FINANCIAL TIMES

FRIDAY 19 MAY 2023 ASIA

The content moderators taking on Facebook
BIG READ, PAGE 15

All that glitters for investors is gold
GILLIAN TETT, PAGE 17

Xi diplomacy
China hosts local summit

Florence Lo/AFP

Performers take part in a welcome ceremony in Xi'an, China, yesterday where President Xi Jinping is hosting his first in-person central Asian summit.

With Russia distracted by its war in Ukraine, Beijing is pushing for closer ties with five strategically important former Soviet republics: Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan.

China has played up the symbolism of the summit, at which Xi is showcasing his skills as a statesman as Japan's premier Fumio Kishida prepares to host the G7 in Hiroshima this weekend.

Proposals at the meeting in Xi'an, the Chinese city from where the Silk Road trade route once snaked through central Asia to Europe, include a plan for China, Kyrgyzstan and Uzbekistan to build a $4.1bn rail link to Europe that avoids going via Russia.

Xi courts former Soviet states page 4

Icahn admits mistake after massive bet on market crash costs him $9bn

● Wager began after 2008 financial crisis ● Heavy toll over six years ● Investor's reputation at risk

ANTOINE GARA AND ORTENCA ALIAJ — NEW YORK

Carl Icahn has admitted he was wrong to make a huge bet that the market would crash after the ill-fated trade cost his firm nearly $9bn over six years.

According to a Financial Times analysis, the prominent activist investor lost about $1.8bn in 2017 on hedging positions that would have paid out if asset prices had tumbled, before losing a further $7bn between 2018 and the first quarter of this year.

"I've always told people there is nobody who can really pick the market on a short-term or an intermediate-term basis," Icahn told the FT in an interview. "Maybe I made the mistake of not adhering to my own advice in recent years."

Icahn Enterprises started aggressively betting on a market collapse in the aftermath of the 2008 financial crisis and became increasingly bolder in subsequent years, deploying a complex strategy that involved shorting broad market indices, companies, commercial mortgages and debt securities.

At times, Icahn's notional exposure, the underlying value of the securities he bet against, exceeded $15bn, regulatory filings show. "You never get the perfect hedge, but if I kept the parameters I always believed in . . . I would have been fine," he said. "But I didn't."

> 'If I kept the parameters I always believed in, I would have been fine. But I didn't'
> Carl Icahn

Icahn Enterprises, the listed vehicle majority owned by the activist that allows retail investors to join his wagers, reported a total of $4.3bn in short losses in 2020 and 2021 as markets rebounded from the pandemic slump following the Federal Reserve's huge stimulus.

"I obviously believed the market was in for great trouble," said Icahn. "[But] the Fed injected trillions of dollars into the market to fight Covid and the old saying is true: 'don't fight the Fed'."

The trades have left Icahn in a vulnerable position and threaten to undermine his status as one of the most feared activist investors on Wall Street. This month, short seller Hindenburg Research released a report saying it believed the market value of Icahn Enterprises was inflated and its dividend was unsustainable. Shares of the company have fallen more than 30 per cent since the report was published.

As Icahn's short bets drained billions of dollars from his investment firm, he ploughed nearly $4bn of his own money into his publicly listed vehicle, filings show. That injection helped stabilise the firm's investment portfolio value.

Icahn exposed himself to another risk by taking out a margin loan that was first disclosed in early 2022. Hindenburg's report drew attention to the margin loan from Morgan Stanley, against which Icahn pledged 60 per cent of his stake in Icahn Enterprises as collateral.

Hindenburg argued this could lead to his business unravelling if the plunging stock price triggered a margin call that would force Icahn to liquidate some of his stake.

In a statement this month addressing Hindenburg's allegations, Icahn Enterprises said Icahn was in "full compliance" with regards to all personal loans and announced a $500mn stock buyback authorisation in an effort to bolster its share price.

Icahn told the FT he had used the margin loan to make additional investments and had billions of dollars of cash outside of his public vehicle. "Over the years I have made a great deal of money with money," he said. "I like to have a war chest and doing that gave me more of a war chest," he added, referring to the margin loan.

Briefing

▸ **Credit Suisse investors win court boost for lawsuit**
Bondholders have forced a Swiss regulator to divulge the decree that wiped out their investments, in an early victory in the bid to overturn the writedown.— PAGE 6

▸ **Turkey poll hits reserves**
Currency and gold reserves fell $17bn ahead of last Sunday's vote as the Erdoğan government sought to prop up the economy, FT analysis has shown.— PAGE 4

▸ **Case for new Fed rate rise**
James Bullard, president of the St Louis branch of the US central bank, has reaffirmed support for a rise, underscoring policy splits.
— PAGE 4; GILLIAN TETT, PAGE 17

▸ **PwC parachutes in bosses**
The accounting firm has sent top global executives into its business in Australia, where they will seize oversight, after the local team's role in a tax leak scandal.— PAGE 8

▸ **BT to slash workforce**
The telecoms group has said it will cut up to 42 per cent of staff by 2030 as it embarks on its most radical cost-cutting since its 1984 privatisation.— PAGE 6; LEX, PAGE 18

▸ **Ghana gets $3bn IMF loan**
Funds have been approved after creditors including China agreed to a crucial debt shake-up that is key to resolving Accra's economic and financial crisis.— PAGE 4

Datawatch

Marine debris
Average estimated decomposition time

Sources: Our World in Data; NOAA

Oceans are littered with everyday items discarded by fishing vessels, oil and gas platforms and cargo ships. Some of these, such as plastic bags, take 20 years to decompose, while others, such as fishing line, can take six centuries

Backlash and scandal halt rise of star German Green

Analysis ▸ PAGE 2

G7 set to unveil fresh sanctions on Russian ships, aircraft and diamonds

JIM PICKARD, HENRY FOY AND DEMETRI SEVASTOPULO — HIROSHIMA

G7 countries are preparing new sanctions against Russia, covering ships, aircraft, individuals and diamonds, officials say, as they seek to increase economic pressure on the Kremlin's war machine.

The plan to curtail imports of diamonds, which comes as G7 leaders meet in Hiroshima, Japan, targets one of Russia's few remaining export industries still relatively unscathed by western sanctions.

The summit of the group of leading economies is set to be dominated by the Kremlin's invasion of Ukraine and by efforts to broaden sanctions that have already hit Russia's energy revenues.

The meeting will seek to drive down Russia's diamond mining revenues through a mechanism for tracking and tracing individual gemstones. The "traceability" initiative, included in a draft of the G7 joint statements seen by the Financial Times, is intended to stop Moscow bypassing sanctions by using India, which operates the world's largest diamond polishing industry, as a middleman.

A senior US official added that Washington would apply new sanctions to more than 300 Russian individuals, ships and aircraft. He said the US commerce department would also add 70 Russian groups to the "entity list" — a black list that in effect bars companies from exporting products with American technology to Russia. "We are upping the economic pressure on Russia," the official said.

The war is entering a crucial phase, with Ukraine poised for a military counteroffensive, but some of the country's allies are warning that support for its battle may be reaching its peak. Meanwhile, the fall in Russia's energy revenues has increased the importance of other sources of funding for the Kremlin's war machine, such as diamond exports, which generated $4bn in 2021.

The G7 has been grappling for months over how to set up a system to trace Russian diamonds to impose restrictions on their import. Russia's state-owned diamