gold \$	1922.80	1922.30	0.03

Prices are latest for edition  
Data provided by Morningstar



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## INTERNATIONAL

## Trade deal

## Australia-EU talks stall over meat quotas

Bloc limits on beef, lamb and dairy imports fall far short of Canberra's aims

IAN JOHNSTON — BRUSSELS  
ANDY BOUNDS — STRASBOURG

Trade talks between Australia and the EU were halted yesterday after Australian minister Don Farrell cut short a visit to Brussels without resolving a dispute over meat quotas.

Farrell told EU negotiators that he had to consult his cabinet before he could compromise further on ambitions for more Australian beef, lamb, sugar and dairy to be allowed into the EU's protected market.

Negotiations will continue before Far-

rell holds meetings with his EU counterparts in August. "We will continue constructive discussions with the ultimate aim of reaching an agreement," Farrell said. The two sides had hoped to strike a deal during the current trip.

Canberra wants to diversify its economy away from reliance on a hostile China while Brussels is keen for better access to Australia's vast mineral resources, vital to renewable energy industries and the green transition.

Trade commissioner Valdis Dombrovskis has prioritised the Australia agreement after struggling to conclude deals with developing countries because of the EU's insistence on high environmental and labour standards.

Miriam Garcia Ferrer, European commission spokeswoman for trade, said it

regretted the breakdown. "We made progress but more work is required to address key outstanding issues. Our respective teams will continue to work on bridging remaining gaps."

The agreement "between two like-

**Current restrictions mean each European can eat an Australian steak only once every 40 years**

minded partners is important and will unlock many opportunities for our businesses and farmers."

Question marks remain over how much beef and sheep meat from Australia's vast ranches should enter the EU

tariff-free. The EU increased its initial offer of an annual beef quota of 24,000 tonnes, but the new number fell far short of what Farrell could accept. Quotas on sheep meat were below that offered to New Zealand in a free trade agreement signed last year.

Farrell has noted in the past that current restrictions mean each European can eat an Australian steak only once every 40 years. At present, Australia has a guaranteed quota of 3,389 tonnes of beef that it can export to Europe annually. Even this limited amount falls under a tariff of 20 per cent.

EU officials say the UK's deal with Australia, which came into force in May, has complicated matters. The UK will eliminate all tariffs and quotas on Australian meat over the next 10 years.

Irish and French farmers fear losing market share in the UK as a result and are not willing to allow a big increase in imports from Australia.

Speaking in an impromptu press briefing in a Brussels park, Farrell said: "We've made it very clear right from the start that we won't simply accept any agreement. The agreement, from the Australian point of view, has to achieve meaningful agricultural access to European markets."

There are also outstanding disputes on the continued use of EU protected names, such as feta and prosciutto, in Australia, and the pricing of energy and raw materials. Brussels wants a commitment from Canberra that it will not charge EU customers more than domestic buyers pay.

## Assassination

## Russian sub commander accused of war crimes shot dead

MAX SEDDON — RIGA

A former Russian submarine commander whom Ukraine's armed forces had accused of involvement in war crimes against civilians was shot dead as he went for an early morning run in a southern Russian city.

Stanislav Rzhitsky died instantly after he was shot in the back, arm and side in a deserted park in Krasnodor, the city's law enforcement officials said yesterday, a day after the attack.

Russian authorities said they had arrested a suspect, posting a video of machine gun-wielding officers in black balaclavas detaining a man in his underwear, who was named as Sergei Denisenko. Police said they had found a pistol with a silencer.

The killing appeared to be the latest in a series of covert Ukrainian operations deep behind enemy lines, which have grown in ambition and audacity almost a year and a half into Russia's invasion of Ukraine.

Ukraine's military intelligence, said to be behind some of the most daring attacks, posted a long statement on Monday that offered details of Rzhitsky's death without further explanation.

"At about six in the morning he was shot seven times from a Makarov pistol. As a result of the bullet wounds Rzhitsky died on the spot," it wrote, going on to add: "The park was empty due to heavy rain, meaning there are no witnesses who could offer details or identify the assailant."

Ukraine's armed forces claimed that Rzhitsky, 42, who previously commanded a submarine named after Krasnodor, had carried out missile strikes on the city of Vinnytsia in central Ukraine, killing at least 28 civilians, nearly a year to the day of his death and suggested that Russia had murdered him after he refused to take part in further assaults.

Kyiv has not taken responsibility for any of the attacks on Russian targets, which have included a drone strike on the Kremlin, a car bombing that killed the daughter of one of the war's most prominent supporters, and apparent sabotage on rail lines and munitions depots.

Rzhitsky was listed among thousands of people accused of "crimes against Ukraine's national security" on Myrotvorets, a website closely linked to Ukraine's interior ministry.

The site updated his entry following the attack on Vinnytsia, which became a byword for alleged Russian war crimes in Ukraine following the death of a four-year-old girl with Down's syndrome.

On Monday, after Rzhitsky's death, the site posted blood-red letters in black capitals above his photo, reading: "LIQUIDATED."

Russian state media said Rzhitsky had commanded the Krasnodor submarine but was working as deputy head of the city's military mobilisation department.

Baza, a media outlet with close ties to Russian law enforcement, said Rzhitsky regularly posted his running routes on the fitness app Strava and almost always stuck to the same routine in the city, which it said made it easy for the assassin to pick a spot for the killing.

## Netherlands. Post-Rutte landscape

## Dutch politics left reeling by rise of populists

After years of holding together disparate coalitions, dispute on immigration unseats premier

ANDY BOUNDS — STRASBOURG

There are 20 parties and independent lawmakers in the Dutch parliament. At some point over the past 13 years, Prime Minister Mark Rutte has governed with almost half of them. But the glue that held the country's fragmented politics together has come unstuck.

Rutte's fourth coalition, which collapsed on Friday, will be his last after he announced that he would quit politics at the next election.

"He overplayed his hand deliberately, ruined his cabinet and brought absolute chaos to our country," said Sjoerd Sjoerdsma, an MP with D66, one of the coalition parties that turned against Rutte, precipitating his downfall.

The resignation of the Netherlands' longest-serving prime minister leaves a hole in Dutch politics. His successor faces a difficult challenge after multiple pressures fractured the nation's traditional consensus model.

Rutte's centre-right VVD party will elect a new leader this week but the contenders do not have the level of popularity he once enjoyed.

Rutte, 56, has shown great faith in Sophie Hermans, 42, his former political aide who chairs the party and is an MP. But Dilan Yeşilgöz-Zegerius, 46, the justice and security minister who is of Turkish heritage, won more personal votes in the last general election.

Adding to the difficulty of stepping into Rutte's shoes will be growing political fragmentation: his first coalition governments were formed of two or three parties but his last one had four partners, with increasingly loud and powerful challengers on the outside.

Rutte's centre-right VVD continues to be the country's most popular party but its size has shrunk over the years to just 34 out of 150 seats in the Tweede Kamer, the lower house of parliament.

D66 and the centrist Christian Union party, which triggered his departure by refusing to accept Rutte's request to toughen immigration policy, hold just 24 and five seats respectively.

Whether the next Dutch premier emerges from the VVD or another party,



Heading out: Mark Rutte exits the Dutch lower house on Monday. He is the country's longest-serving prime minister — Remko de Waal/ANP/AFP via Getty Images

iversity of Amsterdam, said Rutte's resignation "blows the election right open".

"Historically, these departures of a long-serving prime minister . . . have always led to a major shift in parliament in terms of seats and innovative government coalitions," she added.

Rutte has moved with the centre ground since first coming to power in 2010, when he led the VVD to its biggest victory. His first government was a minority coalition with the support of Geert Wilders' far-right anti-Islam Freedom party. After the parties fell out over the budget in 2012, he tacked left into a coalition with the Dutch Labour party, which lasted its full term until 2017.

But the rise of populists of right and left, aided by the proportional representation system, meant it was the last time just two parties could gain a majority in the lower house. Rutte linked with the CDA, Christian Union and D66 for his next cabinet, which resigned after a child benefits scandal in 2021 but reformed after the election.

"Rutte excelled in finding ways out of impossible situations, or 'goat tracks' in Dutch slang," said a person close to the government, but once he called a new election, support quickly drained away.

The Labour party and Greens, who have concluded an electoral alliance, tabled a motion of no confidence in the government on Monday.

In his four terms, Rutte became the EU's second-longest head of government after Hungary's Viktor Orbán. He faced the aftermath of the MH17 plane crash in 2014, when 193 Dutch citizens died after a Malaysia Airlines aircraft was hit by Russian-backed forces who fired a missile over Ukraine, and kept a frugal stance during the eurozone sovereign debt crisis but dropped the usual Dutch resistance to common debt by agreeing to the EU's €800bn Next Generation programme, to boost the economy after Covid-19.

Rutte has said he has no firm immediate plans but ruled out a big international job. De Lange is not so sure, noting Rutte's support for Ukraine in its battle against Russia and the timing of his departure, a year before the role of Nato secretary-general becomes available.

**'Rutte excelled in finding ways out of impossible situations, or "goat tracks" in Dutch slang'**

social, economic and environmental issues abound despite Rutte's attempts to paper over them. The Netherlands is one of the richest countries in the world but its 18mn people face possible recession, high inflation and the impact of the war in Ukraine, given its reliance on gas.

Housing needs are so acute that in Amsterdam some students live in converted shipping containers and many adults are still living with their parents.

After the Dutch supreme court ruled the country had to cut levels of nitrate emissions, the government tried to cut

the number of farms, particularly dairy and pig producers, to enable the development of houses and factories. This pitted cities against countryside and led to violent protests by farmers last year.

D66 and Labour polled few votes in rural areas, while the New Farmer Citizen Movement (BBB) tore into the Christian Democrats (CDA) in provincial elections in March and came first. The CDA will also require a new leader. The BBB is ahead of the VVD in recent polls at 20.4 per cent.

Sarah de Lange, a professor at the Uni-

## Environment policy

## EU parliament chief wary of alienating voters with green laws

ALICE HANCOCK AND LAURA DUBOIS  
BRUSSELS

The head of the European parliament has warned that lawmakers should not force ambitious environmental laws on voters, weighing in on a politically toxic debate over the EU's green agenda that has split Europe's largest political group.

Speaking to the Financial Times ahead of deliberations and a vote on rules on ecosystems this week, Roberta Metsola said lawmakers should refrain from crossing an "invisible line" between ambitious green policies and public support for the changes imposed on people's lives.

"We need to factor in the economic and social impact of all that we do, and perhaps we have not done that enough," the Maltese politician said, adding that with EU elections up in June next year, this was something lawmakers would have to face at the voting booths.

Metsola's stance reflects deep divisions over climate policy within her own political family, the European People's party.

The EPP, which is Europe's largest

political group, counts among its members European Commission president Ursula von der Leyen, who has made green legislation a central part of her mandate since taking power in 2019.

Lawmakers in the parliament were to debate the nature restoration law yesterday ahead of a final vote today. It has already been voted against by three parliamentary committees and MEPs are expecting today's result to be tight.

It is not yet clear what will happen if the law is rejected as the commission has refused to redraft the proposal.

Metsola said she believed green legislation would continue to be "the stamp of this legislature" and that whatever today's outcome, it would be a "democratic exercise" to withdraw from negotiations, she added.

Since the success of a populist farmers' movement in Dutch local elections in April, EPP lawmakers in the parliament have waged a concerted campaign against big parts of von der Leyen's environmental agenda, particularly the nature restoration law, fearing their group would lose rural support.

In May, the EPP withdrew from nego-

tiations on the law and called for it to be rejected, arguing that requirements to set aside land to encourage the return of healthy ecosystems will damage farmers' livelihoods, stop wind farms from being built and put food security at risk.

In a statement last month, the EPP called for a "pause" on environmental regulation and said it could not support the nature restoration proposal or a law on pesticide use. Scientists, businesses and campaigners have questioned the validity of the EPP's claims about the law on social media and in open letters.

Commissioners, including the EU's



Roberta Metsola: urged lawmakers to factor in impact of green policies

socialist Green Deal chief Frans Timmermans, insist that von der Leyen back the regulation despite efforts by her political group to kill it. Von der Leyen has stayed silent on the matter.

But EPP officials say the campaign against the nature restoration law, which has been largely led by EPP German chair Manfred Weber, has caused an irreconcilable split within the wider group that comes at an awkward time, as the EU gears up for elections.

Von der Leyen is widely seen as the EPP's best candidate for another term at the helm of the commission but would need the backing of centre-right leaders, including Greek prime minister Kyriakos Mitsotakis and Sweden's Ulf Kristersson. Von der Leyen has not yet declared whether she will run for a second term.

Several EPP officials and MEPs from rival groups have accused Weber of pulling the EPP towards more far-right parties in an effort to boost its ranks.

Weber told the Financial Times last month that the EPP had taken a "fact-based" approach to its position and that the nature restoration law was "simply a bad piece of legislation".

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NATO SUMMIT

# US cluster bombs offer way to breach Russian lines despite risks to civilians

Eleven countries have signed up to ban the weapons but advocates say they meet Ukraine's needs

JOHN PAUL RATHBONE — VILNIUS

Mark Hertling was the operations officer in a squadron of armoured vehicles in Iraq when he heard a series of loud pops overhead. It was five cluster bombs of the kind the US last week authorised to be sent to Ukraine.

"It was like we were inside a popcorn popper, with small bomblets landing around us," the retired US lieutenant general recalled of that dread moment in 1991. Hertling, who was awarded a Purple Heart medal after he was wounded alongside 30 other soldiers, believes his unit was caught in friendly fire during Operation Desert Storm.

The incident highlights the destructive power of cluster bombs, or dual-purpose improved conventional munitions as these US variants are called, even when they do not fall into the wrong hands.

Fired from howitzers or rocket launchers, DPICMs drop small grenades, or bomblets, over a wide area where they can remain unexploded for decades. That deadly legacy, and the devastating effect it has had on civilians, is why many countries now shun them.

These "area effects" also make DPICMs a formidable weapon in high-intensity, artillery-based conflicts, as in Ukraine, and can help Kyiv as its counteroffensive against well-built Russian defensive lines stutters and its troops run low of conventional artillery shells.

Ukraine has said shortages have limited its troops to firing 100,000 rounds a month, a quarter of what the Russians use and almost a sixth of the number of shells Kyiv has said its troops could fire. The US has an estimated 3mn DPICM rounds in US and allied bases in Europe.

"We want to make sure that the Ukrainians have sufficient artillery to keep them in the fight," Colin Kahl, US under-secretary of defence for policy, said last week. "This is to make sure that the Ukrainians . . . have what they need but, frankly, also that the Russians know that the Ukrainians are going to stay in the game."

Each DPICM can release up to 88 bomblets over an area the size of a football field, making them particularly effective against troops and artillery in the open.

They also provide suppressive fire that stops the enemy using their own weapons, which could help Ukrainian sappers as they clear the dense minefields protecting Russian defensive lines, military analysts said.

"Ukraine's forces need to create gaps in the Russian defences so they can push through with armoured formations," said Ben Hodges, a former commander of US armed forces in Europe.

Cluster munitions have a dark history. They entered mass production during the cold war when they were designed for the large-scale bombardment of Soviet tank and infantry formations.

But they have also been used indiscriminately against civilians. They were used during the Spanish civil war in Republican territory at Guernica, and again in the second world war when German planes dropped SD 2 "butterfly bombs" on Britain.

In the following decades, the US deployed them in Vietnam and in Laos, the UK in its battle for the Falkland Islands against Argentina, and Serbia against Croatia.



**Destructive power: cluster munitions can be fired by howitzer and cover an area the size of a football pitch. Below, an emptied cluster bomb after a Russian strike near Kharkiv last year**

Sofia Gatilova/Reuters; Ivan Alvarado



One of their most heinous deployments came in 2006 in southern Lebanon when Israel was believed to have deployed more than 2mn submunitions. In 60 per cent of cases, those bombs landed near residential areas, according to research by Landmine Action.

Their use during that conflict helped build momentum for a 2008 convention to ban these weapons, ratified by 111 states but not Russia, the US and several Nato members.

"Cluster munitions are a highly indiscriminate weapon," said Anna Macdonald, former head of arms control at Oxfam, and a leading campaigner behind the convention. "It's a weapon that has been widely derided, including by military experts."

Military officials and analysts admit that DPICMs can be less effective against troops dug into deep trenches.

But they have more of an impact in such cases than conventional shells, according to a paper published by the Royal United Services Institute think-tank, which argues for their use in Ukraine.

The failure rate of US-made cluster bombs is 2.4 per cent, compared with 30 to 40 per cent for Russian models, according to US defence officials.

Unexploded bomblets can also be a threat to friendly troops seeking to manoeuvre in areas where they have been fired.

Hodges, who was a brigade commander during the 2003 invasion of Iraq, recalls how one airfield he was tasked with seizing was bombed by US cluster munitions. "Thankfully, in the end, we didn't have to go in," he said.

Despite these drawbacks, military officials and analysts said the advantages of DPICMs in Ukraine far outweigh their drawbacks.

For one, they point out that Kyiv is confronted by the very Russian formations that DPICMs were produced to destroy — and that Moscow has been deploying cluster bombs since its full-scale invasion of Ukraine in 2022.

"Those wringing their hands about the US decision should ask themselves why Nato allies such as Estonia, Latvia, Poland, Finland and Romania haven't signed the convention. It's because these munitions work against Russian-style armies," said John Foreman, the most recent UK defence attaché to Moscow.

Turkey has reportedly already supplied Ukraine with cluster munitions, and these have been used without any reported incidents of friendly fire, as

**"Those wringing their hands about the US decision should ask themselves why Nato allies . . . haven't signed the convention"**

suffered by Hertling during Desert Storm.

The danger of unexploded duds remains but it pales next to the more than 10mn hectares of Ukrainian land contaminated by Russian mines and unexploded shells.

Ukraine has given the Biden administration written assurances that it would use DPICMs strictly outside urban areas and would keep records of where the rounds were fired, prioritising those areas for demining.

Kyiv will also report back to its allies about their effectiveness.

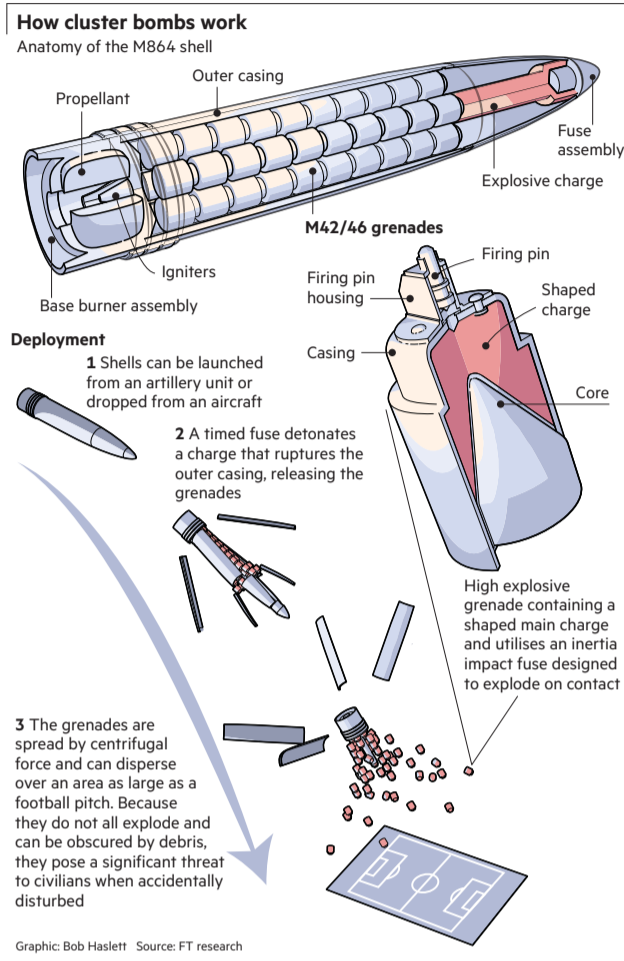
"It is important to note that the Russian Federation has been indiscriminately using cluster munitions from day one of the unprovoked large-scale aggression," said Oleksiy Reznikov, Ukrainian defence minister.

However, the clinching factor, officials and analysts said, was that the provision of DPICMs allowed Ukraine to continue its counteroffensive, minimise Ukrainian casualties and, ultimately, end the war sooner.

Moreover, if Kyiv's allies had stepped up artillery shell production earlier and given Ukraine advanced weapon systems, such as fighter jets, there would be no pressing need for it to use DPICMs now.

"We need more systems and we need much more artillery ammunition," said one Ukrainian military adviser. "Eventually Ukraine will win. The only question is how many of us die first."

*Additional reporting by James Politi in Washington*  
**Martin Wolf & Ivan Krastev** see Opinion



Graphic: Bob Haslett Source: FT research

Defence pact

## Zelenskyy attacks compromise on Kyiv's membership

HENRY FOY, FELICIA SCHWARTZ AND JOHN PAUL RATHBONE — VILNIUS  
CHRISTOPHER MILLER — SLOVYANSK

Nato leaders have declared they are prepared for Ukraine ultimately to join the military alliance, in a carefully hedged statement that drew immediate condemnation from Kyiv for its lack of a firm timeframe.

A summit communiqué agreed yesterday pledged to "extend an invitation" to Ukraine to join the alliance when "allies agree and conditions are met".

Jens Stoltenberg, secretary-general, said the commitment would streamline the accession process and make Ukraine's membership dependent simply on a political decision. "This will change Ukraine's membership path from a two-step process to a one-step process," he said.

But Ukraine's president Volodymyr Zelenskyy immediately hit out at the 31-member alliance for negotiating the text without Kyiv at the table.

"It seems there is no readiness neither to invite Ukraine to Nato nor to make it a member of the alliance . . . For Russia, this means motivation to continue its terror," he said, ahead of arriving at the summit in Vilnius, Lithuania.

Separately, the G7 group of industrialised nations continued talks on an overarching package to support Ukraine "as long as it takes", which they hoped to announce after the Nato summit is over.

The summit has been dominated by how to respond to Russia's invasion of Ukraine. The communiqué states that Kyiv's "future is in Nato" but provides no timeline for its accession.

US president Joe Biden signalled Washington's support for the compromise text, speaking beside Stoltenberg. "We agree on the language that we proposed and you proposed relative to the future of Ukraine being able to join Nato," Biden said. But Zelenskyy said it was "unprecedented and absurd when [a] timeframe is not set, neither for the invitation nor for Ukraine's membership", and also attacked Nato's "vague conditions" for inviting Kyiv.

The compromise over the text had aimed to show Ukraine's membership would be a potentially fast-tracked political decision that would bypass Nato's formal accession process while nodding to US and German concerns on appearing to lower the bar for entry.

The issue of how to acknowledge Ukraine's membership ambitions as it defends itself against Russian aggression has exposed divisions within Nato in weeks of intense negotiations, with the US and Germany wary of implying that Kyiv's membership is inevitable without conditions attached.

Yet mainly eastern European members, backed by France and the UK, had called for the word "invitation" to be included in the statement and for an acknowledgment that it would be a political, not technical, decision to invite Ukraine to join.

Dmitry Peskov, for Russian president Vladimir Putin, said that any move to speed up Ukraine's admission would be "potentially very dangerous for European security", Interfax reported.

France said yesterday it would send Scalp cruise missiles to Ukraine that are the same as the UK's Storm Shadow. Germany is offering a €700mn package of weapons.

Baltic security

## Sweden poised to strengthen alliance's northern defences

BEN HALL — EUROPE EDITOR

Sweden is on the cusp of joining Nato after Turkey dropped its objections, in a historic turning point for the Scandinavian country that cherished its militarily non-aligned status for more than two centuries.

Swedes became aware of Moscow's growing aggressiveness when the Russian air force simulated a nuclear attack on a facility close to Stockholm in 2013. But it took Russia's full-scale invasion of Ukraine last year to end its lingering attachment to neutrality.

"It's a huge, historic shift for Sweden," said Carl Bildt, a former Swedish prime minister.

Camille Grand, a former Nato assistant secretary-general, said Sweden's membership would strengthen regional security, enhance Nato deterrence against Russian aggression and bring advanced military capabilities to the alliance.

"It is one of the most significant transformations of the European security landscape since the cold war," Grand

said. "How [Vladimir] Putin brought that about is really quite interesting."

The Russian president has for years complained about Nato enlargement, which he described as a security threat for his country, and even justified his invasion of Ukraine as a defensive act against the military alliance.

Instead, neutral Finland and non-aligned Sweden applied to join the military alliance in the aftermath of his 2022 invasion — and so did Ukraine.

But while Finland was able to join in May this year, Sweden met a wall of resistance from Recep Tayyip Erdoğan, Turkey's president, over what he claimed was its lax attitude to supporters of extremist and terrorist groups, including the banned Kurdistan Workers' party (PKK).

An agreement between Erdoğan and Ulf Kristersson, Swedish prime minister, struck in Vilnius on the eve of the Nato summit which began yesterday will end Sweden's limbo. Though further hurdles cannot be ruled out, the deal was also signed by Nato, making it harder for Ankara to wriggle out. It

was "a very big step", said Kristersson.

As an EU member, the country already enjoyed a pledge of help if under attack and it was given interim security guarantees last year by the US, UK and other powers pending its Nato membership. Once inside, Sweden will enjoy the alliance's full protection under its article 5 collective defence clause.

"It's a huge relief," said Gunilla Herolf, senior associate research fellow at the Swedish Institute of International Affairs. "We feel much safer."

Swedish membership will help Nato bolster its defence of the Nordic and Baltic regions and reinforce its presence in the Arctic. Its forces, logistics, airspace and maritime areas can now be integrated into Nato operational planning.

"Defence of that particular region is so much easier if you can co-ordinate efforts, plans and command," said Bildt. Swedish territory can provide "strategic depth" to all its Nordic neighbours, particularly Finland, with which it has close military ties.

Sweden's accession would have most value for the defence of Estonia, Latvia

and Lithuania, said Grand, now at the European Council on Foreign Relations. "It really closes the Baltic Sea as a Nato lake. The Balts felt like an island. Now it [their defence] is much easier with military integration."

Sweden will also bring important capabilities. Although its army is small, it has a skilled navy, particularly its submarine fleet. It has a capable air force flying fourth-generation Gripen fighters, and modern air defences.

Sweden's defence companies produce advanced equipment, including artillery, air defence and anti-tank weapons vital for Ukraine's defence. "They are not going to be those allies who are free-riders," said Grand. "They are bringing capabilities."

Anna Wieslander, director for northern Europe at the Atlantic Council think-tank, said Sweden would need to develop a "strategic culture" among its commanders and political decision makers. "The expectations will be that Sweden will be an active member of Nato but that will be quite a challenge," she added.

Military support

## Biden 'to move forward' with transfer of F-16 jets to Turkey

FELICIA SCHWARTZ AND HENRY FOY  
VILNIUS

The US will transfer F-16 fighter jets to Turkey in consultation with Congress, the US national security adviser said yesterday, hours after Turkey's president agreed to drop his veto on Sweden joining Nato.

Recep Tayyip Erdoğan's U-turn on Stockholm's accession to the US-led military alliance cleared a significant obstacle for Nato as it beefs up its defences in response to Russia's war against Ukraine.

US president Joe Biden "has placed no caveats or conditions on [the transfer] . . . he intends to move forward with that transfer in consultation with Congress", national security adviser Jake Sullivan said.

Biden administration officials have been careful not to suggest any explicit link between the fighter jets and Sweden's membership bid. But Ankara's

decision to drop its opposition sent a strong message to the US Congress, which must approve sending the F-16s.

Erdoğan relented on Sweden's membership of the military alliance after a flurry of diplomatic efforts on Monday to unlock a deal. Nato, EU and US officials had sought to find ways to win over the Turkish president.

Bob Menendez, chair of the US Senate foreign relations committee, who has been against the jet transfer, signalled that he could drop his long-running opposition.

"We're having conversations with the administration," Menendez told Reuters. "If they can find a way to ensure that Turkey's aggression against its neighbours ceases, which there has been a lull the last several months, that's great but there has to be a permanent reality."

Biden first offered support to the idea of sending F-16s last year after Finland and Sweden applied to join Nato.

## INTERNATIONAL

## Energy transition

## Minerals spending creeps closer to IEA goal

But global body worried about reliance on a few countries for key metals

HARRY DEMPSEY

Investment in critical minerals is catching up with the world's clean energy ambitions, according to the International Energy Agency, which warned that efforts to diversify sources of supply for metals such as lithium, nickel and cobalt have faltered.

The IEA said investment in developing critical minerals rose 30 per cent to exceed \$40bn last year, building on a 20 per cent increase in 2021. The invest-

ment was led by a surge in Chinese spending, raising concerns that Beijing will extend its control of the market for certain products.

If all announced projects to develop critical mineral resources, which help make electric cars, wind turbines and solar panels, are delivered on time, supply should be sufficient to keep national climate pledges on track by 2030, the agency said in a report.

"While demand continues to increase significantly . . . on the supply side there is some encouraging news," said Fatih Birol, executive director. "We are less worried than we were two years ago in terms of availability of critical minerals." Shortages of raw materials, includ-

ing lithium and copper, are one of the biggest threats to the shift to clean energy, and the report highlights how surging prices for a commodity such as lithium have boosted investment.

But the IEA also pointed out the high probability of delays to mining projects contending with "permitting issues", funding challenges and technical risks.

Birol said "limited" progress in diversifying supply sources in the past three years, and the failure to reduce the high levels of emissions and water typically needed to generate metal products, were "significant concerns".

Chinese companies are powering ahead in securing resources essential to clean energy after nearly doubling their

investment in 2022, compared with an average increase of 25 per cent for western miners such as BHP, Anglo American and Glencore, the IEA said.

At the processing stage, the reliance on a small number of countries has become greater, it said. Half of future lithium chemical plants are planned for China, and 90 per cent of new nickel refineries will be in Indonesia, it added.

Evidence of China's tightening grip on supply chains comes a week after Beijing announced plans to curb exports of gallium and germanium, raw materials vital for chipmakers, in response to US-led curbs on semiconductor sales.

The US is drawing up policies to reshape global supply chains for strate-

gic minerals through its \$369bn Inflation Reduction Act package. However, mining projects typically take between seven and 20 years to come to fruition.

Demand for critical minerals is expected to more than double by 2030, adding to the challenge for the slow-moving mining sector to scale up on time. The market, worth \$320bn in revenue last year, doubled in size in the previous five years, in part because of higher prices, the report said.

If the world wants to restrict global warming to within 1.5C of pre-industrial levels — a goal that is higher than most current national climate targets — then it would have only three-quarters of the minerals it needs by 2030, Birol added.

## Unemployment fears

## OECD warns rich nations of workplace upheaval from AI revolution

VALENTINA ROMEI — LONDON

The OECD has said mass adoption of generative artificial intelligence in the workplace will trigger a wave of job losses and ethical issues, as it warned the world's richest economies to prepare for upheaval in labour markets.

The rapid development in generative AI, which is able to perform complex written work at an increasingly low cost, combined with the ease of adopting these technologies "suggest that OECD economies may be on the cusp of an AI revolution which could fundamentally change the workplace", the Paris-based organisation said yesterday.

The OECD is the latest economic outfit to warn of the disruptive impact of technologies such as ChatGPT, saying in its employment report that potential benefits, such as higher job satisfaction and productivity gains, had to be weighed against negative effects — particularly for traditionally highly skilled occupations.

Stefano Scarpetta, director for employment, labour and social affairs at the OECD, said despite the limited impact of generative AI on the labour market so far, it was "clear that the potential for substitution remains significant, raising fears of decreasing wages and job losses".

Occupations at the highest risk in fields such as finance, medicine and law are highly skilled white-collar jobs, which account for about 27 per cent of employment across OECD member economies, which are among the richest in the world. The share is even higher in members such as Italy, Germany and France and lower in the UK and the US.

Other economists have noted that the technology is likely to spur growth. Goldman Sachs said earlier this year that the productivity gains linked to the adoption of generative AI could raise global output by 7 per cent over 10 years. However, the investment bank also warned that the technology could disrupt 300mn jobs.

The OECD report highlighted that AI creates new jobs and boosts wages, and that many workers said that these technologies had improved their enjoyment at work by automating dangerous or tedious tasks.

But Scarpetta also warned that the use of AI also came with serious ethical challenges around data protection and privacy, transparency and explainability, bias and discrimination, automatic decision-making and accountability.

Many real-world examples exist of AI hiring tools that have baked in human biases against women, people with disabilities and ethnic or racial minorities. Algorithmic management can also increase work intensity and stress because of constant and pervasive monitoring and data-driven performance evaluations.

The OECD said there was "an urgent need to act" to make sure the benefits of AI outweigh the risks, urging members to co-ordinate their responses to avoid "a race to the bottom".

In the EU, companies, including Germany's Siemens and France's Airbus, have protested against proposals from Brussels that many view as the toughest AI rules in the world. They argue that attempts to rein in AI too tightly risk harming competitiveness.

## Payments trend

## Sharp fall in coins as Japan empties its piggy banks

LEO LEWIS — TOKYO

The number of coins circulating in Japan has fallen by an unprecedented amount, suggesting the nation's households are coming to the end of their long love affair with the piggy bank.

The national stock of coins rose steadily since 1970 but has fallen sharply on a year on year basis for 18 months, according to Bank of Japan data.

The turnaround has been sparked by a combination of the pandemic, banking fees, inflation and the rise of cashless payment technology.

The popularity of cashless payments accelerated sharply in 2022. Cashless transactions accounted for 36 per cent of all consumer payments, compared with 15 per cent a decade earlier.

Analysts said the public's shift from coins may also signal a wider change in Japanese attitudes towards saving.

The sharpest drop has been in circulation of the largest denomination ¥500 coin. This is the most common coin given to children to keep in their piggy banks, a tradition that seeks to establish solid patterns of saving and deferred gratification at an early age.

Parents traditionally set aside any ¥500 coins in change and add it to children's piggy banks, whose contents are transferred to bank accounts when full.

But, from the start of last year, Japanese banks began imposing stiff charges of up to ¥1,100 on anyone depositing large numbers of coins.

Tsuyoshi Ueno, chief economist at the NLI Research Institute in Tokyo, said strong resistance to paying fees had probably caused many households to avoid accumulating change by using cashless technology for smaller payments.

Piggy banks were the driving force behind demand for, and minting of, ¥500 coins, so it was reasonable to assume that the savings reversal was causing that demand to plummet, Ueno wrote in a research paper.

The apparent change in behaviour comes as Japan's highest inflation for decades is challenging attitudes towards spending and saving. Years of stagnant growth encouraged consumers to put most of their assets in low-yielding bank deposits.



## Taiwan drills Island steps up evacuation exercises

Taking cover: a drill simulating a building collapse in Taipei in May. This month's exercises will cover districts with a population of 5mn — Jameson Wu/AFP/Getty Images

Taiwan will hold its first large-scale evacuation drill in decades this month as it tries to harden civil defences against a potential Chinese attack.

The drill will take place across Taiwan and will involve districts covering 3mn of its 23mn people. Police and civil defence officials will lead everyone who is on the streets at the time of the drill into bomb shelters, the defence ministry said yesterday. The evacuation will be practised in one district in each of Taiwan's 22 counties and municipalities.

The plans mark a drastic change from past iterations of the annual Wan'an air raid drill, which has been triggered by a growing Chinese military intimidation campaign.

Beijing claims Taiwan as part of its territory and threatens to annex it if Taipei refuses to submit to its control indefinitely. Over the past year, the People's Liberation Army has held two rounds of large-scale exercises around the island and stepped up air and naval patrols in its vicinity.

In the past the Wan'an drill only required civilians to go indoors, and traffic to stop, for 30 minutes when

sirens sounded. Last year authorities conducted practice evacuations for the first time but people were led into shelters in just three villages with a total population of 32,000.

"[We will] test halting cars and evacuating people nearby and actual entry into air defence evacuation facilities," said Chu Sen-tsun, a senior official at the defence ministry's All-Out Defense Mobilization Agency. He added that the exercise would aim to have people "get used to evacuating immediately when the alarm sounds, so that we can build air defence awareness across society".

Officials instructed people to download a police app to locate nearby shelters and suggested they save an offline map to locate themselves in an emergency if communications are cut.

International experts are likely to welcome the attempt to make the civil defence drill, and the island's annual Han Kuang live-fire exercises, more realistic. The US, the sole de facto guarantor of Taiwan's security, has been pushing Taipei for years to strengthen its defences.

The air raid drill plans follow an

increase in defence spending. President Tsai Ing-wen has extended conscription from the current four months to a year and is making training for conscripts more rigorous, while Taipei also plans to make communications infrastructure more resilient.

But some observers criticise the changes as too little, too late.

"Why not practise evacuation in all administrative districts?" said Enoch Wu, a former special forces officer and founder of Forward Alliance, a non-governmental group that works to help build civil defence capabilities. He said Taiwan needed to tap civil society to help save lives in times of disaster.

"I would have thought this is an opportunity for a public campaign where we rely on companies, churches and schools, when the siren sounds, to take their people into nearby shelters," Wu said.

"That way we would get a lot more participation across our entire territory and quickly spot problems."

Kathrin Hille in Taipei

## Protests

## Israel vote on judiciary bill stokes violence

JAMES SHOTTER — JERUSALEM

Huge crowds of protesters descended on Israel's international airport and roads across the country yesterday, after Benjamin Netanyahu's hardline government resumed work on a bitterly contested judicial overhaul.

Waving Israeli flags and branding placards with messages such as "Save our democracy!", thousands of people swarmed into Ben Gurion airport.

Others blocked roads around big cities including Tel Aviv, Jerusalem and Haifa, despite a large police operation to keep them at bay. There were no immediate reports of disruptions to flights.

The latest unrest was triggered by the government's decision to vote through a bill early yesterday that would stop Israel's top court using the criterion of "reasonableness" to block decisions by the government, ministers and elected officials. It must now pass two further parliamentary votes to become law.

The bill is part of a broader effort by Netanyahu's coalition to weaken the powers of the judiciary that has sparked six months of mass protests, triggered

unease among Israel's allies and contributed to a sell-off in the shekel.

Hundreds of thousands of Israelis have joined the protests, which have drawn support from the crucial tech sector, former central bank chiefs, and reservists in Israel's military, who have refused to report for training if the bill becomes law.

"What does this have to do with citizens making a living? What does it have to do with citizens' security?"

As protests have persisted, police have come under pressure from far-right members of the ruling coalition, such as security minister Itamar Ben-Gvir, to respond more forcefully.

Yesterday, they deployed water cannons and mounted officers to disperse protesters, and said that by mid-afternoon they had arrested 66 people.

Officials from Netanyahu's coalition of ultrareligious and extreme rightwing parties say ending the "reasonableness"

standard would curb judicial interference in the actions of elected politicians.

But critics argue that removing such a check on officials would pave the way for corruption and arbitrary decision-making, and see the government's broader overhaul as a politically motivated power grab.

In a video statement on Monday ahead of the vote on the bill, Netanyahu insisted that scrapping the reasonableness standard would not impair the top court's ability to scrutinise government. "Even after the fix, the rights of the courts and Israeli citizens will not be harmed in any way," he said.

But his opponents blasted the plans. Yair Lapid, head of Yesh Atid, the largest opposition party, warned that they would allow the government to make unsuitable appointments or fire inconvenient officials.

Benny Gantz, head of the National Unity party, warned that other more radical measures would follow. The government is expected to return to one of the most contested aspects of its overhaul, reshaping the body that appoints judges, later this year.

## Academic integrity

## Harvard pulls papers in dishonesty scandal

ANDREW JACK — NEW YORK

Dozens of academics are reviewing their research on behavioural science conducted alongside Harvard Business School professor Francesca Gino after the university requested the withdrawal of at least two of her papers.

The comments confirm concerns over the integrity of work by Gino, an expert on dishonesty, which were questioned in an analysis by the blog Datacolada last month. The academics behind the blog suggested data in studies behind the papers had been manipulated.

The allegations, initially reported by the Chronicle of Higher Education, have triggered concerns among nearly 150 co-authors who have worked with her on papers over more than a decade.

They have also prompted a wider debate about the implications for other scholars in behavioural science and the role of universities and journals in policing academic integrity.

The journal Psychological Science last week published retractions following what it described as a recommendation from the Research Integrity Office of

Harvard Business School, after "an independent forensic firm engaged by the HBS revealed discrepancies between the published data" and the original data, text for both retractions said.

The two articles, from 2014 and 2015, are "Evil Genius? How Dishonesty Can Lead to Greater Creativity" and "The Moral Virtue of Authenticity: How Inauthenticity Produces Feelings of Immorality and Impurity".

Datacolada also queried a third paper published in 2020 in the Journal of Per-



Francesca Gino: HBS profile altered to say she is on administrative leave

sonality and Social Psychology, "Why Connect? Moral Consequences of Networking with a Promotion or Prevention Focus". A fourth paper queried by Datacolada had already been retracted.

The American Psychological Association, which publishes the journal, said it was "aware of the concerns raised by this article. A retraction is slated to be published in the September issue."

Datacolada said it had contacted HBS originally in autumn 2021 to raise its concerns. Harvard has refused to comment on the investigation, but the two retractions provide independent confirmation of its probe.

The two statements also contain the first substantive response by lawyers for Gino, who has refused repeated requests to comment. Her HBS profile was recently altered to indicate that she is on administrative leave.

The retractions state: "Counsel for the first author informed the journal that whereas Dr Gino viewed the retraction as necessary, she disagreed with references to original data, stating that 'there is no original data available' pertaining to the research reported in the article."

# Companies & Markets

## Top US insurer has exposure of \$10bn to UK water utilities

- Assured Guaranty faces default risk
- Thames and peers groan under debt

WILL LOUCH AND ROBERT SMITH  
LONDON

US insurer Assured Guaranty has amassed more than \$10bn of exposure to some of the most heavily indebted UK water utilities, underlining how risk in the troubled sector has spilled beyond the country's borders.

The New York-listed group could end up having to pay out to lenders if the likes of Thames Water or Southern Water default or fail to make interest repayments. UK water utilities, under pressure from rising inflation and increasing regulatory scrutiny, are labouring under £60bn of debt.

"We feel the UK water company debt we have insured has a strong credit profile, as it provides an essential public service and is in a well-regulated industry

The monoline notes that it has a 'long history of successfully mitigating potential losses'

try where we guarantee the senior level debt, all of which has underlying investment grade ratings," Nick Proud, a senior managing director at Assured Guaranty, said. "To date, a UK water company has not defaulted on their debt."

Assured Guaranty typically works with lenders financing US municipal-backed infrastructure projects, providing insurance that pays out to debt investors if a borrower defaults.

The products help boost the credit rating of bonds and encourage lenders to back companies that might otherwise struggle to raise financing. When triggered, the insurance is structured to pay out over time, mirroring how the loans being covered would be repaid.

The group has built up about \$1.9bn in exposure to Thames Water alone, with Southern Water its largest non-US

exposure at \$2.2bn, according to results published in March. Anglian Water, Yorkshire Water and Dŵr Cymru Welsh Water are all among its top 10 non-US holdings, the results show.

Assured Guaranty has stepped up activity in the UK water sector over the past 18 months, striking a deal to provide cover to lenders to Portsmouth Water in June and last year agreeing to provide liquidity facilities to Yorkshire Water.

S&P has negative outlooks for about two-thirds of the UK water companies it rates, indicating the possibility of downgrades if performance worsens.

The UK is said to have discussed plans to put failing water companies into a "special administration regime", with Thames Water front and centre after the abrupt departure of its chief executive last month.

UK regulator Ofwat is monitoring the health of five companies: Thames Water, Southern Water, SES Water, Portsmouth Water and Yorkshire Water.

Assured Guaranty's exposure to UK water is nearly equal to its total "claims-paying resources", which stood at \$10.8bn at the end of March. It reported net income of \$124mn last year.

Proud said that Assured Guaranty had a "long history of successfully mitigating potential losses" and noted that the group had maintained "a relatively constant level of claims paying resources over the past 15 years".

The insurer carries strong credit ratings of AA and A1 from S&P and Moody's respectively, with the latter citing its "strong capital profile" and "conservative underwriting".

Monoline insurers such as Assured Guaranty typically provide cover to securities backed by governments, meaning it is unlikely the borrowers will default. In the US, its largest exposures included the state of New Jersey and the Port Authority of New York.

## Charging ahead BP-backed BluSmart's electric ride-sharing fleet zooms past Uber in India



BluSmart runs about 4,500 cars in and around New Delhi, which is beset by chronic pollution — Anushree Fadnis/Reuters

BENJAMIN PARKIN — NEW DELHI

BluSmart, a ride-sharing company backed by BP's venture capital unit, is adding hundreds of electric vehicles a month to its fleet as it tries to beat Uber and Ola in the race to electrify India's taxi market.

Founded in 2019, BluSmart operates about 4,500 electric cars in the capital New Delhi and tech hub Bengaluru. While dwarfed by Uber and Ola, which have operated in India for a decade or longer, it has shot ahead of the incumbents in the fast-growing EV segment of the market.

Uber last month launched its "Uber Green" EV business in India, with a plan to grow to 10,000 electric two-wheelers by 2024. Ola has said it plans to add 10,000 EVs to its ride-sharing fleet, though it has not started.

BluSmart's co-founder Punit Goyal said that the company planned to add 600-800 cars a month in order to

keep up with Uber and Ola's EV plans. "We're now increasing our fleet size substantially," he said in Gurugram, a satellite city of New Delhi.

Goyal argued that chronic pollution in cities such as New Delhi, which suffers from some of the worst air quality in the world, made EV ride-sharing necessary. "It's a huge, huge opportunity for the EV space, for ride-hailing companies to switch to EVs," he said.

BluSmart has tried to set itself apart from rivals by newer vehicles and a pre-booking model designed to help cars arrive for pick-ups on time. Its fleet consists of EVs made by Indian conglomerate Tata, MG Motor India, a subsidiary of Chinese carmaker SAIC Motor and BYD, a Chinese rival to Tesla that has embarked on an aggressive international expansion.

Uber and Ola, a homegrown Indian ride-sharing business, have struggled to maintain consistent service in India, with customers frustrated by

frequent cancellations. Drivers have also dropped off the platforms, dissatisfied with low pay.

Unlike its rivals, BluSmart buys its vehicles and contracts drivers to drive them. But this model is expensive.

The company has raised more than \$120mn in equity and debt from investors, including BP Ventures, the energy major's investment arm, and Bollywood star Deepika Padukone.

Goyal said that the company had financing for 15,000 cars and was in talks with investors, including Australia's Macquarie, to raise funding to take this to 25,000 cars. Macquarie declined to comment. Some analysts, however, are sceptical that BluSmart will be able to hit its lofty targets.

Basudeb Banerjee at ICICI Securities said if BluSmart wanted to scale up it would "have to compromise on the vehicle quality and driver quality which is surely going to antagonise end consumers".

## Amazon lays down gauntlet on EU content policing rules

JAVIER ESPINOZA — BRUSSELS

Amazon has become the first US company to challenge EU legislation designed to force Big Tech to police content online, arguing it is being unfairly targeted.

The technology group yesterday filed a petition to the general court in Luxembourg to annul its designation as a "very large online platform" under the Digital Services Act, which imposes extra obligations to tackle hate speech and disinformation online.

Amazon's move will be followed closely by the 18 other companies, including Twitter and TikTok, that the EU has said fall within the law's scope.

Last month Germany's Zalando, Europe's largest online retailer, became the first company to start a legal action over the law. Silicon Valley groups were expected to challenge the rules.

The act seeks to target intermediaries, such as Zalando, so that regulators can better police the safety and authenticity of products sold online.

"The DSA was designed to address systemic risks posed by very large companies with advertising as their primary revenue and that distribute speech and information," Amazon said. "Amazon doesn't fit this description of a 'very large online platform' under the DSA and therefore should not be designated as such."

It said most of its revenue came from its retail business. Its addition to the European Commission's list of targeted companies would mean it would be "unfairly singled out and forced to meet onerous administrative obligations that do not benefit EU consumers".

Amazon will argue that its store gives users goods for sale and that it does not spread content, such as disinformation, which the DSA rules aim to address.

The act comes into force on August 25. It sets new standards for policing hate speech, disinformation and counterfeits online with which all large digital platforms will have to comply.

The commission acknowledged the move by Amazon but said it had "no comment". "The scope of the DSA... is defined to cover all platforms that expose their users to content, including the sale of products or services, which can be illegal," the commission said. "For marketplaces, as for social networks, very wide user reach increases the risks and the platforms' responsibilities to address them."

## Toyota looks to accelerate its hydrogen fuel push beyond Japan

### INSIDE BUSINESS

#### ASIA

Kana Inagaki



Toyota's announcement of a breakthrough in solid-state batteries for electric vehicles stole the limelight last month when its engineers gave a sneak preview of its next-generation technologies.

The news jolted the carmaker's share price, but much less investor attention was paid to a low-key presentation the same day on how it planned to develop a business by selling its hydrogen technology outside its home market.

With Japan having a more than 90 per cent dependence on energy imports, the country and its biggest carmaker have long placed a huge bet on hydrogen as an alternative to fossil fuels — one they have persisted with despite the rise of battery-powered vehicles.

However, sales of hydrogen-powered vehicles have fallen flat. This is largely the result of the high cost of carbon-free hydrogen and the lack of filling stations for the gas, from which a fuel cell makes electricity to power the car.

Still, Toyota says it sees a much bigger business opportunity by 2030 to sell its fuel cells in Europe, China and North America as the world's biggest economies compete to decarbonise and win control over energy supply chains.

It also views fuel cells, with their higher energy density, as better suited for longer-range, heavy-use vehicles

such as delivery trucks. What the carmaker doesn't seem to see, at least from its presentation, is a compelling market potential in Japan despite it being the first country to map out a national hydrogen strategy in 2017. Since then the US, Europe and China have come out with far more aggressive targets and investment plans to make use of the gas.

In June, Tokyo updated its strategy, setting a new target of increasing annual hydrogen supply to 12mn tonnes by 2040 using a public-private investment of ¥15tn (\$106bn) over the next 15 years.

The strategy comes after Japan has largely missed targets set out in 2017.

Having aimed for sales of 40,000 fuel-cell vehicles by 2020, only about 7,700 hydrogen cars have been sold, according to the Japan Automobile Dealers Association. The country has built 164 hydrogen stations but it has not met its target for 100 of them to supply green hydrogen made with renewable sources of energy.

Toyota has also widely missed its own target to sell more than 30,000 fuel-cell vehicles annually worldwide by about 2020. Since the launch of its hydrogen-powered Mirai in 2014, it has sold fewer than 22,000 fuel-cell vehicles, including 3,924 last year.

Corporate executives in Japan have privately expressed frustration at the absence of a concrete vision of how the government wants to bring down the cost of producing carbon-free hydrogen.

With the US offering tax breaks for every section of the green hydrogen supply chain and China also investing heavily, companies such as Toyota and Pana-

sonic are increasingly looking outside Japan to sell their hydrogen technology.

That makes sense. While Japan has stuck with its goal to increase annual hydrogen supply to about 3mn tonnes in 2030, China is targeting 40mn tonnes while both Europe and US are aiming to supply about 25mn tonnes.

Mitsumasa Yamagata, head of Toyota's hydrogen business, said that the company had so far received global orders for 100,000 units of Mirai's hydrogen system by 2030, mostly for commercial vehicles. By working with truckmakers in Europe and China and increasing local production, it hopes to double those orders, which would lead to a halving of the unit cost.

In a follow-up briefing yesterday Toyota executives stressed that Japan remained an important market but that cost reduction was still their priority.

"We need volume to bring down the costs so we need to roll out enough vehicles in Europe and China. Once the costs are down, we can transfer the positive outcome to Japan," said Hiroki Nakajima, chief technology officer.

However, executives admit that for Japanese companies a hydrogen push into China would pose a tricky dilemma in terms of energy security and industrial competitiveness. In an interview, Tatsuo Ogawa, Panasonic's chief technology officer, warned that Japan's hydrogen technology could face the same fate as liquid crystal displays and silicon solar cells in which the country lost out to lower-cost Chinese rivals.

For Toyota, its decades-old knowhow in making fuel-cell stacks is a core technology that it will need to protect at all costs. Nevertheless, it cannot ignore China's huge potential for hydrogen-powered transport.

kana.inagaki@ft.com

### Contracts & Tenders

North East Sardinia - Gallura Provincial Industrial Consortium  
Public Body (Art. 3 Regional Law 10 of 07/25/2008)

#### PUBLIC EXPLORATORY NOTICE

FOR THE EXPRESSION OF INTEREST FOR THE PURPOSES OF THE PURCHASE OF THE ABANDONED REAL ESTATE COMPENDIUM CALLED "GEOVILLAGE" LOCATED IN THE INDUSTRIAL URBAN OLBIA AREA FOR THE ESSENTIAL AND PREDOMINANT PURPOSE OF PLANNING, BUILDING AND MANAGING AN INTERNATIONAL ENGLISH LANGUAGE SCHOOL AND UNIVERSITY HOUSING

PROCEEDING PUBLIC BODY DETAILS: Name: Provincial Industrial Consortium North East Sardinia - Gallura (CIPNES Gallura); Address: Via Zambia, 7 - 07026 OLBIA (SS); - Telephone: 0789 597125; - Fax: 0789 597126; - Certified e-mail: protocol@pec.cipnes.it; - Website: www.cipnes.eu;

PURPOSE OF THE PUBLIC EXPLORATORY NOTICE: The purpose of this public exploratory notice for expression of interest is to pursue the best social and economic - productive valorisation of the disused real estate complex called "GeoVillage" located in the urban planning - industrial consortium of Olbia, with the essential and preponderant objective of planning, implementing and managing an international school of English Language, by placing the overall investment proposal of the promoter "Salima PTC Limited" as a basis for competitive comparison, approved, as a preliminary agreement, with a Resolution of the General Assembly of the local Consortium Premises n. 16 of 26.04.2023.

TERMS AND METHODS OF PARTICIPATION: Deadline for receipt of applications for the expression of interest: 12:00 on 30 August 2023 at the address: Via Zambia n. 7 - 07026 OLBIA (SS).

ADDITIONAL INFORMATION: All the information necessary for participation in this exploratory survey is contained in the documentation which can be downloaded from the following link: <https://www.consortioindustrialcolbia.com/public/manifestazione-di-interesse-scuola-internazionale>

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## COMPANIES &amp; MARKETS

## Technology

## China 'wavering' over tougher AI rules

Desire to control content clashes with ambition to take lead in development

QIANER LIU — HONG KONG

China is drawing up tighter rules to govern generative artificial intelligence as Beijing seeks to balance encouragement for companies to develop the technology against its desire to control content.

The Cyberspace Administration of China, the powerful internet watchdog, aims to create a system to force companies to obtain a licence before they release generative AI models, said two people close to regulators. The requirement tightens draft regulations issued in April, which said groups would have 10 working days to register a product with authorities after launch.

The licensing regime is part of regulations being finalised as early as this month, according to people with knowledge of the move. It signals how Beijing is struggling to reconcile an ambition to develop world-beating technologies with a longstanding censorship regime.

"It is the first time that [authorities in China] find themselves having to do a trade-off" between two Communist party goals of sustaining AI leadership and controlling information, said Matt Sheehan, a fellow at the Carnegie Endowment for International Peace.

One person close to the CAC's deliberations said: "If Beijing intends to completely control and censor the information created by AI, they will require all companies to obtain prior approval from the authorities."

But "the regulation must avoid stifling domestic companies in the tech race",

the person added. Authorities "are wavering", the person said.

China is seeking to formalise its regulatory approach to generative AI before the technology — which can quickly create humanlike text, images and other

**'[Authorities in China] find themselves having to do a trade-off' between two Communist party goals**

content in response to simple prompts — becomes widespread.

April's draft rules said that AI content should "embody core socialist values" and not contain anything that "subverts state power, advocates the overthrow of the socialist system, incites splitting the country or undermines national unity".

The CAC needed to ensure that AI was "reliable and controllable", its director Zhuang Rongwen said recently.

The draft regulations also required the data used by companies to train generative AI models should ensure "veracity, accuracy, objectivity and diversity".

Companies such as Baidu and Alibaba, which rolled out generative AI applications this year, had been in contact with regulators over the past few months to ensure that their AI did not breach the rules, said two other people close to the regulators.

Angela Zhang, associate professor of law at the University of Hong Kong, said: "China's regulatory measures primarily centre on content control."

The EU has proposed some of the toughest rules in the world, prompting outcry from companies and executives, while Washington has been discussing

measures to control AI and the UK is launching a review.

The quality of the data used to train AI models is a key area of regulatory scrutiny, with attempts to address issues such as "hallucinations" in which AI systems fabricate material.

Sheehan said that Beijing had set its requirement "so much higher", meaning Chinese companies would need to expend more effort to filter the kind of data used to "train" AI.

The lack of available data to meet those demands has become a bottleneck preventing some companies from developing large-language models, the technology underlying chatbots such as OpenAI's ChatGPT and Google's Bard.

The CAC did not respond to a request for comment.

*Additional reporting by Ryan McMorrow in Beijing*

## Financials

## Temasek posts worst returns in seven years and slows pace of investment

MERCEDES RUEHL — SINGAPORE

Singaporean state-owned investor Temasek Holdings has reported its worst returns since 2016 and warned it has slowed investment in the face of recession risks, higher interest rates and geopolitical tensions.

Temasek, one of the biggest and most active investors globally, said the net value of its portfolio had shrunk to S\$382bn (US\$285bn) in the financial year to March, as public and private equity capital markets fell and the technology sector was hit particularly hard. That compared with a record S\$403bn in 2022. A S\$7bn loss was driven by mark-to-market accounting.

The Asian investor, which has two-thirds of its portfolio in the region and has backed some of the world's biggest start-ups from Jack Ma's Ant Group in China to San Francisco and Dublin-based payments processing group Stripe, reported a 5.07 per cent drop in total shareholder returns. This compared with a 5.8 per cent increase the previous year and was far below the 24.5 per cent rise in 2021. The group slowed its investment pace for the period, calling it "the most challenging year for markets over the last decade".

The results underline the struggle of investors to adapt to higher rates.

**'We won't invest in areas that are in the crosshairs of US-China tensions'**

Rohit Sipahimalani

Temasek's cost of capital rose from 7 per cent to 9 per cent. Its total returns over a 10-year and 20-year period were 6 per cent and 9 per cent respectively.

The drop in returns was the poorest annual performance since 2016. Investment returns from Temasek and sovereign wealth fund GIC, as well as the Monetary Authority of Singapore, the central bank, are the biggest contributors to Singapore's budget.

"The global economy is still quite fragile. Geopolitical tensions are high, showing no signs of easing. Inflation is elevated in most developed markets... we do believe that to get inflation under control, we probably will need to see a recession," said chief investment officer Rohit Sipahimalani.

Temasek, whose unlisted holdings have grown substantially over the past decade to more than 50 per cent of its portfolio, had some high-profile setbacks over the year. It was forced to write down its \$275mn investment in failed crypto exchange FTX. Chief executive Dilhan Pillay acknowledged the reputational damage the venture had caused but dubbed it an "aberration".

Sipahimalani said Temasek was moderating the pace of its investments and applying a "geopolitical lens" to its deals. "We won't invest in areas that are in the crosshairs of US-China tensions. We'll prefer to invest in companies that have access to large domestic markets."

Management said it still saw opportunities in China in sectors linked to domestic consumption and electric vehicles, but its growth outlook was uncertain. "We expect that [government] stimulus will be much lower and more modest than what we've historically seen," Sipahimalani said.

The proportion of Temasek's portfolio allocated to China has remained flat over the past decade.

Interview. Philippe Jabre

## Hedge fund trader discovers a taste for brewing

Heineken deal has brought

Beirut's Brasserie Almaza

back into family control

RAYA JALABI — BEIRUT  
HARRIET AGNEW — LONDON

Philippe Jabre, the hedge fund manager, is enjoying an unexpected second act as a brewer after buying back his family business.

Jabre, who hails from a Lebanese Catholic family, was once one of Europe's best-known hedge fund traders, not least after a run-in with the UK regulator in 2006 over alleged market abuse. Now he is the third-generation owner and manager of Brasserie Almaza, created 90 years ago by Michel Jabre, his grandfather.

"My family makes fun of me because I've gotten really into it," Jabre said. "But I've been enjoying the challenge of doing something completely different."

Jabre carved out a reputation as a star manager at London-based GLG Partners, where he ran as much as \$7bn. But

**After returning money to Swiss-based Jabre Capital's outside investors, he was 'bored to tears'**

in 2006 he received what was then a record individual fine of £750,000 from the watchdog for trading on confidential information from Goldman Sachs about a 2003 convertible bond sale, although the authorities stopped short of calling his actions intentional.

He moved to Switzerland and set up Jabre Capital. Jabre ran money at his business for just over a decade. At the end of 2018, he announced that he would return money to outside investors after suffering heavy losses that year. But after stepping back from professional money management, he was "bored to tears".

In mid-2021, Jabre learnt that Almaza's longtime backer Heineken was looking to sell its controlling stake due to Lebanon's difficult economic circumstances. The brewery was at risk of shutting, putting nearly 200 jobs at risk. He bought Heineken's stake for an undisclosed sum with his own money.

He said: "Almaza has been around



Philippe Jabre initially had to front the cash to pay for about half of the business's imports, while its exports can be delayed as civil servants often strike

Guillaume Megevand

since 1933 and survived Lebanon's many rocky periods including the civil war. It didn't sit well with me that it could shut its doors because of this crisis."

Speaking from Almaza's works in Beirut, housed in the same building since its founding, Jabre said: "This is not Lebanon's first crisis, and it's not even its worst. I hope to show others that they shouldn't give up on Lebanon, that despite the difficulties, we should keep investing in our country."

Since 2019, Lebanon has been mired in economic crisis.

More than three-quarters of the population has been plunged into poverty. The currency has lost more than 95 per cent of its value against the dollar. Most Lebanese have had their funds frozen in the zombie banking system since late 2019, with monthly withdrawals capped and dollar deposits forcibly converted into Lebanese currency at a punishingly low rate.

The country suffers an unprecedented leadership vacuum, without a president for the past nine months and only a caretaker administration governing, and stalling on reforms.

Jabre bought the brewery when Lebanon had not yet adapted to its new economic reality and purchasing power was greatly reduced.

In 2022, Almaza's profits stood at about 8 per cent of sales and were reinvested in the capital-intensive business, Jabre said. He declined to provide sales figures.

Almost four years into the crisis, the economy has largely been dollarised but the brewery still cannot secure credit lines. Jabre initially had to front the business cash to pay for about half of its imports, but he said this would be phased out, "because our cash flow is now positive as the business is more stable".

The brewery's exports are sometimes delayed because civil servants are fre-

**'I hope to show others that they shouldn't give up on Lebanon, that we should keep investing'**

quently on strike. "It's not exactly ideal, but there's no alternative right now," Jabre said.

Almaza produces about 200,000 hectolitres of beer a year. Exports account for a quarter of its production, a number he hopes will reach 40 per cent soon.

This summer, Almaza is launching the company's first new product in a decade, Almaza Unfiltered.

Its advertising campaign caused a furore, as it dedicated itself to "all Lebanese enduring unacceptable and unjust daily deceptions".

Seen more than 1mn times online, it was pilloried by many who accused the company of exploiting Lebanon's tragedies for commercial gain. But Jabre said it captured "the many contradictions of this tiny country".

His switch from hedge fund manager to brewer showed, he said, that "life doesn't stop. It just continues under a different hat".

## Energy

## Altman-backed fission start-up to go public

ORTENCA ALIAJ — LONDON  
GEORGE HAMMOND — SAN FRANCISCO

A nuclear fission start-up backed by Sam Altman is to go public through a merger with a special purpose acquisition company set up by the OpenAI chief executive in a deal that values the business at \$850mn.

Oklo, where Altman serves as board chair, has agreed a transaction with AltC Acquisition Corporation, a blank-cheque company set up by Altman and former Citigroup executive Michael Klein.

The transaction between Oklo and AltC is unusual because Altman is involved with both companies. Under the terms of the agreement, the Spac sponsors have agreed to performance hurdles tied to the founder equity and lock-up periods running from one to three years.

Altman "recused himself from all negotiations between the parties, and

from all discussions and decisions of both the Oklo and AltC boards involving the transaction", said AltC.

The deal is expected to provide the California group with \$500mn, as long as shareholders do not redeem their stock. Oklo plans to use the funds for its nuclear energy production, scheduled to go to market in about four years, as well as constructing a fuel recycling facility set to begin in the "early 2030s".

Altman and Klein, a serial Spac sponsor who has taken public companies such as electric-car maker Lucid and healthcare provider Multiplan, founded AltC in July 2021. The announcement of a deal with Oklo comes as a two-year deadline to find a target or return cash to shareholders was approaching.

Spacs, or blank-cheque companies, raise money on the stock market and use the cash to invest in a private company, so taking it public. They boomed during the pandemic, raising hundreds of billions of dollars from investors.

They have since fallen out of favour because of poor performance and misaligned incentives that had encouraged backers to find deals at any cost.

Oklo forms part of Altman's sprawling network of start-ups, many in fringe fields which he anticipates will enter the mainstream.

The OpenAI co-founder and former president of start-up incubator Y Combinator also helped to set up Worldcoin, which uses iris-scanning technology to create a secure global cryptocurrency. He is a big investor in a nuclear fusion company called Helion, where he was appointed chair in 2015.

Altman has repeatedly stated in interviews that he holds no equity in OpenAI — excluding a small stake via Y Combinator from the time he was president. That is an unusual arrangement for a founder and would exclude him from directly gaining from the AI company's dramatic increase in valuation.

See Lex

## Banks

## BoFA to pay \$250mn in consumer settlement

STEPHEN GANDEL — NEW YORK

**Bank of America will pay \$250mn to settle charges over credit card and banking abuses that include opening accounts for consumers without their consent and repeat overdraft fees, US financial watchdogs announced.**

Customers will be reimbursed roughly \$100mn and BofA will pay \$150mn in fines in the settlement announced yesterday with the Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency.

"Bank of America wrongfully withheld credit card rewards, double-dipped on fees, and opened accounts without consent," said CFPB Director Rohit Chopra. "These practices are illegal and undermine customer trust. The CFPB will be putting an end to these practices across the banking system."

The CFPB alleged in the settlement that BofA would charge a \$35 overdraft fee several times on one transaction.

For example, if a BofA customer had signed up for their bank account to be automatically billed for a gym membership or a utility bill, and they had insufficient funds, BofA would deny the transaction and assess a fee. If the provider resubmitted the transaction before the customer's balance had recovered, BofA would charge another fee.

The CFPB said that the repeat charges were illegal and generated hundreds of millions of dollars for BofA.



**The lender will pay \$150mn in fines and return \$100mn to customers**

The bank is paying \$120mn in penalties, split equally between the CFPB and the OCC, to settle the overdraft charges. The CFPB also said BofA agreed to reimburse customers for \$80mn in excess overdraft fees that were identified by the regulator, and BofA had not previously refunded.

BofA would take a charge for the settlement in its expenses when it reports second-quarter earnings next week, people familiar with its plans said.

"We voluntarily reduced overdraft fees and eliminated all non-sufficient fund fees [in 2022]," BofA said, adding that "revenue from these fees has dropped more than 90 per cent."

BofA settled the disputes without admitting or denying wrongdoing.

The remaining \$50mn of the settlement pertained to credit card rewards for new credit card customers and allegations that BofA opened credit cards for clients who had not applied, harming their credit.

COMPANIES & MARKETS

# Trafigura scandal's cast of characters revealed

Public records shed light on those alleged to have duped the commodity trader, raising questions over its due diligence

CYNTHIA O'MURCHU — LONDON  
KAYE WIGGINS — HONG KONG

Nestled in an alley near Hong Kong's bustling Tsim Sha Tsui shopping district, Sandwich Hub sports a logo modelled on that of adult entertainment site Pornhub, along with the tagline: "Sandwich that'll make you come".

The hole-in-the-wall Indian food joint's owner Aman Chourasia, a jovial 30-year-old with a baby-faced grin, is enthusiastic about its offerings, with its low-priced fare such as cheese aloo toast and masala tea.

But he is also embroiled in an alleged half-billion-dollar international fraud. Last year another business registered in his name sold cargoes of nickel to Trafigura that on inspection turned out to contain a considerably cheaper metal.

Spring Metal is one of seven companies the Singapore-based trading group has accused in London's High Court of duping it into buying more than 1,000 shipping containers of non-existent nickel. Trafigura paid the companies \$535mn for the contested cargoes, equivalent to more than 7 per cent of its record \$7bn net profit in 2022.

The episode has raised questions about Trafigura's due diligence, including how it could miss multiple red flags related to its counterparties. It had few details about the owners of three of the seven companies, court filings indicate, and the trio do not appear to have lawyers to defend them in the case. Yet together they received more than half the disputed payments.

Public records reviewed by the Financial Times, and conversations with people familiar with the operations of the accused, shed light on a collection of characters at the centre of a scandal that has rocked the global commodities industry.

Trafigura says it uncovered the "systematic" fraud late last year when it inspected a set of containers, including some it had bought from Spring Metal, at Rotterdam's port.

The company claims the man behind the seven companies was Dubai-based metals trader Prateek Gupta, who in 2022 was accused by New Delhi authorities of defrauding the State Bank of India. Gupta has challenged the probe. Four of the companies it is suing have overt links to Gupta through shareholdings or directorships. Gupta, who denies wrongdoing, and the four companies have hired one of London's highest-profile law firms, Mishcon de Reya, to act for them.

Trafigura alleges Gupta has "de facto" control of the others — Spring Metal, New Alloys Trading and Mine Craft Limited. The three companies are listed in court records as litigants in person, meaning they will represent themselves in court.

Trafigura seems to have had sparse knowledge about their owners and claims it relied heavily on Gupta and an operations executive he employed to handle trades. Gupta, Trafigura alleges in court filings, even had access to Spring Metal's email account.

Trafigura declined to comment, citing the litigation.

A representative for Gupta said he and the other defendants represented by Mishcon would file a "robust defence" this week, adding that it would be "inappropriate to share its contents" before filing it at court. "It will address all the issues raised in Trafigura's claim," he added, including "the relationship" with Spring Metal, Mine Craft and New Alloys "to the extent that is relevant".

In an affidavit sworn by Trafigura's former head of nickel trading, Sokratis Oikonomou, in February, the company indicated that it was "continuing to investigate" the ownership structure of Hong Kong-based Mine Craft.

Corporate filings reviewed by the FT show that its ultimate owner is a man



**Gupta will file a 'robust defence' this week that 'will address all the issues raised in Trafigura's claim'**

Representative for Prateek Gupta

whose now-deleted Facebook page identified him as a chef at Palm Jumeirah, the glitzy man-made archipelago in Dubai.

Trafigura's relationship with Gupta dates to 2014, according to court filings, with the company later entering trades with the seven defendant companies.

Initially, Trafigura simply bought metals from them and sold them to its customers. But by 2022 most of the trading consisted of "buyback" transactions in which it bought metal cargoes from the companies and then sold them back either to the same entities or to others they nominated.

The prices at which Trafigura bought and sold the cargoes were "calibrated so that it would earn a return equivalent to interest on the value of that nickel" while it was in transit, Trafigura said in court filings. For the companies, that was the cost of what was in effect a short-term borrowing arrangement that brought in cash.

Citigroup financed the trades by providing a repurchase facility to Trafigura that stood at \$850mn by 2020.

The commodity trader did not usually physically inspect the shipments, until Citi started insisting on checks in October, according to Oikonomou. Trafigura did not always insist on providing documents from the metal's producer, known as "certificates of analysis", he added.

Citi stopped financing the trades in October. The bank said its sole client and counterparty was Trafigura.

The seven companies were "onboarded as trading counterparties in accordance with Trafigura's internal [know-your-customer] procedures", according to Oikonomou's affidavit.

When they started doing business with Trafigura, Mine Craft and New Alloys were subsidiaries of an Emirati metals trading company. By the time of the contested transactions with Trafigura they had been split up and operated under separate ownership.

Chourasia incorporated Spring Metal in the low-tax, high-secrecy Malaysian offshore centre of Labuan in January 2015 when he was in his early twenties, according to corporate records, three years before he established Sandwich Hub.

When the FT visited his Hong Kong sandwich shop unannounced on a weekday afternoon, Chourasia was relaxing at a small table in the alley.

He joked about the shop's branding while lamenting that some of its customers had moved to Singapore in recent years, part of a wider exodus from the city. But he would not comment on the Trafigura case.

"We dispute the allegations that have been made by Trafigura and will defend the claim in full," he said later by email, declining to address allegations in detail in light of the court proceedings.

Mine Craft last year arranged a nickel buyback with Trafigura at an interest rate of 5.75 per cent. Its owner is a company whose sole shareholder is Upad-

hyay Shovakhar, a Nepalese citizen in his mid-40s, according to corporate filings reviewed by the FT.

Upadhyay's Facebook account identified him as a chef at Palm Jumeirah, on which Gupta has a villa that was included in a freezing order obtained by Trafigura in May.

Gupta's representative did not comment on whether Upadhyay had ever been employed by him, his wife or his companies.

A photo posted on Facebook in 2018 shows Upadhyay at a celebration alongside relatives of Chourasia and another

**Trafigura claims the man behind the companies involved in the contested cargoes was Dubai-based Prateek Gupta. Below, the Malaysian offshore centre of Labuan**

FT montage/Reuters; White Lace Photography / Alamy Stock Photo

executive who acted on behalf of Gupta's companies in negotiations with Trafigura.

The landlord and current tenant at the Dubai address that Mine Craft's company filings list for Upadhyay told the FT he was not known there and that neither Upadhyay nor Mine Craft had ever rented the residential flat.

Mine Craft's corporate secretary in Hong Kong resigned in mid-February, saying its fees had not been paid. Upadhyay did not respond to requests for comment. Trafigura's filings do not indicate that it ever dealt with Upadhyay himself.

The third defendant not represented by Gupta's lawyers is Singapore-based New Alloys Trading. Its sole shareholder is Manoj Menon, whose name is listed on an internet domain record as the registrant for udradinggroup.com, which shares its name with one of Prateek Gupta's businesses, UD Trading Group.

When reached by email, Menon told the FT he had not registered the domain name and underlined that the email address used on the registration record was not his, concluding that it "surely has been done by someone else" without his knowledge or approval.

Menon said the suggestion that Gupta controlled New Alloys was "unfounded" and based on "mere allegations" by Trafigura.

New Alloys' email communications with Trafigura were frequently handled by Kishor Sebastian, according to Trafigura's claim. Sebastian identifies himself as New Alloys' Singapore country head on his LinkedIn profile, which also indicates he worked at Prateek Gupta's UD Trading from 2016-19. Sebastian did not respond to requests for comment.

He appears to have been a visitor to Sandwich Hub. In 2018, a person going under the name Kishor Sebastian posted a picture of the shop with its risqué signage on a review website.

Additional reporting by Chan Ho-him and Simeon Kerr

**IN THE MATTER OF  
ZURICH INSURANCE PUBLIC LIMITED COMPANY ("THE COMPANY")  
AND IN THE MATTER OF  
THE EUROPEAN UNION (CROSS-BORDER CONVERSIONS, MERGERS AND DIVISIONS) REGULATIONS 2023  
NOTICE**

Notice is hereby given that:

- The Company is a public limited company incorporated under the laws of Ireland under registration number 13460 and with a registered office at Zurich House, Frascati Road, Blackrock, Dublin, A94 X9Y3, Ireland. The Company was incorporated in Ireland on 19 July 1950. The Company is a non-life insurance undertaking regulated by the Central Bank of Ireland.
- The Company proposes to effect a cross-border conversion into a stock corporation under German law (*Aktiengesellschaft - AG*) (the **Conversion**), pursuant to Chapter I of Title II of Directive (EU) 2017/1132 as regards cross-border conversions, mergers and divisions of the European Parliament and of the Council of 14 June 2017 (as amended by Directive (EU) 2019/2121 of the European Parliament and of the Council of 27 November 2019) (the **Directive**) which is given effect in Irish law by the European Union (Cross-Border Conversions, Mergers and Divisions) Regulations 2023 (the **Irish Regulations**), and given effect in Germany by the German act on the transformation of companies (*Umwandlungsgesetz*) including the provisions implementing the Directive into German law (the **German Transformation Act**).
- As a result of the Conversion, the Company, without being dissolved or wound up or going into liquidation, shall convert from a public company limited by shares in Ireland into a stock corporation in Germany (*Aktiengesellschaft - AG*) with the proposed name "Zurich Insurance Europe AG" (the **Converted Company**), and shall transfer its registered office to the proposed location of Platz der Einheit, 2, 60327, Frankfurt am Main, Germany, while retaining its legal personality.
- The 'Draft Terms of Conversion / Formwechselplan' relating to the proposed Conversion (the **Draft Terms**), a copy of the notice required by Regulation 12(1)(b) of the Irish Regulations (which informs the members, creditors and employees of the Company that they may submit to the Company, no later than 5pm on Monday 9 October 2023, comments concerning the Draft Terms) and a completed Form CBC1, were delivered to the Irish Companies Registration Office (**CRO**) on 3 July 2023.
- Upon the Conversion becoming effective, all assets and liabilities of the Company shall be those of the Converted Company. Therefore, creditors of the Company will continue to be creditors of the Converted Company. Accordingly, their rights as creditors of the Converted Company will remain as they were prior to the Conversion and shall not be affected as a result of the Conversion.
- Where a creditor of the Company (including any policyholder) who was entitled to a debt or claim against the Company on 3 July 2023 is (a) dissatisfied with the safeguards offered to creditors in the Draft Terms, and (b) can credibly demonstrate that, due to the Conversion, the satisfaction of the creditor's claim is at stake and that the creditor has not obtained adequate safeguards from the Company in this regard, the creditor may apply to the Irish High Court for adequate safeguards within 3 months of 3 July 2023. The Irish Regulations do not specify a procedure to be followed by any such creditor of the Company who wishes to make such an application. The Company therefore requests that any such creditor who wishes to make such an application should send a notice of their intention to do so, in writing, to A&L Goodbody LLP at 3 Dublin Landings, North Wall Quay, Dublin 1, D01 C4E0, Ireland (marked for the attention of James Grennan and Stephen Quinlivan), by no later than 5.00pm on 3 October 2023. The Company further requests that any such creditor of the Company who wishes to make such an application files an affidavit setting out its submissions in relation to such application with the Irish High Court and serves a copy of that affidavit on A&L Goodbody LLP at the aforementioned address by no later than 5.00pm on 3 October 2023. Further details in relation to the exercise of rights by creditors of the Company can be found in clause 9 of the Draft Terms.
- Members of the Company have been notified in relation to the proposed Conversion and will have an opportunity to review and vote on the approval of the Draft Terms at an extraordinary general meeting of the Company. Further details in relation to the exercise of rights by members of the Company can be found in clause 12 of the Draft Terms.
- The directors of the Company have prepared and made available a report for employees of the Company in accordance with the Irish Regulations, which explains, amongst other things, the implication of the Conversion for employees of the Company. With the exception of a small number of employees engaged in functions and activities related to the head office in Ireland, the Conversion will not have any implications for employees of the Company, who will continue to be employees of the Converted Company following completion of the Conversion. The Company is consulting and engaging with any employees who will be impacted by the Conversion (and/or their representatives) in accordance with applicable employment laws. Further details in relation to the exercise of rights by employees of the Company can be found in clauses 13 and 14 of the Draft Terms, as well as in the said report of the directors, which has been made available to employees of the Company.
- Further information and details in respect of the Conversion, including a copy of the Draft Terms and a frequently asked questions document (the **FAQ**) can be found at the following dedicated web page maintained by the Company: <https://www.zurich.com/zip/head-office-move>. This page also includes links to further dedicated webpages of international branches of the Company (which are also listed in the table in paragraph 10 below), where copies of the Draft Terms and the FAQ in local languages are available for review.
- In accordance with Regulation 12(1)(b) of the Irish Regulations, members, creditors (including policyholders) and employees of the Company may submit to the Company comments concerning the Draft Terms by no later than 5pm on Monday 9 October 2023. Any such comments may be submitted in writing to the Company by post or courier addressed to: **Zurich Insurance Public Limited Company, Zurich House, Frascati Road, Blackrock, Dublin, A94 X9Y3, Ireland**. In addition, such comments can be submitted by email or via the Company's website. When submitting comments by email or via the Company's website, commenters should use the email address and/or the URL set out in the table below by reference to the branch of the Company to which the commenter has an insurance, business or employment relationship:

Branch	Email Address	Local Website URL
Ireland	zipheadoffice@zurich.ie	<a href="https://www.zurich.ie/zip-head-office-move">https://www.zurich.ie/zip-head-office-move</a>
United Kingdom	zipheadoffice@zurich.co.uk	<a href="https://www.zurich.co.uk/support/zip-head-office-move">https://www.zurich.co.uk/support/zip-head-office-move</a>
Belgium and the Netherlands	zipheadoffice@zurich.be	<a href="https://www.benelux.zurich.com/nl-nl/zip-head-office-move">https://www.benelux.zurich.com/nl-nl/zip-head-office-move</a>
Denmark, Finland, Norway and Sweden	zipheadoffice@zurich.nordic	<a href="https://www.nordic.zurich.com/en/services/zip-hq-move">https://www.nordic.zurich.com/en/services/zip-hq-move</a>
France	zipheadoffice@zurich.fr	<a href="https://www.zurich.fr/fr-fr/news/press-center-landing-page-france/2023/head-office-change">https://www.zurich.fr/fr-fr/news/press-center-landing-page-france/2023/head-office-change</a>
Spain	zipheadoffice@zurich.es	<a href="https://www.zurich.es/informacion-legal">https://www.zurich.es/informacion-legal</a>
Portugal	zipheadoffice@zurich.pt	<a href="https://www.zurich.com.pt/pt-pt/zip-transferencia-sede-alemanha">https://www.zurich.com.pt/pt-pt/zip-transferencia-sede-alemanha</a>
Italy	zipheadoffice@zurich.it	<a href="https://www.zurich.it/zurich-per-te/avvisi/cambio-legal-entita">https://www.zurich.it/zurich-per-te/avvisi/cambio-legal-entita</a>
Germany	zipheadoffice@zurich.de	<a href="https://www.zurich.de/de-de/ueber-uns/unternehmen/zurich-insurance-plc">https://www.zurich.de/de-de/ueber-uns/unternehmen/zurich-insurance-plc</a>

(11) A copy of the Draft Terms may also be obtained upon request from the CRO at the Irish Companies Registration Office, Gloucester Place Lower, Mountjoy, Dublin, D01 C8P4 or on [www.cro.ie](http://www.cro.ie).

Dated this 12th day of July 2023

**A&L GOODBODY LLP**  
3 Dublin Landings, North Wall Quay  
Dublin 1, D01 C4E0  
Ireland



## COMPANIES &amp; MARKETS

Crypto. Trading avenues

# HK's digital asset grey zones lure visitors from mainland



City has tightened online regulation but physical stores have few checks on buyers

WILLIAM LANGLEY AND CHAN HO-HIM  
HONG KONG

Almost every month, Zhang travels from the Futian district of Shenzhen to a precinct populated with fast-food joints and some empty shops in Hong Kong's business district to purchase crypto.

On a trip in June, the 27-year-old, whose daily work includes "a bit of whatever makes money", exchanged cash for about Rmb10,000-Rmb20,000 (\$1,380-\$2,760) worth of USDT, a stablecoin pegged to the US dollar.

Zhang, who declined to give his full name over sensitivity about crypto trading on the mainland, said having digital currencies was useful for "transferring money to other places", adding he would make the 90-minute cross-border trip "whenever there's a need".

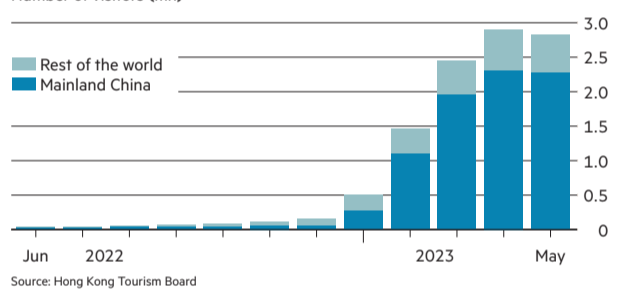
Cryptocurrency transactions are illegal on the mainland, where Beijing has also banned overseas exchanges from serving onshore clients on the internet. But in Hong Kong, crypto trading is legal and the city is seeking to become a digital assets trading hub.

Lightly regulated bricks-and-mortar crypto shops dot the city's tourism and shopping districts. The stores are helped by surging demand from mainland Chinese visitors and ambiguity over their regulatory status. Their appeal is that they can help customers easily purchase digital assets with cash, often without disclosing its origins or their identity.

In contrast with the tight licensing rules drafted for online exchanges in the

## Visitor arrivals to Hong Kong

Number of visitors (mn)



city's push to become a virtual assets trading hub, these over-the-counter crypto stores allow customers to purchase large volumes of cryptocurrencies with lighter, or sometimes zero, checks.

Before China and Hong Kong fully reopened their border in February, mainland Chinese customers made up "under 5 per cent" of customers at Crypto HK, an OTC crypto outfit with two branches there, said founder Merton Lam. "Now it's probably like half."

Roger Li, co-founder of One Satoshi, a crypto store that has nine Hong Kong branches, said overall trading volumes from January to May were about 20-25 per cent higher than over the same period last year. For the full year, he expected trading to be up 35-40 per cent.

Li said he did not take mainland customers due to concerns over Beijing's crypto ban, but was optimistic that the restrictions would ease; a widely held belief in the city's crypto circles after Hong Kong announced plans to become a virtual assets hub in October.

"I would say about 30 per cent of new inquiries come from mainland China

customers," said Li. "What we advise is that they will be able to trade with us soon, probably the regulatory landscape in China is going to change."

Hong Kong started a new regime for cryptocurrency exchanges in June that requires all online platforms operating there to apply for a licence. Yet unlike other jurisdictions, including the US and Singapore, which are clamping down on crypto following the collapse of FTX and other high-profile exchanges, Hong Kong is seeking to encourage its growth.

Even with the new regulations, most OTC stores remain outside the remit of Hong Kong's Securities and Futures Commission.

"I think for any new regulations, this would also be something that the government would continue to look at," said Elizabeth Wong, head of the commission's fintech unit, last month.

Carlton Lai, head of blockchain research at Daiwa Capital Markets, said that OTC stores were primarily used as simple ways to on-and-off ramp money to unlicensed online exchanges.

"There's likely more [stores] in Hong

Cashing in: a cryptocurrency outlet in Hong Kong. Beijing has banned digital asset transactions in mainland China — Peter Parks/AFP via Getty Images

Kong than other places for a number of reasons, such as these businesses are largely unregulated and tend to be easy to start," he added.

Some shops welcome more regulation of the sector. "Having regulation will be great for the development of our industry," said David Huang, whose business card reads "crypto explorer" at OTCXpert, an OTC crypto platform.

The company in April opened a store in Chungking Mansions, a densely populated building in Kowloon, home to immigrant communities from Asia.

OTCXpert's "know your customer" process included asking for a form of ID from first-time customers before allowing them to make transactions, he said.

Other shops do not require customers to show any identification, with slogans such as "no KYC" and "apply in as quick as 10 minutes" advertised on the websites of the OTC stores. That leaves them well short of the investor protection checks required for online platforms seeking to obtain licences to trade crypto to retail clients.

"The government regulators haven't said what we have to do," Huang said about OTC shops, adding that having a clear guide was "pretty important".

But the lack of scrutiny of Hong Kong's OTC shops and proximity to the mainland, which remained the world's fourth biggest market for crypto trading in 2022, attracted Chinese citizens still drawn to the asset class, customers said.

"In China, people are very sensitive, as they [Beijing] banned it," said David, a research consultant from Shanghai on his first trip to buy crypto in Hong Kong since the pandemic began.

"But so far I haven't used it to move money. I just hope it can appreciate so I can pay for very expensive apartments."

Some shops require no ID, with slogans such as 'no KYC' and 'apply in as quick as 10 minutes'

## Equities

## Hedge funds curtail bets on US and look across Atlantic

COSTAS MOURSELAS — LONDON

Hedge funds have slashed their bets on a rising US stock market to the lowest level in at least a decade and pivoted to Europe amid concerns about the resilience of the US tech-led rally.

Prime brokerage data from Goldman Sachs shows that hedge funds have the lowest weighting to the US stock market since records began in 2013 while raising their bets on European stocks to their highest level.

Alison Savas, investment director at Australia-based Antipodes Partners, said the US rally led by the likes of Nvidia, Apple and Amazon had left some companies looking overvalued relative to their earnings potential.

"It's hard to justify the multiples of many of these [US] tech businesses," said Savas, whose firm manages \$10bn in assets and has allocated about 30 per cent to Europe, higher than the local index weighting. "We agree Nvidia is a great business, but as a value investor we can't make that multiple work."

"We are investing in mispriced multinationals [in Europe] which are priced at a discount to similar businesses in other markets like the US," she said.

The Nasdaq Composite recorded its best first half of a year in four decades and is up about 31 per cent year to date, while the S&P 500 has gained about 15

'It's hard to justify the multiples of many of these [US] tech businesses'

Alison Savas, Antipodes Partners

per cent. However, with the Federal Reserve set to raise interest rates further to combat inflation, which many analysts expect will trigger an economic downturn, some managers believe the narrow rally could soon reverse.

European stocks have been more subdued, with the region-wide Stoxx 600 gaining about 5 per cent and the FTSE 100 in the red this year.

"Hedge funds are starting to position for downside risk in US stocks," Goldman analyst Vincent Lin wrote in a recent note to clients.

Funds that look to profit from picking individual winners and losers have found scant opportunities in a market where a clutch of highly valued shares has driven the bulk of the gains, said Samantha Rosenstock, head of investment research at Man FRM. "The long-short managers don't see much dispersion between companies," she said. "Conversely in Europe, the valuations are lower so they are more attractive."

Other investors are positioned differently. Call options data, a measure of sentiment, shows that investors are not particularly attracted to the EU blue-chip index the Euro Stoxx 50.

As interest rates rise, "value stocks should outperform growth stocks, which is usually better for Europe," said Ankit Gheedia, head of equity and derivatives strategy for Europe at BNP Paribas. "But I would be cautious selling US tech and Nasdaq outright."

Additional reporting by Laurence Fletcher

FT

Our global team gives you market-moving news and views, 24 hours a day  
ft.com/markets

## Fixed income

# Appetite for European bond ETFs hits record high in first half on rising yields

Bonanza comes as inflows help push the industry's total assets to \$10.3tn

STEVE JOHNSON

Demand for European fixed income exchange traded funds hit record levels in the first six months of 2023, as investors rushed to take advantage of higher bond yields.

Investors poured a net \$36bn into bond funds listed in the Europe, Middle East and Africa region in the first half of the year, according to data from BlackRock, surpassing the previous record of \$33.8bn set in the first half of 2019.

On a global basis, fixed income ETFs have pulled in a net \$165.4bn so far in 2023, a record start to the year, although just shy of the tally recorded in the second half of 2022.

The bond bonanza comes as inflows and rising markets have pushed the total assets of the ETF industry to \$10.3tn, surpassing the previous peak of \$10.2tn set in December 2021, just as markets were starting to head south.

Karim Chedid, head of investment strategy for BlackRock's iShares arm in the Emea region, said rising bond yields

were luring investors into the fixed income market.

The yield on the 10-year Treasury, for instance, has risen from less than 1.5 per cent at the start of last year to nearly 4 per cent, as the Federal Reserve has raised interest rates aggressively.

"[Investors] want to lock in yields at these levels before they drop," said Chedid.

"European investors had even lower yields for a long time, so it's an even bigger trend [than in the US]," he said, adding that he believed it had longer to run. He also thought that some investors were looking for a "diversifier from equities", with the eurozone already in a technical recession and fears that this could spread.

Julien Scatena, head of marketplace at Trackinsight, said that while in the Americas the bulk of ETF money was flowing into equity funds, "in Europe, fixed income strategies continue to be attractive from the perspective of a [potential] pivot point in the monetary policy conducted by central banks."

Looking more broadly, Deborah Fuhr, managing partner of ETFGI, a consultancy, pointed to enthusiasm for European-domiciled ETFs overall, after they pulled in a "fairly phenomenal" net

\$87.3bn in the first six months of 2023, compared with \$89bn in the whole of last year.

"In general people are preferring the ETF wrapper," with retail investors becoming increasingly active in a European market that has long been dominated by institutional money, Fuhr said.

"[Investors] have become slightly more positive and the markets are rallying, which has caused people to put more money to work," she added.

Overall, net flows into global ETFs hit

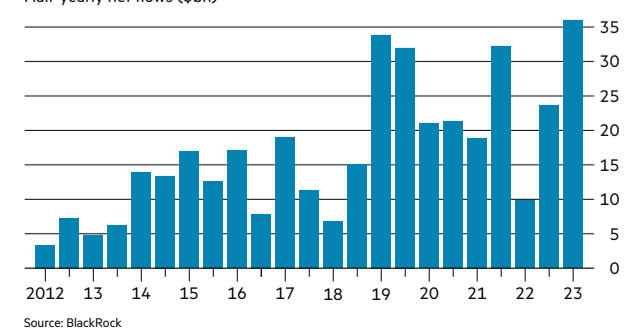
\$98.3bn in June, according to BlackRock, up from \$78bn in May and the highest monthly figure this year.

Equity funds accounted for \$75.8bn of this, with US-listed funds soaking up \$45.2bn, their strongest inflows since October.

"In the second quarter of 2023, ETF investors in the US rotated heavily back into funds that provide exposure to domestic US equities," said Aniket Ullal, head of ETF data and analytics at CFRA Research.

## Demand for Emea-listed bond ETFs

Half-yearly net flows (\$bn)



Source: BlackRock

Looking purely at US-listed funds, Ullal said US equity ETFs took in \$64bn in net flows in Q2, "a sharp reversal from a dismal Q1 where these ETFs had outflows of \$2.5bn".

Ullal also noted the popularity of actively managed ETFs, which helped JPMorgan take second place behind Vanguard in the US first-half ETF flows leaderboard, despite it only ranking seventh in assets. Dimensional Fund Advisors and Avantis Investors also punched above their weight.

"Throughout 2023, assets flowing into actively managed strategies surged by over 20 per cent in the Americas, underscoring the growing popularity and confidence in the active management approach," said Scatena.

Enthusiasm for equities was not universal, however, as for the first time this year US investors "meaningfully sold" European equity ETFs, potentially signalling the end of a period where "international investor flows into European equities have been stickier versus history," Chedid said.

He attributed this repatriation to performance differentials, with European bourses' erstwhile outperformance of Wall Street having "faltering since the third week of May".

"The European growth picture that was better than expected for the last six months is starting to lose steam," added Chedid. He noted that year-to-date 25 per cent of all US equity ETF inflows have gone into ETFs targeting "quality" stocks, compared with just 1 per cent in Europe, a figure that "has scope to increase from here".

Gold also appears to be losing its appeal, with the net outflows of \$3.8bn from gold funds, the largest monthly exodus since September 2022, unwinding much of the \$4.2bn that was added during March and April.

Gold is often seen as an inflation hedge, so as "disinflation has gathered steam", demand has fallen, Chedid said. More positively, and very unusually, emerging market debt benefited from net buying by investors in all three main regions: the US, Emea and Asia-Pacific.

Chedid said optimism around EM local currency debt was a "high conviction view" for BlackRock and that this trade "has further to run".

Even after the latest flows, foreign ownership of EM bonds (ex-China) is just 20 to 30 per cent, he said, compared with close to 50 per cent in 2017, "suggesting there is room for further buying".



COMPANIES & MARKETS

The day in the markets

What you need to know

- Wall Street stocks rise as Fed comments please investors
- Sterling strengthens to 15-month high against dollar
- Asian equities make headway while Europe bourses also gain

US stocks rose yesterday as investors welcomed comments from Federal Reserve officials suggesting that US interest rates may be nearing their peak while waiting for new inflation data that will heavily influence the central bank's next policy move.

Wall Street's benchmark S&P 500 rose 0.5 per cent, with basic materials and energy companies among the biggest winners in early trading. The tech-heavy Nasdaq Composite added 0.4 per cent.

They were helped by comments from Atlanta Fed president Raphael Bostic that inflation could return to target without raising rates further, and from San Francisco Fed president Mary Daly that the Fed was nearing "the last part" of its cycle. The moves in US markets come ahead of fresh consumer price inflation data today, which is expected to show that headline inflation was 3.1 per cent in June year on year, according to economists surveyed by Bloomberg.

In Europe, the Stoxx 600 gained 0.7 per cent, while France's Cac 40 was helped higher by luxury goods groups and real estate stocks, rising 1.1 per cent.

Germany's Dax added 0.8 per cent. London's FTSE 100 closed 0.1 per cent higher after data showed UK wage growth accelerated more than expected in the three months to May.

Evidence of the labour market's



resilience to tighter monetary conditions meant "pressure on the [Bank of England's Monetary Policy Committee] to continue increasing rates in August will be intense", said Martin Beck, chief economic adviser to the EY Item Club, adding that a further rate rise in September was firmly on the cards.

Sterling strengthened 0.3 per cent against the dollar, rising to a 15-month high of \$1.290. Two-year gilt yields, which closely track interest rate expectations, rose 0.05 percentage points to 5.41 per cent. Yields rise as prices fall.

Asian stocks made headway after

Chinese officials on Monday said measures designed to support the property sector would be extended until the end of 2024. Hong Kong's Hang Seng index added 1 per cent, China's CSI 300 rose 0.7 per cent and South Korea's Kospi climbed 1.7 per cent. Japan's Topix fell 0.3 per cent, however.

Inflation and producer prices in the world's second-biggest economy fell in June, suggesting that China's post-lockdown recovery was "brief at best, and that its growth story is faltering", said analysts at Liberum.

George Steer and Mary McDougall

Intervention to shore up the yen will not work

Richard Katz

Markets Insight



The yen has weakened so much that, once again, Japan's Ministry of Finance is threatening to intervene in currency markets to shore up its value. If it does, it is bound to fail, just as it failed last year despite spending a stupendous ¥9.19tn, almost 2 per cent of gross domestic product.

Intervention only works when a currency is out of line with economic fundamentals, but that is not the case today. The yen is so weak – worth 25 per cent less than two years ago – because Japan's exporters have lost their past competitiveness. In fact, if current trends continue, Japan may be overtaken by South Korea in the real (price-adjusted) volume of exports.

A few decades back, Japan's consumer electronics, industrial machinery and automobiles were so clearly superior that its exporters could command high prices and still enjoy a high share of global exports. Today, these companies have shed much of their lustre. To sell their products, they must lower their prices, which requires a weaker yen.

In fact, the "real effective yen" is the weakest it has been in half a century, according to the Bank of Japan. That measure takes into account the difference in price trends between Japan and all its trading partners. As a result, the real effective yen indicates how the prices of Japanese products in foreign markets compare with those of competitors.

Over the past two years, the main factor in the yen's value has been the gap between 10-year government bond rates in the US and Japan. When Treasuries pay much more than Japanese government bonds, investors sell the latter and therefore the yen itself, in

order to buy dollars as they purchase US debt. That selling pressure lowers the value of the yen.

In fact, since July 2021, there has been a stunningly high 97 per cent correlation between daily ups and downs in the rate gap and daily moves in the yen-dollar rate. The MoF intervention last autumn could not alter this linkage, nor would it today. At present, the interest rate gap is fluctuating around 3.5 per cent, and a yen that recently weakened to ¥145 a dollar is in line with that gap.

If the interest rate gap were the sole cause of the weak yen, then a rise in Japanese bond rates and a fall in US rates

The currency is so weak because Japan's exporters have lost their former competitiveness

could cure the problem. In reality, the yen is not likely to return to levels deemed normal a decade or two ago. On the contrary, an interest rate gap that yielded a ¥100 per dollar exchange rate back in the early 2000s now translates into around ¥120 per dollar.

The reason is that, even with a cheap yen, Japanese companies have trouble competing with exports. For the 30 years to 2010, whether the yen was strong or weak, Japan ran trade surpluses every year but one. Since 2011, however, the country has suffered trade deficits in nine of the past 12 years, even though the real effective yen during the last decade was 25 per cent cheaper than it was during 1980-2010. While in the short term, income from Japan's foreign investments acts as a counter to weak-

ness, the longer-term direction of the yen must reflect the trade weakness.

Japan's share of price-adjusted exports by rich countries peaked at 8 per cent in 1985. Over the decades since, the share steadily dropped to just 5.8 per cent, despite the steady weakening of the yen. By contrast, both the US and Germany maintained their share.

In 2000, Japan's electronics groups enjoyed a trade surplus equal to a hefty 1.3 per cent of gross domestic product; now the sector regularly runs trade deficits. In autos, Japan will soon be overtaken by China as the top exporter, partly because Japanese companies lag in battery-powered electric vehicles.

The auto case brings up another reason a weak yen has not helped Japan's exports as much as policymakers had hoped. Japan's automakers make more than 80 per cent of their overseas sales by producing overseas rather than exporting from Japan. The same pattern is seen in electronics, machinery and other key products. The more Japanese companies move their production overseas, the smaller the boost to exports for any given drop in the value of the yen.

One final point: a weak yen means that Japanese households and producers have to pay more for foodstuffs and energy. And it leaves consumers with less money to buy products made in the country. As a result, real (price-adjusted) household spending in 2023 is no higher than it was way back in 2012. The weak yen doesn't just reflect economic weakness; it also makes a weak economy even shakier.

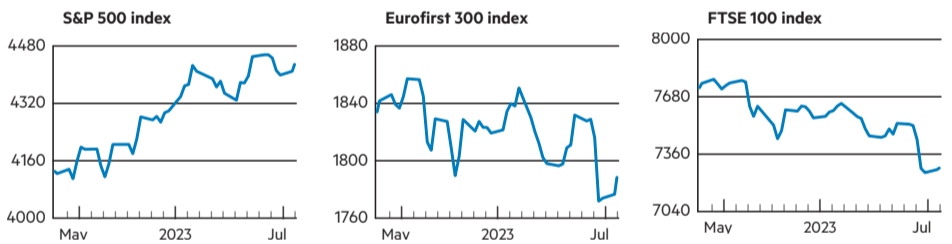
Richard Katz is the publisher of Japan Economy Watch and author of the forthcoming book 'The Contest for Japan's Economic Future'

Markets update

	US	Eurozone	Japan	UK	China	Brazil
<b>Stocks</b>	<b>S&amp;P 500</b>	<b>Eurofirst 300</b>	<b>Nikkei 225</b>	<b>FTSE100</b>	<b>Shanghai Comp</b>	<b>Bovespa</b>
Level	4428.76	1788.42	32203.57	7282.52	3221.37	116978.72
% change on day	0.44	0.66	0.04	0.12	0.55	-0.82
<b>Currency</b>	<b>\$ index (DXY)</b>	<b>\$ per €</b>	<b>Yen per \$</b>	<b>\$ per £</b>	<b>Rmb per \$</b>	<b>Real per \$</b>
Level	101.894	1.099	140.615	1.290	7.201	4.897
% change on day	-0.076	0.091	-0.755	0.624	-0.453	0.459
<b>Govt. bonds</b>	<b>10-year Treasury</b>	<b>10-year Bund</b>	<b>10-year JGB</b>	<b>10-year Gilt</b>	<b>10-year bond</b>	<b>10-year bond</b>
Yield	3.984	2.646	0.451	4.724	2.700	10.393
Basis point change on day	-2.870	1.000	-1.680	2.900	-0.700	2.600
<b>World index, Commods</b>	<b>FTSE All-World</b>	<b>Oil - Brent</b>	<b>Oil - WTI</b>	<b>Gold</b>	<b>Silver</b>	<b>Metals (LMEX)</b>
Level	447.82	79.20	74.65	1922.80	23.04	3696.30
% change on day	0.67	1.94	2.27	0.03	1.43	-0.06

Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets



Biggest movers

	US	Eurozone	UK
<b>Ups</b>	Activision Blizzard 10.59	Saint Gobain 3.92	Unite 2.98
	Etsy 9.20	Commerzbank 3.29	Land Securities 2.72
	Newell Brands 8.66	A.p. Moller - Maersk B 3.20	Jd Sports Fashion 2.45
	Electronic Arts 6.04	Klepierre 3.05	Associated British Foods 1.99
	Hp 5.64	Oci 3.01	Flutter Entertainment 1.85
<b>Downs</b>	Verisign -4.39	Novo Nordisk -2.56	Rentokil Initial -1.67
	Applied Materials -3.93	Asml Holding -1.47	Convatec -1.55
	Advanced Micro Devices -2.98	Reed Elsevier -0.97	Rolls-royce Holdings -1.52
	Kla -2.90	Jeronimo Martins -0.93	Melrose Industries -1.42
	Carnival -2.75	Deutsche Boerse -0.84	Relx -1.29

Wall Street

Video game group **Activision Blizzard** rose sharply after a federal judge ruled that Microsoft could go ahead with its planned \$75bn purchase of the group behind such titles as *Call of Duty* and *Candy Crush*.

The UK's Competition and Markets Authority, which has raised concerns about the deal, reportedly said it was also willing to consider proposals by Microsoft that would address the regulator's issues.

Photo library **Shutterstock** jumped on announcing an expansion of its partnership with OpenAI, the company behind ChatGPT.

Through a six-year agreement, OpenAI will have access to "training data" in the form of Shutterstock images, videos and music libraries. Shutterstock, meanwhile, will have "priority access" to OpenAI tech and be able to "leverage" Dall-E, an artificial intelligence tool that generates images from text.

Cloud software group **Salesforce** rallied on news it would be increasing the list price across its services by an average of 9 per cent, its first rise in seven years.

Forecast-beating results propelled **WD-40** higher, with the maker of the lubricant posting earnings of \$1.38 per share for its fiscal third quarter, 13 per cent ahead of Wall Street estimates.

Its board also approved a new \$50m share buyback plan. *Ray Douglas*

Europe

The European-listed shares of building insulation specialist **Kingspan** jumped after it forecast record first-half profits of €435mn — 9 per cent ahead of its guidance stated in April.

The Ireland-based group said a strong performance in sectors such as tech and automotive production helped offset a "subdued" residential market hit by higher interest rates.

Weaker than expected results weighed on Danish insurer **Tryg**, which posted earnings of Dkr1.47 per share — 13 per cent below consensus estimates, noted Jefferies. The miss was mostly down to weather claims and lower investment returns, said the broker.

New business lifted wind turbine maker **Nordex**, which said it had secured projects totalling 363 megawatts in the Mediterranean region in the second quarter. The German group will supply turbines with a capacity of 149MW in Spain alongside a Serbian order of 95MW and contracts in France, Italy and Portugal totalling 119MW.

Chipmaker **Nordic Semiconductor** rallied after posting an operating profit of \$17.6mn in the second quarter, way above the \$4.1mn Bank of America expected.

But the Norwegian group said it was not providing a fourth-quarter outlook because many customers were cautious in the current climate. *Ray Douglas*

London

Near the top of the FTSE 250 index were the London-listed shares of **RHI Magnesita**, which noted an extension to an acceptance period for a deal to buy a stake in the refractory products supplier.

In May, private equity firm Rhône Capital offered £28.50 per share for around a 20 per cent holding, which was a 39 per cent premium to RHI's most recent closing price at the time.

A month later, having been advised by Barclays as well as Peel Hunt, RHI commented that the bid undervalued the group.

In the lower half of the mid-cap index was **Dowlais**, the spin-off of Melrose Industries' GKN automotive arm that floated in April.

Citi initiated coverage with a "sell" rating and a price target that implied a 20 per cent downside. "In a nutshell," pointed out the broker, "many of the components Dowlais competes in are at risk of commoditisation and/or content-loss and/or overcapacity in the BEV [battery electric vehicle] world amid current or upcoming tech-disruptions".

Real estate group **British Land** rallied after releasing a trading update that showed "encouraging levels of leasing across the portfolio", remarked Sam King, a real estate analyst at Stifel. *Ray Douglas*



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**Carmine Di Noia** Director for Financial and Enterprise Affairs, OECD

The digital pre-Summit event is the first of the 2023 'Made in Italy' series organised by Il Sole 24 Ore, the Financial Times, and Sky TG24. In preparation for the main Summit later in the year, the Pre-Summit will gather figures from government, business, and finance to address the key measures required to make the Italian economy and its export sector more resilient.



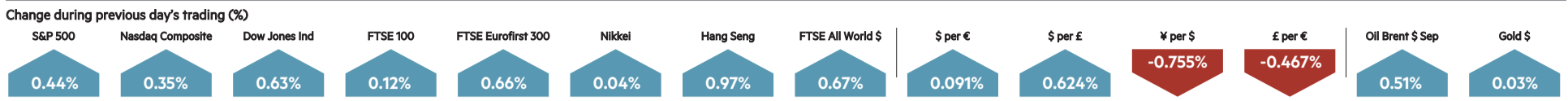
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Event by: **FT LIVE**, **24ORE EVENTI**

MARKET DATA

WORLD MARKETS AT A GLANCE



Change during previous day's trading (%)

Table of stock market movements over last 30 days, with columns for Index, Latest, and Previous values for various markets including Americas, Europe, Asia, and Oil/Gold prices.

Table of stock market movements over last 30 days, with columns for Country, Index, Latest, and Previous values for various markets including Americas, Europe, Asia, and Oil/Gold prices.

(c) Data (i) Unavailable. 1 Correction. Subject to official correction. For more index coverage please see www.ft.com/worldindices. A fuller version of this table is available on the fcom research data website.

STOCK MARKET: BIGGEST MOVERS

Table of stock market biggest movers, categorized by Americas, Europe, Asia, and UK Market Winners and Losers.

CURRENCIES

Table of currency exchange rates for Dollar, Euro, Pound, and other major currencies.

FTSE ACTUARIES SHARE INDICES

Table of FTSE Actuarial Share Indices, including metrics like 5-yr Div, 1-yr Div, and Total Return.

FT 30 INDEX

Table of FT 30 Index performance, including closing price, change, and various ratios.

FT WILSHIRE 500 INDEX SERIES

Table of FT Wilshire 500 Index Series performance, including closing price, change, and various ratios.

FTSE SECTOR SENSITIVITY: LEADERS & LAGGARDS

Table of FTSE Sector Sensitivity, showing leaders and laggards in various sectors.

FTSE GLOBAL EQUITY INDEX SERIES

Table of FTSE Global Equity Index Series performance, including closing price, change, and various ratios.

FTSE 100 SUMMARY

Table of FTSE 100 Summary, listing major constituents and their performance.

UK STOCK MARKET TRADING DATA

Table of UK Stock Market Trading Data, including order book turnover and bargains.

FTSE Sector Indices

Table of FTSE Sector Indices, listing various sectors and their performance.

UK RIGHTS OFFERS

Table of UK Rights Offers, listing companies and their offer details.

UK COMPANY RESULTS

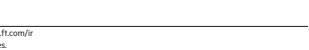
Table of UK Company Results, listing companies and their financial performance.

FTSE GLOBAL EQUITY SERIES

Text describing the FTSE Global Equity Series, its scope, and how it is calculated.

UK STOCK MARKET TRADING DATA

Text describing UK Stock Market Trading Data, including order book turnover and bargains.



Data provided by Morningstar | www.morningstar.co.uk

# MARKET DATA

## FT500: THE WORLD'S LARGEST COMPANIES

Stock	52 Week						Stock	52 Week						Stock	52 Week						Stock	52 Week											
	Price	Day	Chg	High	Low	Yld		P/E	MCap m	Price	Day	Chg	High		Low	Yld	P/E	MCap m	Price	Day		Chg	High	Low	Yld	P/E	MCap m	Price	Day	Chg	High	Low	Yld
<b>Australia (AS)</b>							<b>Finland (E)</b>							<b>Germany (E)</b>							<b>India (E)</b>												
ANZ Bank	23.80	0.54	26.08	21.21	6.60	9.59	47596.95	Nokia	3.85	0.02	5.20	3.66	-	13.46	23801.13	EnBW	77.50	0.85	82.00	75.00	10.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00

## FT 500: TOP 20

Company	Close	Prev	Day	Week	Month
	price	price	change	change %	change %
Bausch Hiltl	118.3	118.0	0.23	1.98	11.0
Schling	54.80	53.62	1.18	2.20	4.15
InChnBk	22.0	21.3	0.67	1.25	5.6
Activision Bk	91.46	82.70	8.76	10.59	12.64
West-Pack	33.22	31.54	1.78	5.64	17.8
BakerHu	33.76	32.23	1.53	1.58	1.63
Chiviv	110.0	108.5	1.5	1.26	1.12
RelianceIn	2764.70	2735.05	29.65	1.08	119.35
Phillip66	100.96	100.33	0.63	0.62	0.67
IDC&K Laborato	515.53	521.21	-5.68	-1.09	31.03
SimonProp	122.98	120.95	1.94	1.60	3.91
HiltonWorldw	152.45	152.1	0.35	0.20	6.85
HiltonWorldw	122.89	122.14	0.75	0.81	6.16
Meta	299.07	294.10	4.97	1.69	8.08
ArcherDan	80.11	78.54	1.57	2.00	1.81
Fedex	258.43	251.69	6.74	2.68	4.4
Baxter	46.56	45.65	0.91	1.99	4.2
EOG Res	119.30	115.77	3.53	3.05	1.07
Salesforce	219.86	212.81	7.05	3.31	11.6

## FT 500: BOTTOM 20

Company	Close	Prev	Day	Week	Month
	price	price	change	change %	change %
Agric&Ch	2.60	2.61	-0.01	-0.38	-0.51
Cham	4.41	4.43	-0.02	-0.45	-0.77
Cham	3.80	3.59	0.21	1.52	1.78
Cham	3.36	3.38	-0.02	-0.46	-0.7
Bk China	2.74	2.75	-0.01	-0.36	-0.44
Citic Ltd	8.51	8.44	0.07	0.83	-1.12
Chn&K Bank	33.00	32.85	0.15	0.46	-0.20
Chn	12.24	12.26	-0.02	-0.16	-1.1
HuaXinP	105.00	104.50	0.50	0.48	-10.9
New Ch Life Ins	14.98	14.93	0.18	0.93	-2.0
Iberdrola	11.13	11.13	0.00	-1.04	-8.5
Fuji Hy Ind	253.50	256.00	-2.50	-1.22	-188.50
Corvea	5.36	5.36	-	0.89	-3.1
Corvea	53.56	54.09	-0.53	-0.98	-3.1
Shi&SuCh	4584.00	4591.00	-7.00	-0.15	-373.00
Fanuc	4788.00	4747.00	41.00	0.44	-398.00
Panasonic	1963.50	1968.50	-5.00	-0.16	-106.00
Applied Mater	135.04	140.56	-5.52	-3.93	-4.91
Kia Corp	454.09	467.66	-13.58	-2.90	-17.6
Verizon	34.99	35.14	-0.15	-0.43	-2.14

## INTEREST RATES: OFFICIAL

Jul 11	Rate	Current	Change	Since	Last 50
US	Fed Funds	5.00	5.25	04-05-2023	4.75-5.00
UK	Discount	5.25	5.00	04-05-2023	5.00
Euro	Repo	3.136	3.136	30-05-2023	2.899
UK	Repo	5.00	5.00	22-06-2023	4.50
Japan	Overnight Call	0.00	0.00	01-02-2016	0.10
Switzerland	Libor Target	-1.25	-0.25	15-01-2015	-0.75-0.25

## INTEREST RATES: MARKET

Jul 11 (Libor: Jul 10)	Over night	Change	One month	Three months	Six months	One year
US	110.0	108.5	1.5	1.26	1.12	1.12
US	5.00	5.25	0.25	0.25	0.25	0.25
UK	0.10	0.10	0.00	0.00	0.00	0.00
Euro	3.136	3.136	0.00	0.00	0.00	0.00
Japan	0.00	0.00	0.00	0.00	0.00	0.00
Switzerland	-1.25	-0.25	0.00	0.00	0.00	0.00

Libor rates come from ICE (see www.ice.com) and are fixed at 11am UK time. Other data sources: US, US & Euro; C&D; Reuters; SDR, US Discount; M.F. Economic; ECU; Swiss; EURONIA; RONIA & SONIA; WMB&A.

## BOND INDICES

Index	Day's change	Month's change	Year	Return 1 month	Return 1 year
<b>Market iBoxx</b>					
ABF Pan-Asia unhedged	204.68	0.14	-0.24	0.47	-1.60
Corporate(E)	316.85	0.12	-0.89	-1.94	-2.14
Corporate(E)	210.70	0.01	-0.51	1.64	-0.74
Corporate(SovE)	209.42	-0.05	-1.51	0.92	-1.45
Global(E)	293.64	0.19	-1.82	0.42	-2.41
Overall(E)	206.13	0.11	-1.83	-0.43	-2.47
Overall(E)	206.13	0.11	-1.83	-0.43	-2.47

FTSE Starting Corporate (E) - - - - -  
Euro Corporate (E) - - - - -  
Euro Emerging Mkts (E) - - - - -  
Eurozone Gov Bond - - - - -  
CREDIT INDICES Index Day's change Week's change Month's change Series High Low

Market iTraxx	Index	Day's change	Week's change	Month's change	Series High	Series Low
Crossover 5Y	397.74	-12.17	-4.35	-10.24	510.17	394.12
Europe 5Y	72.46	-2.96	-0.86	-4.46	101.15	72.46
Japan 5Y	82.21	-2.90	-0.98	-4.46	124.01	82.21
Senior Financials 5Y	81.29	-2.90	-0.98	-4.46	124.01	81.29

Market COX Emerging Markets 5Y 220.27 -1.72 5.25 2.28 265.81 213.74  
Nth Amer High Yield 5Y 68.05 -0.16 8.31 0.07 51.98 429.83  
Nth Amer Inv Grade 5Y 64.05 -1.95 1.52 -2.63 88.21 66.07

## BONDS: INDEX-LINKED

Price	Yield	Month	Value	No of
Jul 10	Jul 10	Prev	return	stock
Can 4.25% 26	106.92	2.10	2.18	-0.54
Fr 0.25% 24	99.12	1.10	1.05	0.11
Swe 1.00% 25	126.05	1.583	1.546	0.17
UK 2.50% 24	374.43	3.538	3.604	0.08
US 2.00% 25	374.43	3.538	3.604	0.08

## BONDS: TEN YEAR GOVT SPREADS

Spread	Spread	Spread	Spread
vs	vs	vs	vs
Yield	Yield	Yield	Yield
Australia	4.29	1.63	0.13
Austria	3.18	0.53	-0.97
Canada	0.85	1.00	-0.51
Denmark	2.89	0.24	-1.26
Finland	3.11	0.45	-1.05
Germany	2.65	0.00	-1.15
Italy	1.96	-0.70	-2.20
Japan	0.25	-0.40	-0.91

## BONDS: HIGH YIELD & EMERGING MARKET

Jul 11	Red	Rate	Rating	Bid	Day's bid	MH's bid	Spread
	date	Coupon	S*	M*	F*	bid	chge
<b>High Yield US</b>							
HCA Inc	04/24	8.36	BB-	Ba2	BB	113.75	4.24
<b>High Yield Euro</b>							
Financial Services SA	04/21	7.25	-	-	B	71.10	28.23
<b>Emerging US</b>							
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.60
Colombia	02/16	5.00	-	-	Ba2	BBB	109.50
Brazil	04/26	6.00	-	-	Ba2	BB-	115.15
Poland	04/26	3.25	-	-	A2	A-	111.22
Mexico	05/26	11.50	BB+	BB+	BBB+	140.00	1.61
Turkey	03/27	6.00	-	-	Ba2	BB-	101.26
Turkey	03/27	6.00	-	-	B2	BB-	102.88
Russia	08/27	4.13	BBB+	A3	BBB+	103.50	3.66
Russia	08/28	12.75	-	-	Ba3	BBB-	181.2
India	02/47	5.63	-	-	Ba2	BB-	101.48
<b>Emerging Euro</b>							
Brazil	04/21	2.88	BB-	Ba2	BB-	103.09	0.05
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.00
Mexico	04/23	2.75	-	-	Ba1	BB-	106.48
Bulgaria	02/28	3.00	BBB+	Ba2	BBB-	117.04	1.00

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company. US \$ denominated bonds NY close, all other London close. \*S - Standard & Poor's, M - Moody's, F - Fitch.

## VOLATILITY INDICES

Jul 11	Index	Day's Chg	Week	52 wk High	52 wk Low
VIX	14.80	-0.27	15.07	34.88	12.73
VXD	1.14	-0.06	1.28	34.44	3.14
VXN	20.76	-0.32	21.08	47.12	15.85
VIX	16.68	-1.02	17.68	33.30	11.41

† CBDE VIX: S&P 500 Index Options Volatility, VXD: DJIA Index Options Volatility, VXN: NASDAQ Index Options Volatility. \* Deutsche Borse; DAX: DAX Index Options Volatility.

## BONDS: BENCHMARK GOVERNMENT

Red	Rate	Bid	Day's bid	WK chg	Month	Year
Date	Coupon	Price	bid	yield	chgd	chgd
Australia	05/22	1.00	98.78	3.94	0.02	0.05
Canada	02/29	1.00	91.66	2.04	0.05	0.27
Denmark	11/29	0.75	86.32	2.89	0.00	0.11
Finland	09/24	1.00	96.90	3.61	0.02	0.06
France	05/28	2.00	79.51	3.10	0.02	0.14
Germany	08/29	0.00	85.25	2.65	0.01	0.15
Greece	08/20	0.00	59.29	2.57	0.00	0.25
Italy	02/25	2.00	79.30	3.44	0.01	0.22
Japan	04/25	0.05	100.02	0.04	0.01	0.03
Netherlands	01/47	2.75	98.28	2.90	0.01	0.26
New Zealand	05/31	1.50	78.19	4.88	0.04	0.34
Norway	08/20	2.50	84.56	3.91	0.08	0.13
Poland	07/27	2.50	89.15	5.58	0.08	-0.09
Portugal	04/27	4.13	103.50	3.12	0.01	0.11
Spain	10/29	0.60	84.22	3.43	0.01	0.15
Sweden	08/30	0.13	112.14	2.05	0.05	0.11
Switzerland	06/29	0.00	93.17	1.13	0.03	0.12
United Kingdom	07/23	0.75	98.84	5.94	0.08	0.17
United States	07/47	1.50	54.01	4.72	0.01	0.23
United States	03/25	0.50	92.63	5.02	-0.07	-0.09
United States	02/20	0.50	84.82	4.16	0.07	0.11
United States	02/20	0.25	85.67	1.94	0.03	0.18

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company.

## BONDS: GLOBAL INVESTMENT GRADE

Jul 11	Red	Rate	Rating	Bid	Day's bid	MH's
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# FT Weekend

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## ARTS

# Wedding gift that keeps on giving

OPERA

## The Marriage of Figaro

### La traviata

Royal Opera House, London

Richard Fairman

In these closing weeks of the Royal Opera season, the opening nights have been coming thick and fast. The final two — Mozart's *The Marriage of Figaro* and Verdi's *La traviata* — have now joined a decent revival of *Don Carlo* through to the summer holidays.

When funds are short, the Royal Opera must be glad that its stock of productions includes bankable hits for the most popular operas. David McVicar's handsome and lively *The Marriage of Figaro*, first seen in 2006 and now on its 10th revival, is near the top of the list.

This is a production that never fails, even as each cast brings its own dynamics. The driving force this time is Stéphane Degout, who returns as a forcefully determined Count Almaviva, digging deep to find the wellspring of lust that drives the character on, an 18th-century Jeffrey Epstein, no way a figure of fun.

The proto-revolutionary fervour of Beaumarchais's original play is well captured in the clash between him and Mattia Olivieri's vibrantly sung Figaro, a servant with attitude. Although Olivieri is overkeen to be the life and soul of the party, it is a joy to hear his bright, forward Italian baritone and every word is alive with meaning.

The women in this revival are less assertive, which is a shame in an Enlightenment comedy where the female roles can have equal agency. As compensation, Hrachuhí Bassénz fields a creamily soft-grained soprano as Countess Almaviva, treating her arias to a heartfelt soft palette of colours, and Siobhan Stagg is an appealing Susanna, though the voice sounds on the small side.

Anna Stéphany's Cherubino makes up in boyish spirit what she misses in



Top: from left, Anna Stéphany, Mattia Olivieri and Siobhan Stagg in 'The Marriage of Figaro'. Above: Liparit Avetisyan and Kristina Mkhitarian in 'La traviata' — Clive Barde

vocal purity and there is a characterful supporting trio in Dorothea Röschmann's Marcellina, Maurizio Muraro's Doctor Bartolo and Krystian Adam's wickedly funny Don Basilio.

A fluent, well-paced musical performance under conductor Joana Mallwitz is another plus, though she lacks the extraordinary grip of John Eliot Gardiner in several earlier revivals. ★★★★★

The 1994 production of *La traviata*, originally directed by Richard Eyre, is not as interesting, but it seems unlikely that any replacement would equal its visual opulence. It has been worked hard and, as its 30th anniversary approaches, has hosted more than 50 singers in the title role.

One of those was Kristina Mkhitarian, who returns for this revival as a dramatically effective Violetta. Her experience ensures that the role's diverse elements are well within her grasp, and she brings to it some individuality ("Sempre libera", Violetta's paean to pleasure, is sung as if she is already too ill to fulfil her desires), but the absence of warmth in the voice is a drawback.

Liparit Avetisyan also returns as Alfredo, at his best in the light and shade he brings to his aria, and Juan Jesús Rodríguez is a forthright Giorgio Germont with the right kind of Mediterranean sound, but not the ideal elegance of style. Keri-Lynn Wilson is the over-insistent conductor for this most intimate of Verdi's dramas, but her pacing serves well in a full version of the score — a feature of the production from its very first night. ★★★☆☆

'Figaro' to July 22, 'La traviata' to July 25  
roh.org.uk

JAZZ

## Jazz at Lincoln Center

### Orchestra with Wynton Marsalis

Barbican, London

★★★★★

Mike Hobart

The Jazz at Lincoln Center Orchestra signalled its balance of orchestral jazz spectacle and nightclub intimacy from the start. A fanfare of trumpets was answered by a sheen of reeds before a froth of swapped phrases unfolded over springy walking-bass swing. Wynton Marsalis emerged from the trumpet section, improvising intensely, chorus after chorus, with just the rhythm section accompanying him.

Marsalis, a superb technician, welds classic jazz references into a modal jazz palette. As his solo unfolded, he injected the growls, slurs and blares of jazz's formative years into a stream of modernist lines, holding the audience in his palm. But he is not the orchestra's only star turn. Dan Nimmer on piano came next, with offbeat stabs and soulful asides, then Elliot Mason on trombone, broody, sharp-edged and technically astute. A poised ballad showcased trumpeter Marcus Printup's lyricism and control.

Fifteen strong voices are melded into this disciplined jazz orchestra, and each one is capable of giving a century of jazz history a twist, both in their playing and in their original work. Those first two numbers were from the three-part "Offertory" of Marsalis's *Abyssinian Mass*, a large-scale work celebrating the 200th anniversary of Harlem's Abyssinian Baptist

Church. The final part, "(You Gotta Watch) The Holy Ghost", closed the first set with an array of gospel piano riffs, orchestrated squeaks of saxes and drummer Obed Calvaire slapping off-kilter beats on tambourine.

Elsewhere in the first set, trombonist Chris Crenshaw's "Conglomerate" from his *The Fifties: A Prism* had baritone sax and trumpet duetting in a piano-free quartet. Wayne Shorter's otherworldly "The Three Marias" gained an orchestral shape alongside sour sustains from Chris Lewis's soprano sax. Printup's "Great Love (For Joe)" was dedicated to JLCO's late baritone saxophonist Joe Temperley. Paul Nedzela on baritone sax enchanted with his warm-hearted balladry and final unaccompanied flourish.

The second half showcased the orchestra's grasp of jazz history alongside mastery of Duke Ellington's sonic palette. "Trombonio Bustoso Issimo", an in-depth showcase for Mason's fluent trombone, was followed by "Big Fat Alice's Blues", a feature for Sherman Irby's alto sax. Irby, relaxed, spacious and unhurried, moved from Ellingtonia to modernism and raised the crowd. Later, Alexa Tarantino delivered an equally sustained performance on clarinet on one of four excerpts from Ellington's *Toot Suite*.

Modal jazz was referenced with McCoy Tyner's "The Man from Tanganyika", Jelly Roll Morton by an impromptu jam, and the finale was a roaring blues. Rodgers and Hart's "Blue Room" ended the evening, scored by Eddie Durham in the 1930s, and now bought to life by the reeds and brass of this remarkable band.

barbican.co.uk



Wynton Marsalis on stage at the Barbican  
Roger Thomas

FT FINANCIAL TIMES

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savills



## When Wikipedia leads to murder

'Neurocracy' turns an online encyclopedia into a narrative game about the killing of a tech mogul. By Chris Allnutt

For some, Wikipedia is a resource; for others, it's a playground. If it's not Wikiracing — a sprint to get from one article to another as quickly as possible using only internal hyperlinks — then it's Charades played from random pages, Wikington Crescent (don't ask) or the editing-based WikiCup.

It was only a matter of time, then, before it inspired an interactive narrative. Open omnipedia.app in your browser and you'll find a website that looks every bit like the online encyclopedia, but is actually a work of fiction called *Neurocracy* — a murder mystery set in the year 2049, hidden across the articles, previews and edits of the site. The game's director Joannes Truysen describes it as a combination of an "alternate-reality game, epistolary novel and hypertext fiction". Really, though, there's nothing remotely similar to compare it to.

Each week, players must dive into new articles and trawl through the version history of existing ones as they hunt for clues on the murder of fictional Chinese tech mogul Xu Shaoyong, whose helicopter was brought down by a hacked security drone. Look at his Omnipedia article on the day of his death, for example, and you'll find three matter-of-fact sentences about the attack; the day after, you'll find a new comment from the Chinese government pointing out a "possible link" to a hacking collective; the day after that, the link has become "strong". It is by collating and comparing myriad subtleties like these — but not necessarily believing them all — that you'll uncover what really happened to Xu.

*Neurocracy* was first released in 2021, but has been radically overhauled for its second incarnation. It remains free to play, but to help gamify the process, a standalone desktop app has been created. For an optional \$12, it will act as an Omnipedia browser and offer players somewhere more convenient than a Word document or notebook to collate their suspicions and theories. Players can also choose to upload their notes to

the developers, who will get an aggregate of the theories and use them to work out which bits of the story to flesh out. "It's no longer just passively reading — you're actively manipulating information, you're sorting it for your benefit and that of the community," says Truysen.

The game started life as an ambitious mod for *Half-Life 2*, before Truysen dabbled with the idea of turning it into a novel. But it was while compiling all of the project's background detail and world-building in a Wiki-style database that the idea came to him: why not use the widely recognised and sprawling online encyclopedia format as the platform and gamify that compulsion to hurtle down the Wikipedia rabbit hole?

'It's not just passively reading — you're actively manipulating information and sorting it for your benefit'

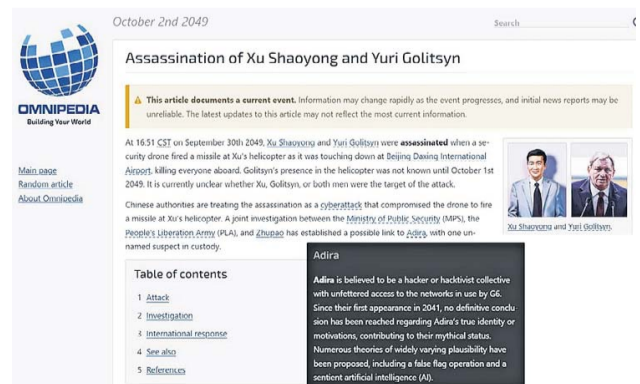
"You start with one actor and three hours later you're looking at suspension bridges, and you're like, 'How did I get there?'" says Truysen. "That is basically the gameplay of *Neurocracy*." It's a reversal of Hemingway's iceberg theory, where the hidden structure is vastly bigger than what the reader sees. Instead, *Neurocracy* provides players with all of the background detail and asks them to plunge in and construct a story around it. "I think that inversion

of how the story is told naturally resonated with players," says Truysen. "It's a sea of information and you have to find your way in it."

It's also an interesting commentary on the impact of the internet and social media on our news consumption, forcing players to parse and question information that at best can seem ambiguous and at worst is actively compromised. In this respect, *Neurocracy*'s pages are just as much a resource as they are in real life: contested by different factions, they represent a battle between the self-interest of those referenced and the altruistic efforts of the community. "Everyone comes in with their own perspectives, their own knowledge, their own expertise," says Truysen. "We had neuroscientists, AI experts, microbiologists, and they were all bringing the benefit of their knowledge."

Just as *Neurocracy* has continued to grow since its first release, it will also change over the course of its second season. An accompanying discussion forum will allow players to compare notes and encourage them to role-play as Omnipedia editors from the future; discussions will contribute to the direction of the project on the fly. It's an ambitious prospect for a core team of just three, but one that Truysen sees as fundamental for a game set on a crowd-sourced platform: "The community coming together between episodes and giving us more ideas — that's the beating heart of *Neurocracy*."

'Neurocracy season 2' is available now, [neurocracy.site](https://neurocracy.site)



The game features weekly updates of an Omnipedia page

FT BIG READ. UK POLITICS & POLICY

When Sunak became prime minister, he promised a fresh start. But his government is being consumed by economic problems and infighting, creating a gloomy and toxic atmosphere.

By George Parker and Lucy Fisher

# 'We are on for a massive defeat': can the Tories prevent the inevitable?



Even the warmth of a London summer evening and a cool glass of Pol Roger was doing little to raise morale among MPs in Rishi Sunak's ruling Conservative party, as they contemplated their own political mortality and the threat of a wipeout in a British general election next year.

"I just want the election over and done with," said one glum Tory MP at a Westminster garden party last week. "At least it would put us out of our misery. I'm trying to find someone to talk to about opportunities after parliament — but who wants to hire useless one-term former MPs?"

A fatalistic mood has taken hold of many in Sunak's party. "Reality is biting," says a former cabinet minister. "We are on for a massive defeat. We aren't talking margins of error in opinion polls any more. The public are tuning out now. They are psychologically exhausted by this government."

Boris Johnson's Conservative 80-seat election win in 2019 seems a long way back in the rear-view mirror. Johnson — disgraced for lying to MPs over Covid lockdown parties — is no longer even in parliament. His successor, Liz Truss, last year managed to crash the economy in her 49 days in Number 10.

When the technocratic Sunak became prime minister last October, he promised his party and the country a fresh start. Beleaguered Tory MPs hoped that, at the very least, he would staunch the damage and narrow the gap with Labour. Some even held out a distant hope of recovering to win a fifth successive term in office for the Conservatives.

But instead Sunak has failed to escape his party's recent chaotic past. New economic clouds are gathering over his premiership, plunging his party into renewed gloom.

Inflation is stuck at 8.7 per cent and interest rates are rising. Two-year fixed mortgage rates have risen above 6 per cent, creating a mortgage "time-bomb" that will detonate in households across the UK as they come off existing deals. With an election due by January 2025 at the latest, the timing could not be worse.

Lord Macpherson, the top official at the Treasury from 2005-16, noted recently that he could not remember an election "when 18 months out, interest rates were still rising steeply".

While Sunak and his allies yearn for the start of the House of Commons recess, before then they face an important test of the current political climate. On July 20 there will be unwelcome parliamentary by-elections in three Tory seats, which encapsulate how difficult it has been for the prime minister to shake off the past. Opinion polls suggest the Conservatives could lose all three.

Uxbridge in west London is Johnson's old seat. Selby in Yorkshire is the seat of Nigel Adams, who quit in pique after failing to secure the seat in the House of Lords promised to him by Johnson. West Country voters in Somerset and Frome have a chance to replace David Warburton, who quit after a sex and cocaine scandal.

Sunak is expected by his colleagues to have a cabinet reshuffle in the immediate aftermath of the trio of potential by-election defeats — probably promoting some younger women to freshen up his team — before retreating to the relative sanctuary of the summer holidays.

But the danger for Sunak is that the economic outlook, coupled with opinion polls putting the Tories 20 points

behind the Labour opposition, create a toxic atmosphere in which defeat seems inevitable, discipline breaks down and every scandal adds to a sense of a government decaying in office.

Sir John Major's Tory government suffered a similar fate in 1997 after the party had been in office for 18 years. A series of unconnected financial and sexual scandals were wrapped together under the catchphrase "sleaze", creating the image of a decadent party heading out of power.

Sir Malcolm Rifkind, foreign secretary from 1995-97, tells the FT there is "obviously a parallel" between the problems that faced Major and the ones that confront Sunak, as voters tire of a struggling government. But he says there is one important difference that makes the outlook even tougher for the current government.

"By the time of the 1997 general election," he says, "the economy was doing fairly well."

**Narrow path**

Can Sunak escape his mounting political problems and bounce back in the autumn? In the words of Isaac Levido, Sunak's campaign adviser, there is a "narrow path" to victory, but the route is looking increasingly perilous.

The blunt-speaking Australian strategist, according to those in Sunak's inner circle, believes that the prime minister is the party's greatest asset, but he can only win if his MPs show some discipline, stop arguing with each other and get behind him.

Levido believes the patience of voters is wearing dangerously thin. "Isaac says that at some point people are going to look at these people pissing at each other and ask themselves: how can I make this stop?" says one senior Tory.

The best-case scenario sees the economy start to recover in early 2024 with inflation coming under control, creating space for tax cuts in the spring Budget. Sunak would then use his autumn 2024 party conference to claim the country is on the right track before going to the polls.

Poling puts Sunak just behind Labour leader Sir Keir Starmer in terms of their respective approval ratings (Sunak's rating is around -20) but he appears to be more popular than his party and in recent weeks has shown a more combative edge. The prime minister views himself as a problem solver, devoting himself to data and detailed meetings with officials, fixing issues such as the toxic post-Brexit status of Northern Ireland or trying to curb cross-channel irregular migration or the staffing crisis in the NHS.

Central to Sunak's political persona is his promise to deliver on "five prom-

ises" — which he set out in January — tests on which he invited the public to judge him. But the strategy, initially seen by some as a low-risk political gimmick, is now in danger of backfiring.

The "five tests" have become such an article of faith for leading Tories that in some quarters they have turned into a standing joke. One former Tory cabinet minister says: "Party donors want to know what on earth is going on and all they hear about are the five tests — that Rishi is going to fix it. It has become laughable to them. This is a government of facile platitudes."

The prime minister's supposedly easily achievable promise to halve inflation to 5.4 per cent by the end of the year is — as chancellor Jeremy Hunt said in an FT interview last week — "going to be more challenging than we thought".

Meanwhile, Sunak's pledge to "grow the economy" could run into problems later in the year if the Bank of England continues to push up interest rates and forces the fragile economy into recession. His vow to "cut debt" is harder to assess in the short term.

Tory MP Lucy Allan says 'there are people in the red wall who think they could win and aren't getting the support'



As for his other two tests, Sunak has promised to cut NHS waiting lists, but they have continued to rise to 7.4mn. The prime minister's spokesman insisted last week that Sunak had been referring to long-term waiting lists. But for the vast number of sick Britons waiting for an operation — or even to see a doctor in a timely fashion — all they experience is a health service in crisis.

Sunak's promise to "Stop the Boats" has also run into problems in the Court of Appeal, which found his plan to deport people to Rwanda was unlawful. Last Friday saw nearly 700 people cross the English Channel in small boats — the highest number of the year.

The problem for Sunak is that even if he were able to meet his five promises, they are the tests that he himself has chosen to be judged on: they are not necessarily the tests that voters, fatigued after years of static or falling living standards and crumbling public services, will apply. However, the other factor that gives Conservatives hope is that Sunak's rival Starmer is not exactly Tony Blair, the then youthful Labour leader who swept the Tories out of power in 1997 on a wave of enthusiasm.

Starmer, by contrast, has negative approval ratings and is viewed by some traditional party supporters as rather negative, dull or liable to change his

mind. He recently scaled back a promise to borrow £28bn to pay for a "green prosperity fund", fuelling claims by Sunak that he is a "flip-flopper".

"Sunak is the last best chance," says Rifkind. "If he's able on a personal level to dominate the election campaign and be clearly superior to Starmer when they meet in front of the cameras, that will be important."

If Sunak is to follow Levido's "narrow path" to the summit of another Tory electoral victory, most things have to go right. But for now, to the prime minister's growing frustration, most things seem to be going wrong.

**Stubborn inflation**

For all the acrimony surrounding Boris Johnson's defenestration from parliament last month, it was a grim set of inflation data at around the same time that really spooked Conservative MPs. Markets took fright and mortgage rates spiked, amid fears of big interest rate rises to come.

Not only did the higher than expected inflation figure of 8.7 per cent herald more expensive mortgages and the prospect of a possible recession, it also wrecked any hopes Tory MPs had of early tax cuts to point the way to a brighter future. "We will not countenance tax cuts if they make the battle against inflation harder," Hunt told the FT.

The sense of political escape routes closing has added to the febrile atmosphere in the Tory party, with different factions going public with their own suggestions to Sunak on how he might turn things around.

Johnson and Truss have been happy to advise Sunak to start cutting taxes to boost growth (even if Truss's own experiment with debt-funded tax cuts ended in economic disaster), while a New Conservative pressure group wants the prime minister to cut net legal migration from 606,000 to 240,000 in 2024.

The plan would involve significant cuts to visas for social care staff and further curbs on student visas, creating serious disruption to the care of the elderly and universities, not to mention adding to pressure in a labour market that is already extremely tight.

The fact that the New Conservatives draw much of their support from Tory MPs representing former working class Labour "red wall" seats is also a symptom of a structural problem which Sunak inherited from Johnson.

To secure his 80-seat majority in 2019, Johnson built a remarkable Tory coalition of traditional, wealthy Tory voters in the south and working class, pro-Brexit voters in the north and Midlands. Many Tory 2019-ers representing "red wall" seats want Sunak to fight the next election on issues that they believe

resonate with former Labour voters. Sir John Hayes, a rightwing Tory grandee, agrees that to reflect the "realignment" of the Tory vote, the party should "prioritise immigration, public order, crime and punishment and a culture war".

The problem is that tough language on migration or trans rights often lands badly with more liberal Conservative voters in the south of England, many of whom have shown signs in recent by-elections of switching to Labour or — more likely — the centrist Liberal Democrats. Levido has counselled caution, warning of the risks of recreating in the minds of middle England the idea of the Conservatives — in the words of former Tory prime minister Theresa May — as "the nasty party".

Sunak, who represents the northern seat of Richmond, is struggling to hold the two parts of the coalition together. According to Lucy Allan, Tory MP for the Midlands seat of Telford: "We clearly have a southern-dominated government and the team around the prime minister is southern dominated." She adds: "There are people in the red wall who think they could win and aren't getting the support they feel they need to do that."

**Tory infighting**

Sunak has privately expressed frustration that he is not getting the credit he deserves, not least for what he regards as his achievements on the international stage. He has reset relations with US president Joe Biden and French president Emmanuel Macron, and his efforts to end the Brexit-related Northern Ireland impasse have improved links with Brussels.

But Tory infighting at Westminster and the ominous economic backdrop have sapped Sunak's authority at home. Tory activists who yearn for big Truss-style tax cuts — despite recent evidence to suggest that the markets will not wear them — are frustrated by the prime minister's fiscal discipline.

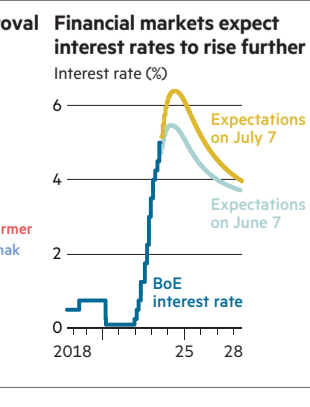
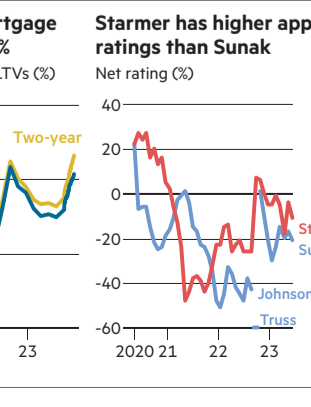
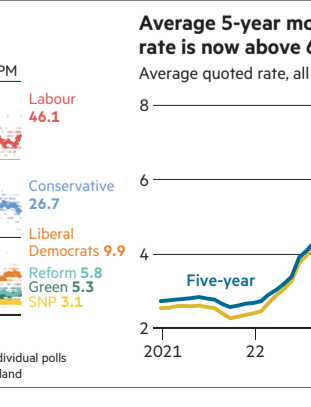
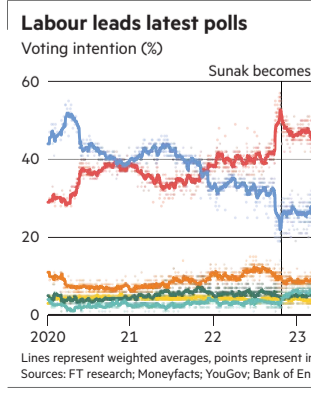
Others want him to show more fight. "We need more 'politics' and a bit of opportunism," says one minister. "There was too much of that with Boris, but not enough with Rishi."

Sunak is running out of big moments to turn things around. There are probably two big "fiscal events" to change the economic mood, of which Hunt's 2024 spring Budget is by far the most significant; this year's Autumn Statement will be held in the shadow of high inflation.

Then there is the autumn 2023 Tory conference in Manchester, a potential showcase for Sunak's big pitch to the country, but equally a chance for the party to engage in some high-profile infighting. Johnson, with his new column in the Daily Mail newspaper, will be waiting in the wings.

More difficult by-elections loom, including a likely contest in the Tamworth seat of Chris Pincher, a former government whip facing suspension from the Commons for groping two men while drunk. Nadine Dorries, a former minister who tells colleagues she wants to make life as difficult for Sunak as possible, may soon carry out her threat to quit as an MP.

"If the circus doesn't stop by Christmas, it's over," says Sir Gary Streeter, a Tory MP since 1992. But for now, senior Tories believe they simply need a holiday. "The mood is glum," says one prominent MP. "Colleagues think we're finished. We need to get to the summer recess now."



## The FT View



FINANCIAL TIMES

"Without fear and without favour"

ft.com/opinion

## Nato caution on Ukraine risks emboldening Moscow

*Until it becomes a member, Kyiv needs security assurances from its allies*

With a large-scale war still ravaging the heart of Europe, leaders of Nato's 31 member states meeting in Vilnius for their annual summit have one overriding task: to maintain and project unity. Kyiv has been seeking reassurances that Nato members remain committed to supplying it with the means to repel Russia's aggression – and for guarantees that its future lies within the north Atlantic alliance. In Moscow, meanwhile, proceedings are surely being scrutinised by Vladimir Putin's Kremlin for any hint of division or softening. The message as the summit goes into its second day is distinctly mixed.

Breaking the impasse over admitting Sweden as a member is a clear positive. Turkey's President Recep Tayyip Erdoğan extracted concessions for lift-

ing his year-long opposition, including US approval of a \$20bn deal for Ankara to buy F-16 fighters. But Swedish accession – coming after Finland joined in April – will bolster Nato's military capacity, and its ability to defend the entire Baltic region against a revanchist Russia. It is also proof to the Kremlin of how counter-productive its war, supposedly aimed at deterring Nato expansion, has turned out to be.

On Ukraine, however, wording agreed yesterday fell well short of giving Kyiv the clear path and timeline to membership that President Volodymyr Zelenskyy has sought. The alliance did remove the need for Ukraine to pass through a bureaucratic accession process, and made membership dependent on a future political agreement. But by stating only that Nato would extend an invitation to Kyiv to join "once allies agree and conditions are met", it exposed tensions between a cautious US and Germany, and many central and east European members – plus the UK

and France – that have pressed for an expedited process. President Joe Biden is right to note that bringing Ukraine into the alliance while it is at war with Russia is unrealistic, as it would draw Nato itself into the conflict. Yet it would have been preferable to extend an invitation now that would have put Kyiv on a path to joining soon after the current conflict has ended. Zelenskyy called yesterday's verbal fudge a motivation for Russia "to continue its terror".

This makes it paramount that allies provide Ukraine with robust and credible security assurances for as long as it is not a Nato member. That means continuing to provide sufficient military and financial support after the conflict ends to deter new Russian aggression and enable Ukraine to rebuild its economy. US officials have cited the "Israel model", referring to the overt military support Washington provides to the Jewish state without a guarantee that it would use military force to defend it.

Any such assurances should include

*Russia's aggression underlines the need for Europe's democracies to sharply raise levels of defence spending*

rapidly building up manufacturing capacity to ensure there are enough armaments to meet Ukraine's needs. It is deeply regrettable that, in part as a result of the failure to speed up artillery shell production and give Ukraine more advanced weapons systems earlier, the US has had to resort to supplying it with cluster bombs. Some 111 countries, including many Nato allies – but not the US, Russia or Ukraine – have ratified a 2008 convention to ban these repugnant weapons whose remnants can continue to kill and maim civilians for years into the future.

US caution over Kyiv's Nato membership hints, too, at the limits of America's readiness to continue to underwrite Europe's security, nearly 75 years after the alliance's foundation. Russia's aggression underlines the need for Europe's democracies to sharply raise levels of defence spending that are still far short of those in the US – and to take far greater responsibility for defending their own continent, including Ukraine.

Email: letters.editor@ft.com

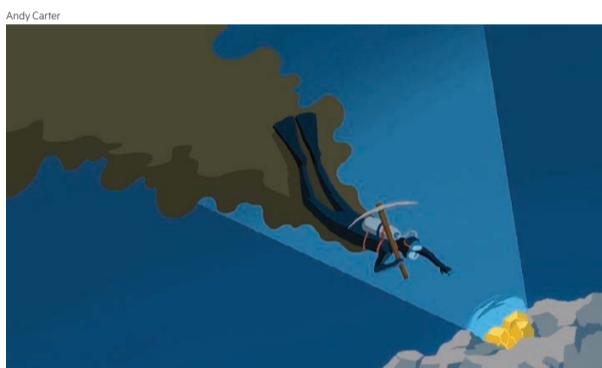
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## Opinion Energy

## Deep-sea mining is a watery wild west



Anjana Ahuja

The deep sea is in danger of turning into an invisible wild west. On Sunday, a UN deadline for finalising regulations over deep-sea mining in international waters expired without agreement.

The resulting limbo now gives countries the green light to apply for mining licences – and could spark an ill-advised rush to the ocean floor in search of minerals linked to the green energy transition. The bid to plunder one of the least explored territories on the planet should be reconsidered, given the potentially irreversible impact on marine habitats. Stripping the seabed also risks disturbing stores of carbon locked away for millennia, with unknown consequences for a jittery climate.

The vast, cold, lightless ocean floor, with crushing pressures that can be

*It is unclear how spoils will be shared, given the international seabed is the heritage of humankind*

more than a thousand times those on land, has been quietly eyed for its extractive promise since the 1960s. One draw is the Clarion-Clipperton Zone, an area spanning at least 4.5mn square kilometres in the equatorial Pacific.

The abyssal plain, more than 4km down, is studded with trillions of potato-sized "polymetallic nodules" containing manganese, nickel, copper and cobalt, which are used in rechargeable batteries for electric vehicles. The nodules build up around small objects such as shells or teeth over millions of years.

The region also features seamounts, or underwater mountains, draped in metal-heavy crusts; and sulphide ores laid down around hot, deep-sea vents. The crusts are rich in precious metals such as platinum and molybdenum; the ores contain copper, gold and silver. All are sought-after commodities in electronics, construction and transportation.

But these minerals are embedded in a marine infrastructure, built up over millennia and longer, which supports a mostly unwritten inventory of deep-sea life. Known inhabitants include sponges, sea cucumbers, octopi and xenophyophores, strange single-celled creatures the size of tennis balls. Nematode worms and crustaceans

nestle in the soft sea mud. Deep-sea mining would destroy these creatures and their habitats. Recovering the nodules involves skimming off the top layer of the sea floor; separating the nodules from the mud; pumping the nodules through a hose to an offshore vessel; and then pumping the remnants back in the sea.

Kirsten Thompson, an ecologist at Exeter University who has written reports on deep-sea mining with Greenpeace, questions whether the minerals really are as critical to the green revolution as portrayed, and argues against tearing into an environment we don't understand. "Vast areas of the seabed might be changed forever, and we can't restore it once it's lost," she tells me. One downside could be losing microbes with medicinal potential; one marine-derived molecule, salinosporamide, is being trialled as a treatment for brain cancer.

The nodule-nabbers remain undeterred. In June 2021, the small state of Nauru informed the International Seabed Authority that it wanted to start mining; its application triggered the two-year countdown. The clock has run out; ISA will meet this month to discuss the next steps.

Norway, China and India favour deep-sea extraction; India is already exploring options in the nodule-rich Indian Ocean that promise self-sufficiency in nickel and cobalt. France and the UK hold exploration licences, as permitted by ISA, but do not currently support commercial mining, a stance that several other European countries share.

Advocates argue that scraping minerals off the sea floor could break China and Russia's control over critical raw materials; and that it can replace land mining, which is haunted by issues such as deforestation, child labour and the displacement of communities. But it seems optimistic to think that terrestrial mining will stop if costlier deep-sea mining starts. Neither do issues of social justice dissolve at the bottom of the ocean: it is unclear how spoils will be shared, given the international seabed is the common heritage of humankind. More pragmatically, any industry needs customers – and companies such as BMW, Volvo and Samsung have pledged to keep minerals sourced in this way out of their supply chains.

Long-term, it seems wiser to try to break the global dependence on rare commodities than to perpetuate it. Research into new battery technologies is paying dividends; Tesla is already using cobalt-free batteries. There is a growing call for improved recycling. Given the unknown risks and uncertain benefits, deep-sea mining might prove a tricky concept to keep afloat.

The writer is a science commentator

## Letters

## Kyiv's Russian speakers are no less patriotic

Michael Romberg exhorts Kyiv to "reach out to its minorities" (Letters, July 7). I spent the latter half of last year as an aid worker in Ukraine, of which three months was distributing humanitarian aid in the newly liberated (or "deoccupied") territories.

What I can report to Romberg is that the vast majority of people living in those territories (civilians, military and police, and local officials) are Russian speakers, yet no less patriotically Ukrainian for it. And during the sad parade of

burnt-out Russian vehicles held in Kyiv in August, I heard a police officer warn a child in Russian not to climb on one of them, as it had sharp edges.

I did not have the opportunity to visit the occupied territories and speak to people there, but their standard of living under Vladimir Putin's rule (no electricity, no mobile phone coverage, no running water, no food in the shops, no access to medical care) speaks for itself.

Ukrainian identity is inclusive – not just of Russian speakers, but

also of Crimean Tatars, for example. It is the Russian identity peddled by Putin that is monolithically exclusive, and xenophobic. But this is not an ethnic conflict (a lie touted more successfully by Slobodan Milošević, Franjo Tuđman et al in the 1990s), but purely and simply what it says on the tin – an invasion. An invasion that has provoked an unprecedented outpouring of national unity.

**John Farebrother**  
London CR4, UK

## Rock star analysts put on a show for trusting clients

Brooke Masters' excellent piece on the bundling and unbundling of sellside equity research ("The days of the rock star research analyst are long gone", Opinion, July 10) is missing one important aspect – whether or not the "rock star analysts" were ever any good at forecasting and worth paying in the first place.

Those who still believe they were might spend a few minutes reading John Kenneth Galbraith's *The Economics of Innocent Fraud* in which he succinctly points out that the combination of a number of unknowns cannot be a known, but that financial advice based on the prediction of the unknowable can be the basis of a rewarding career. This reward is, of course, funded by customers who have a vested interest in believing it.

**Alan Hearne**  
Woodstock, Oxfordshire, UK

## UK climate aid pledge is vital for world's vulnerable

Lord Zac Goldsmith, who recently resigned as a UK environment minister, accused the prime minister of in effect axing a promise to spend £11.6bn on aid related to climate and nature (Report, FT.com, July 3). This would be a betrayal, not just of the populations most vulnerable to the devastating effects of global heating, but of the British public who depend on our government to address the urgent threat of climate change.

On our own doorstep in London, we have just experienced our hottest June on record, after an unprecedented summer in 2022 when temperatures surpassed 40C.

For years, poorer regions around the world have experienced climate extremes such as this, enduring the disproportionate impacts of extreme weather events and grappling with limited resources to adapt to environmental challenges. This is evident in the food insecurity crisis in Somalia, where almost half the population is struggling with severe levels of food insecurity due to prolonged drought. In Pakistan, affected by increasingly frequent and devastating floods, recovery efforts are continuing almost a year after flooding killed more than 1,700 people and 1.2mn livestock.

This is a global crisis, requiring immediate and collective action and British leadership, not retreat. Any decision to slash climate funding would endanger the lives and livelihoods of millions who are already dealing with the devastating effects of climate change. It would also raise serious questions about the UK government's priorities.

Investing in climate finance is not just a moral imperative; it is an



investment in our shared future. While it is critical to slow climate change, we know it is already wreaking havoc on the lives of the poorest and most vulnerable. We must support the most affected countries' endeavours to adapt and cope, and transition to sustainable, low-carbon economies that contribute to global stability and security.

The government should reaffirm its £11.6bn funding pledge, in addition to the UK's commitments to development assistance. We cannot turn our backs on the communities that bear the brunt of climate change's effects.

We must ramp up investments and help the global community adapt. Now is the time for bold action, ensuring the wellbeing of present and future generations while protecting our planet.

**Selena Victor**  
Senior Director, Policy and Advocacy,  
Mercy Corps Europe, London SE1, UK

## Emails can reveal things kept close to your chest

I loved Pilita Clark's article on the pitfalls of email ("The awful agony of the misdirected email", Work & Careers, July 10). Thirty years ago, an analyst who worked for me came into my office in agony, telling me that he had sent out the month's "book values" email to quite a few financial controllers asking not for "book values" but for "boob values".

This was not a good look in financial services in the 1990s when sexual harassment was becoming a more widespread serious concern. In about five minutes, an email came back from one of the women who had received the email, saying: "32B. And I'm glad someone is finally collecting this important information."

With sympathy and a sense of humour, she saved us all.  
**Matthew Bernstein**  
New York, US

## How New York bypassed America's parking sprawl

The phrase in Oliver Roeder's Data Points piece ("How US cities became one big parking lot", Opinion, June 9) that struck a chord for me was: "My hometown of New York has been spared the worst of this blight."

The blight he was referencing was the polka-dotted sprawl of vast open parking lots in the central business districts of most big American cities. The reason his (our) hometown escaped that fate was the timing of its intense downtown development, the early 20th century prior to the moment when the automobile captured the American metropolis.

The nation's first subway began operation in New York in 1904. By the 1950s the entire city was well served by mass transit. That was not the case for most other American cities as they came of age after the automobile became ascendant. Roeder is correct that the critical challenge for all these cities is reclaiming their vital downtowns. Although New York is in far better shape on this score, it too is busy with much of the same challenges across its five boroughs. Twenty-first century cities will need to be far more walkable and denser places than they are at present if the urban future is to be environmentally sustainable.

**Elliott Sclar**  
Emeritus Professor of Urban Planning,  
Emeritus Director, Center for Sustainable  
Urban Development, Climate School,  
Columbia University, New York, US

## Hip fractures highlight preventive health is key

The FT's podcast ("Keir Starmer's bid to smash the class ceiling", Political Fix, FT.com, July 7) speculated on whether Labour would follow the Dutch in making a bold investment in out-of-hospital prevention services to save the NHS.

Every year, a million hospital bed days are needed for people who have suffered a hip fracture, which is a heart attack-level event. A tenth of those hip fractures can be prevented by investing in fracture liaison services, the world standard for diagnosing and controlling osteoporosis before it causes life-changing fractures. This would keep 30,000 people out of hospital over the next five years, not to mention saving 8,000 lives.

While Labour is busy delivering this policy in government in Wales, the silence from the office of Wes Streeting, the UK's shadow health and social care secretary, has been notable. Prevention needs to be more than just a buzzword.

**Craig Jones**  
Chief Executive, Royal Osteoporosis  
Society, Bath, UK

## Nationwide's giveaway is a mutual going exclusive

The recent decision by the Nationwide Building Society to distribute £340mn out of accumulated surplus to some "qualifying members" but not all its members raises a significant number of issues for the one member, one vote mutual organisation ("Nationwide profits jump by nearly 40 per cent on rising rates, Report, FT.com, May 19). Nationwide has in effect created a new class of lesser membership.

It would appear that about 80 per cent of members have been excluded from this payment. How was such a poor decision made? It was certainly not put to members in any previous general meeting. This was a decision about distribution of surplus. No doubt a distribution is permitted but at the very least it should have been a payment pro rata to the entire membership.

If Nationwide decided to demutualise it would need, inter alia, to seek approval in advance from all its members. This was a rabbit pulled out of a hat as a marketing gimmick with little or no thought given to the mutual status of Nationwide and none given to the hard working savers who were outside the "qualifying status".

This very poor decision should either be promptly reversed or the same amount distributed to all members in accordance with the best principles of the one member, one vote tradition of Nationwide. Or have we reached the Orwellian position that all animals are equal, but some are more equal than others?

**Jim Stride**  
Sandhurst, Berkshire, UK

## Affirmative action in education fails majority

I was a bottom one-percenter, literally born on the streets of China to peasant parents, grew up in poverty in the west and was arrested multiple times as a teenager – I also attended Princeton University ("The moral bankruptcy of Ivy League America", Opinion, July 6).

Although the US Supreme Court ruled to disallow race-based affirmative action, the history of similar policies – notably proposition 209 in California, which banned race as a factor for college admissions – and the present climate in higher education suggest that the Ivy League establishment will find other (non-race based) ways to continue to get their desired mix of students, in which Asians still end up being the biggest losers.

Luce points to favouritism for white people due to that group receiving 65 per cent of athletic scholarships – however, this number is roughly in line with their share of the overall US population. That this argument even surfaced shows the skewed view many have, perhaps in part because of higher proportions of black people in major US sports.

Nevertheless, Luce is on point that the affirmative action debate in its present form does nothing for the vast majority of people (regardless of race) who are less privileged. If the Ivy League establishment were serious about equity and justice, it would start by removing the ALDC category – athletics, legacy, dean's list and children of faculty and staff – and having socio-economic-based affirmative action. Or simply just judge everyone by merit alone.

**Kai I. Chan**  
Abu Dhabi, UAE



# Opinion

## There is now a 'collective Putin' in the Kremlin

**POLITICS**

Ivan Krastev



It was an unforgettable political spectacle. On February 21 2022, the eve of Russia's full-fledged war on Ukraine, President Vladimir Putin presided over a televised meeting of Russia's national security council. He asked the council's members to declare if they favoured Moscow recognising the independence of the Donbas separatist republics. The stage-managed event left the impression of a lonely, loony tsar disdainful of his senior advisers. They fear him while desperately trying to please him. He humiliates them just for the

pleasure of it. The Kremlin's response to the recent mutiny of Yevgeny Prigozhin, the Wagner mercenary boss, forces us to reconsider this picture. It was not Putin but the "collective Putin" (a mystical figure including, among others, Alexander Lukashenko, the dictator of Belarus) that decided the outcome of the crisis. Putin the individual was irate and humiliated by Wagner's betrayal and went on TV threatening "to be harsh".

But the "collective Putin" concluded that it would be wiser to negotiate with the rebels and find an exit strategy. We now know Putin met Prigozhin and other Wagner commanders on June 29. For someone obsessed with treason and betrayal, this was a bitter pill to swallow.

What has changed? Primarily, the relationship between Putin and the Russian elites. He now fears them no less than they fear him. He fears less their voice than their exit. Many of his closest collaborators blame him personally for

the current state of affairs. It was Putin's decision to instrumentalise the competition between Wagner and the defence ministry that ultimately led to Wagner's march towards Moscow.

Prigozhin's mutiny has revealed the central contradiction of Putin's personnel politics. To win the war, Putin needs ambitious, ruthless leaders like Wag-

"Zhukov effect" – the emergence of a popular general like Georgy Zhukov, the Soviet commander who captured Nazi Berlin – explains why Prigozhin had to go. The public could view such a figure as an alternative to Putin.

The secret of colonial wars is that they can succeed only if people forget about them. Putin's war is no different. His insistence that the fighting in Ukraine is a special military operation, not a real war, was an attempt to reassure Russians that nothing really has changed in their lives at a time when everything has changed. Wagner's mercenaries shattered the facade of normality that is so important for the Kremlin. It is not enough any more to protect living standards to persuade Russians that they have nothing to worry about.

All coups start with conspiracy. Failed coups end in paranoia. Therefore, it is logical to expect dramatic changes at the top in the Kremlin. But these

expectations could be wrong. Purges at lower levels of the security services are inevitable, but it is unclear if the Kremlin will risk changes higher up.

In the first year of the war in Ukraine, the changes at the top of the pecking order in Moscow were strikingly limited. And while wars usually bring to power ambitious and often ruthless leaders who have proved themselves in the fight, only two groups have risen in Putin's hierarchy since February 2022. These are the sons of Putin's old friends and his adjutants – in short, those who are believed to be loyal and whom the leader knows personally.

Stability has trumped the need for more effective leadership. Now, following the Wagner mutiny, Putin faces a tricky choice. He can hardly dismiss Russia's military leadership without acknowledging that Prigozhin was right. But he can hardly win the war with this leadership. The Wagner insurrection

has strengthened the "collective Putin".

The different perceptions of the mutiny in and outside Russia shed light on its unintended consequences. While most Russians were terrified by the prospect of civil war and Prigozhin's approval ratings have collapsed, the new consensus in the west is that any change of power in Russia is an opportunity, insofar as any leader other than Putin – regardless of his political views – will be more likely to stop the war.

It would be wishful thinking to view Prigozhin's march on Moscow as a precursor to the end of Putin's regime. It would also be a mistake to neglect its importance. What it signals is a shift of power from Putin the tsar to the collective Putin.

*The writer is an FT contributing editor, the chair of the Centre for Liberal Strategies, Sofia, and fellow at IWM Vienna*

## The west must recognise its hypocrisy

**Martin Wolf Economics**

Many countries view the US and European powers as selfish, self-satisfied and insincere



We have moved into an era of global competition tempered by the need to co-operate and the fear of conflict. The main protagonists are the US and its allies on the one hand, and China and Russia on the other. Yet the rest of the world also matters. It contains two-thirds of the global population and a number of rising powers, notably India, now the world's most populous country. Nevertheless, relations between the US and China are clearly central. Fortunately, the administration has been trying to reduce the friction, most recently with visits to Beijing by secretary of state, Antony Blinken, and Treasury secretary, Janet Yellen.

Yellen's objective was, she stated, "to establish and deepen relationships" with the new economic leadership team in Beijing. She stressed that this was part of an effort to stabilise the relationship, reduce the risk of misunderstandings and consider areas of co-operation. She added that "There is an important distinction between decoupling, on the one hand, and on the other hand, diversifying critical supply chains or taking targeted national security actions. We know that a decoupling of the world's two largest economies would be disastrous for both countries and destabilising for the world. And it would be virtually impossible to undertake."

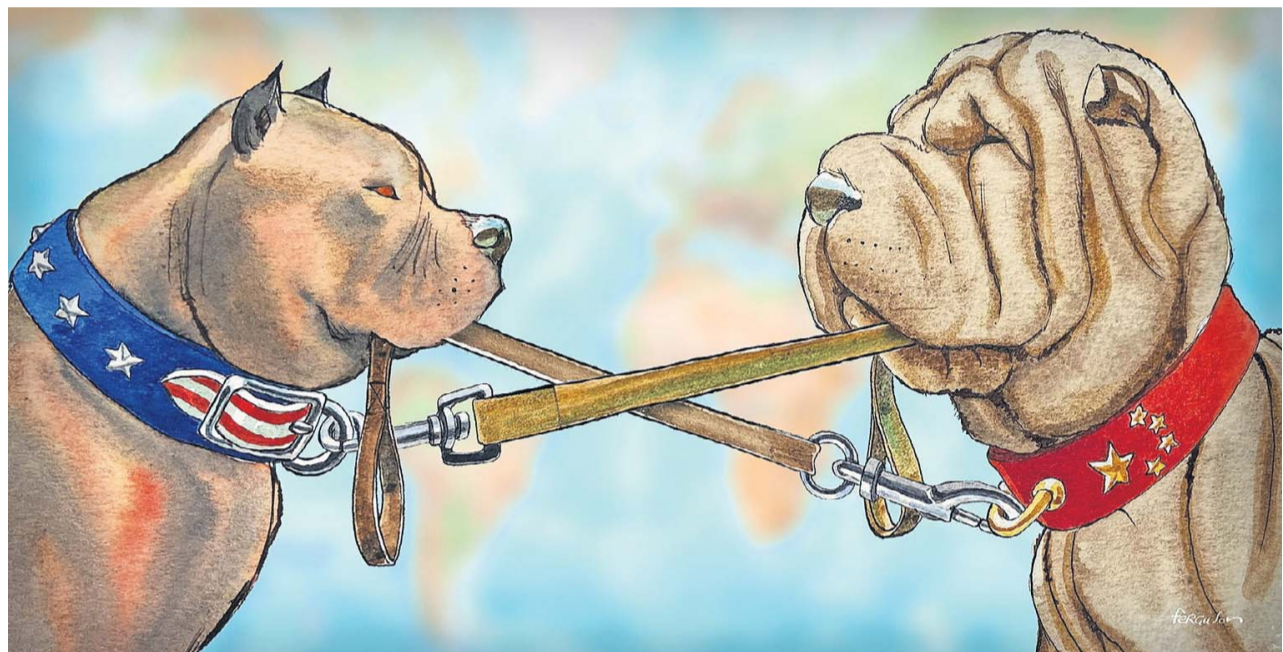
One must applaud this effort to clarify objectives, improve transparency and deepen relations. We must not stumble

into hostilities with China as we have done with Russia. Better still, we need to make this relationship work in the interests of the world. Yet the west's concerns must not be limited to relations with China. Better relations with the rest of the world also matter. This requires the west to recognise its own double standards and hypocrisy.

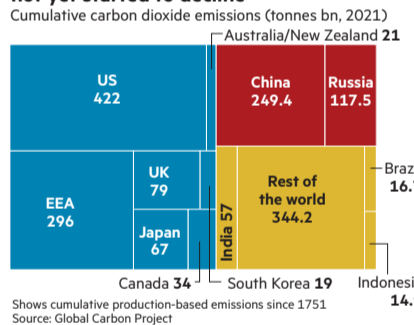
Russia's invasion of Ukraine was a dreadful violation of fundamental moral and legal principles. Many in developing countries also recognise this. But they remember, too, the long history of western countries as imperialists and invaders. Nor do they fail to realise that we care far more about fellow Europeans than about others. Too often, we have viewed grave violations of human rights and international law. Too often, we have viewed such injustices as no concern of ours. Ukraine, many feel, is no concern of theirs.

Then there is trade. In an important speech delivered in April, Jake Sullivan, US national security adviser, repudiated the trading order his country had taken decades to build. More recently, US trade representative Katherine Tai buried it. Her speech raises many issues. Yet what cannot be ignored is the very fact of the volte-face. Many in developing countries bought into the doctrine of trade openness. Many of them prospered as a result. Now they fear they are left high and dry.

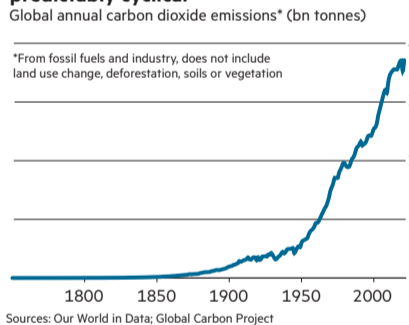
Yet another significant issue is international assistance. Developing countries have been buffeted by a series of



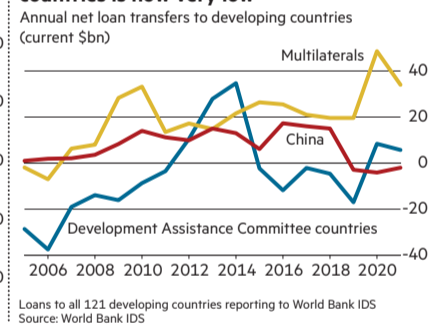
**Global emissions of greenhouse gases have not yet started to decline**



**The excess cost of hedging currency risk is predictably cyclical**



**Net lending to emerging and developing countries is now very low**



shocks for which they were not responsible: Covid, the subsequent sharp rise in inflation, the invasion of Ukraine, the jump in prices of energy and food and the higher interest rates. The assistance they have received during this era of shocks has been grossly inadequate. The legacy of Covid for young people, together with the overhang of debt, might even create lost decades.

This question of development assistance links with the challenge of climate. As everyone in developing countries

**On climate, the failure is to realise our responsibility for managing a problem the poor did not create**

knows, the reason the climate problem is now urgent is the historic emissions of high-income countries. The latter were able to use the atmosphere as a sink, while today's developing countries cannot. So, today we tell them they must embark on a very different development path from our own. Needless to say, this is quite infuriating. Nevertheless, emissions must now be sharply reduced. This requires a global effort, including in many emerging and developing countries. Have we made progress on this task, in reality rather than rhetorically? The answer is "no". Emissions have not fallen at all. (See charts.)

If emissions are to decline rapidly, while emerging and developing countries still deliver the prosperity their populations demand, there must be a huge flow of resources towards them,

not least to finance climate mitigation and the necessary adaptation to higher temperatures. In 2021, net transfers from official loans to emerging and developing countries were just \$38bn. Grants were larger, but more narrowly focused.

This is not even close to enough. There must be greater aid, debt relief, support for climate-related investment and new mechanisms for generating the needed resources, such as the proposal that countries with above average emissions per head compensate those with below average ones. Capital increases for multilateral banks are also vital.

The high-income democracies are failing to offer adequate help in this longer-term task, just as they did over Covid. In the case of climate, the failure is to realise our responsibility for man-

aging a problem the poor of the world did not create. This looks unfair, simply because it evidently is.

We are in a competition of systems. I hope that democracy and individual freedom do ultimately win. In the long run, they have a good chance of doing so. Nevertheless, we must also remember the threats we now confront to peace, prosperity and planet. Tackling these will require deep engagement with China. But if the west is to have the influence it hopes for, it must realise that its claims to moral superiority are neither unchallengeable nor unchallenged. Many in our world view the western powers as selfish, self-satisfied and hypocritical. They are not altogether wrong. We must do far better.

*martin.wolf@ft.com*

## It's time to let go of the global internet dream

**TECHNOLOGY**

Marietje Schaake



Questions about how to prevent the fragmentation of the internet ignore the fact that the promise of a truly international web is splintering around us. Censorship, attacks on digital infrastructure and geopolitical competition between online governance models are fracturing this long-held ideal. Hanging on to the dream now is not just unrealistic – it can also lead to harmful inaction.

The idea of an open internet was electrifying when it first entered public consciousness: this decentralised infra-

structure would allow people to connect, access information and share thoughts, free from political control. As such, it would challenge power monopolies, whether by governments, corporations or media conglomerates.

Advocating for an open internet became a principle adopted by democratic governments around the world. Most recently, the Declaration for the Future of the Internet, released by the White House in 2022, was endorsed by more than 60 governments "who actively support a future for the Internet that is an open, free, global, interoperable, reliable, and secure".

But even such a well-intentioned statement has not been able to prevent schisms created by varying national regulation, corporate gatekeepers such as Meta and Google, and censorship.

Authoritarian countries such as Iran, Russia and China have brought the internet back under state control by

banning certain websites and monitoring the inflow of information from western sources. At the same time, they flood citizens with propaganda and deploy sophisticated surveillance systems. But while they excel at online repression, they are far from the only ones disrupt-

**Authoritarian regimes are far from the only ones disrupting the flow of the open online world**

ing the flow of the open internet.

India has led the world in internet shutdowns for five straight years. And Tunisia, once the most digitally liberal state in the Arab world, last year passed a broad cyber crime law that allows the state to restrict access to key websites.

Meanwhile in democratic states, gov-

ernment policies are increasingly regulating corporate and individual online behaviour. Several US states and universities have banned the use of TikTok on official devices, due to concerns around espionage and manipulation. The EU has adopted strict data-protection rules and regulations guaranteeing net neutrality. Ad hoc interventions for national security reasons, domestic economic policies or the adoption of laws to safeguard civil liberties that are decided without co-ordination exacerbate the patchwork of rules that create a variety of online experiences.

Support for an open internet without the policies to match is unhelpful and stands in the way of much needed governance from democratic states. For instance, before evangelising about internet freedom on a global stage, democratic governments must ensure that the regulations they themselves impose are well-founded and appropriately

scoped. And they must be clear on when and why they have taken measures that make the internet less open.

An international commitment to ensuring universal human rights are protected in the digital realm would also go a long way. Governments that regulate based on the rule of law do so with democratic legitimacy, which is fundamentally different from state agencies using rules and technologies for repression. That difference should be clarified.

Democratic governments must also agree on some global ground rules. These should include commitments not to block internet access and to invest in public digital infrastructure in order to limit over-dependence on powerful private companies. These pacts must have teeth: violators should face sanctions.

Finally, there need to be better protections of the internet's delicate physical infrastructure, such as undersea cables. The internet stack resembles a

Jenga tower, and undersea cables lie at the bottom. One successful attack could send the entire stack tumbling down. The University of California, San Diego found that around a quarter of the world's population relies on internet connections that are vulnerable to attack. Democracies should establish a clear framework for the governance of undersea cables and install more robust defences around them.

Today's geopolitics have moved us away from the dream of an open, global internet, rather than towards it. Instead of indulging in nostalgia or resigning themselves to this new reality, democratic countries should set out their vision for a safer, better alternative – and take steps to heal the ideological divides that are preventing it.

*The writer is international policy director at Stanford University's Cyber Policy Center and special adviser to Margrethe Vestager*

# Lex.

Twitter: @FTLex

## Apple/China: trade tied

China is crucial to Apple in two ways. First, for manufacturing; second, for sales. So far, Apple has navigated the tit-for-tat tech fight between the US and China with remarkable success. But it has increased its dependence on the country in the process.

Despite poorer US-China relations, Chinese sales are now almost half as big as those in Apple's "Americas" market, up from just over a third in 2019. This week, Apple made a bid to further bump up revenues by selling its products on popular Chinese social media platform WeChat's online store.

Like Tesla, Apple is a US group that outsells domestic rivals, aided by price cuts. The focus makes sense. China is the world's biggest market for smartphones, just as it is for electric vehicles. Even as phone sales dipped last year, Apple's own sales grew. Indeed iPhones accounted for 18 per cent of all Chinese smartphones sold in the first half of June, according to Counterpoint research.

All the while, Apple is trying to prove to the US that it can disentangle its supply chain from China and bring production onshore. It announced plans in 2018 to invest \$350bn in the US economy, later boosted to \$430bn. A Broadcom deal to make 5G phone chips in US states is part of this plan.

China's multiple Covid-19 lockdowns spurred interest in alternative production sites, particularly in India. But wholesale diversification away from China remains a pipe dream.

Apple still manufactures more than 95 per cent of iPhones in China, data from IDC says. Note too that its newest product, the mixed-reality Vision Pro headset, is being assembled by Luxshare, a Chinese contract manufacturer.

US tech companies including Nvidia have warned that US policies that restrict Chinese access to US tech risk damaging American businesses.

This year the Cyberspace Administration of China banned operators of key infrastructure from buying chipmaker Micron's products, for example. The Idaho company's reaction was to announce more investment in Chinese manufacturing. For the US, China is both customer and supplier. America's government

cannot change the relationship with one without having an impact on the other. Nor can Apple.

When it comes to leaving China, the company's best bet is to continue with its strategy of all talk, little action.

## Geely Auto/Renault: French doors

Some people collect cars. Chinese billionaire Eric Li Shufu, founder of Geely Auto, accumulates commercial relationships with foreign carmakers.

Already he controls Volvo Cars and has interests in Mercedes, Lotus and Aston Martin, among others. Add Renault to the list of partners. Li's Geely Automobile Holdings and France's Renault yesterday signed a joint venture to make hybrid powertrains and internal combustion engines. But this JV is more than a component deal with a European carmaker. It presages Geely's efforts to expand its electric vehicles overseas.

The JV targets annual sales of €15bn, not far from total Geely Auto Holdings revenues. It will produce up to 5mn engines and transmissions annually using existing capacity. Geely, via its unit Aurobay Holding, will hold a third of the joint venture. Half goes to Renault and the remaining stake to Geely subsidiary GHPT. Saudi Aramco is pondering a separate investment.

Geely Auto could use a sales boost. Its shares are down nearly a fifth in the past six months. A local price war in both petrol and battery-powered cars has hurt sentiment. Geely has suffered four years of declining operating margins. That explains its focus on its all-electric Zeekr premium brand.

Volumes have risen sharply, with 71,000 vehicles sold in China last year. Zeekr already offers three models just two years after its launch.

That fast start enabled Zeekr to raise \$750mn from investors including battery maker Contemporary Amperex Technology at a valuation of \$13bn in February. That compares with the \$12.5bn market value of Hong Kong-listed Geely Automobile Holdings.

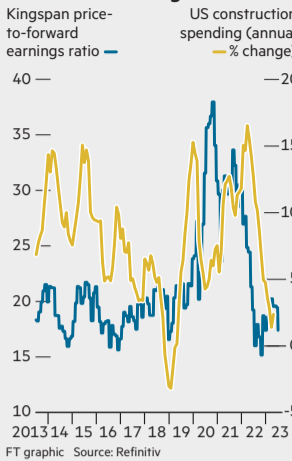
The move into Europe is ahead of a US listing, for which Zeekr confidentially filed last year. Zeekr has begun taking pre-orders for its cars in Sweden and the Netherlands.

Geely provides a vanguard for other

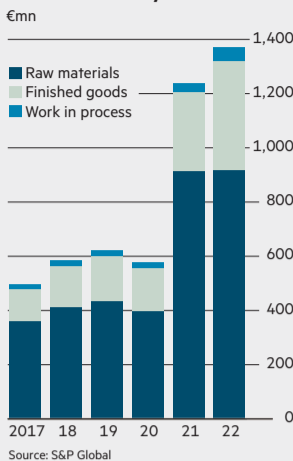
## Kingspan: foam home

The valuation of the insulation specialist's shares have compressed as construction spending has slowed. Profit margins have also fallen; according to analyst estimates they will stay down. Excessive inventories of costly raw materials is one factor contributing to the decline in profitability.

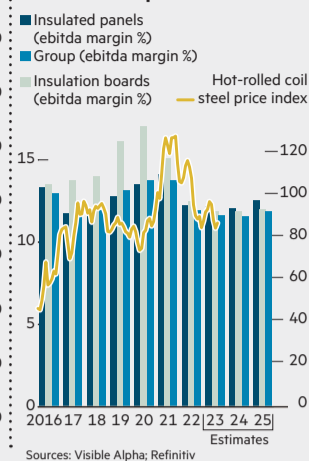
### Valuation is falling



### Excess inventory



### Profits under pressure



Insulation is Kingspan's speciality. But nothing could keep the heat in its share price once the construction market looked set to peak. Having quadrupled in the five years to end 2021, Kingspan's share price has travelled sideways in the past year, pricing in a cyclical downturn.

Until yesterday. The building-materials supplier estimated that its first-half trading profits would reach a record €435mn.

Full-year profits should beat expectations by a tenth. This surprise meant that its Dublin-listed shares rose as much as 14 per cent.

A profits rebound beat inflationary cost pressures, as did strong demand from US reshoring activities and more data centres. Sales of its core

insulated panels have held up, even with healthy price rises. The panels make up well over half of operating profit. But with credit conditions tightening and parts of Europe in recession, a slowdown seems only a matter of time, which explains Kingspan's historically low valuation.

Three years ago, Kingspan shares achieved a rating of 40 times forward earnings, now halved to 20 times. Its focus on energy efficiency, backed by regulation and subsidies, may give its shareholders hope that its products will remain in demand longer term.

Having said this, maintaining this short-term momentum looks unlikely. Operating margins have weakened, down 160 basis points last year to 9.7 per cent, the lowest since 2018.

Even after this year's bounce, excess inventory suggests that a repeat of the bearish run of 2022 is likely. Back then, prices for insulation tracked those for raw materials, such as steel, lower, points out Numis.

Kingspan still carries an excess supply of materials acquired at higher prices than today. More to the point, Kingspan has in the past relied on acquisitions to fuel its growth.

The company says that it now has less competition from private equity bidders. Perhaps. But with interest rates marching upward, and the worth of its shares as purchasing currency much reduced, the heat has escaped from that strategy.

Expect Kingspan's surprising burst of energy to remain just that.

Chinese carmakers keen to export China's newfound electric-vehicle expertise overseas.

## Just Group: annuity acuity

Life insurance is supposedly a stable and predictable business. But Just Group has been buffeted by policy and regulatory changes since it floated in 2013. The latest is an accounting standard that cuts the FTSE 250 group's operating profit 80 per cent. Yet the business's underlying economics are unchanged and healthy.

Just Group occupies a desirable niche in one of the few fast-growing segments in UK finance. The once moribund

annuity market has perked up on the back of vastly improved offered rates. Bulk annuity transfer deals have also boomed. Higher interest rates reduce company defined-benefit-scheme funding deficits, making transfers to insurers more affordable.

Just Group is well placed. Yesterday it reiterated its target of 15 per cent annual growth in underlying operating profit. This adjusted metric involves adding back some of the profit deferred under the IFRS 17 standard. Unlike the old IFRS 4 rule, this change does not allow a proportion of the expected profits on new business to be capitalised upfront, thus muting apparent earnings growth.

The switch to IFRS 17 aims to boost comparability of insurers' statements. Just Group hopes its adjusted number

will clarify its earnings potential. Its stock rose 4 per cent on the day. Yet investors have been burnt before.

Back in 2014, pension freedoms revealed by then chancellor George Osborne destroyed nearly half its market value. In 2019, it cut its dividend and raised £375mn in a combined equity and debt issue to protect itself following the introduction of stricter capital rules.

Its capital position has since strengthened. But the shares still languish at a whopping 60 per cent discount to tangible net asset value. They trade on just 3 times earnings, less than half the multiples of larger rivals such as Phoenix and L&G.

A mismatch between the booming annuities business and subdued shares invites investors to take a closer look.

## Nuclear power Spac: 20-20 fission

Reverse mergers for electric-vehicle start-ups have disappointed investors.

Perhaps a nuclear electric investment vehicle can do better. Yesterday, atomic energy start-up Oklo announced that it would list shares in the US at an \$850mn valuation.

It will do so by merging with a special purpose acquisition company backed by the tech and AI entrepreneur Sam Altman, along with financier Michael Klein. Altman is also the chair of Oklo.

In the 2020-21 Spac heyday, new companies needed to pitch aggressive financial projections to woo investors. Revenues would start off near zero but rose fast. But many have failed or will do so soon when their cash dissipates.

Oklo dispenses with even that style of disclosure convention, offering only conceptual nuclear plant economics that could pay off over a 40-year life. It may be a viable project. But that such a speculative venture can get a hearing in the marketplace today is surprising.

Oklo's model is modular nuclear power generation, similar to solar or wind farms. Rather than building a 1000 megawatt plant, typical for a decent-sized town, Oklo's multiple plants are just 15MW-50MW in capacity each.

The capital cost for a smaller site that takes up less than two acres should be about \$60mn for construction and the initial fuel outlay. Oklo projects that in a steady state, a 50MW plant generates \$29mn of annual cash flow on \$36mn of revenue. Even after the capital costs for refuelling, over a 40-year life some \$1bn of cumulative cash flow can be realised.

Oklo claims that the \$850mn valuation is cheap when compared with other start-up nuclear and natural gas projects on a capacity basis.

Oklo's initial facility in Idaho is not forecast to come online until 2026 at the earliest. Before then, it must perfect its technology and get requisite government approvals.

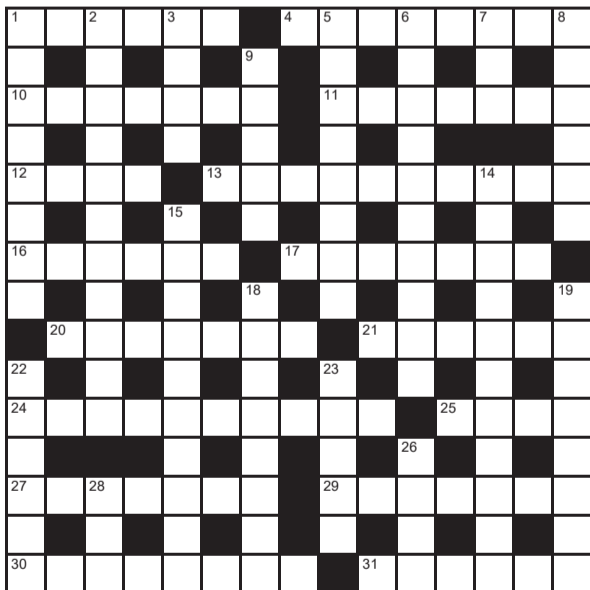
The toughest test may be convincing those Spac investors who are entitled to ask for their money back to hang on.

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## CROSSWORD

No 17,466 Set by BASILISK



### ACROSS

- Prime minister did as well as possible in reversing split (6)
- Degree opens up ways of comparing masses of material? (8)
- Less sophisticated company behind opening of restaurant (7)
- Work in stone of woman holding child (7)
- They produce wool and milk reportedly (4)
- Tailors costumes around lives? (10)
- Two seconds encapsulating recording that's essential to listener (6)
- Worry fresh restriction's not introduced (7)
- Understanding seen in entertainment when repeated (7)
- Vigorously attack case for effeminate facial hair (6)
- Banalities is represented in a way that cries out for more? (10)
- Advance payment needed having separated from divorced wife and daughter (4)
- Express dissatisfaction with card player's punishment (7)
- Cutting response connected with current job cuts (7)
- Tree developed tiny nuts forever (8)
- Trustworthy bridesmaid holds cross (6)

### DOWN

- Contract passing on introduction of rent charges (8)
- Women with defensible positions each enlist a criminal (11)
- I'm indifferent about introduction of social network (4)
- Let in Grant and Edward (8)
- Arrogance is something one takes for granted (10)
- French city reportedly has sufficient power (3)
- Harry Styles is as foxy as can be! (6)
- EU measure abruptly elevated dispute (5)
- Surveyor's vessel protected by small warship (11)
- Dull person who takes steps to progress (10)
- Dull person attracted to the opposite sex (8)
- Red Guards never tortured clergyman (8)
- Wicked sailor cracks on (6)
- Warning of change with temperature dropping (5)
- Active and lively resistance breaks agent (4)
- Prime factors of longer number with no prime factors (3)\*

## JOTTER PAD

Solution 17,465

BARONESS ACCOST  
IEOUSRCE  
CAPON RACKETEER  
E O C P R A A T  
PERFORATE TANGO  
S T M S W U I  
CAMPUS SCRUFFS  
R G O E R E  
OVERSEE NECKED  
M M R U O E W  
ARISE ALMAMATER  
N N N S B F R I  
CAFETERIE OPART  
E E I R R D H  
DIREST ASITWERE

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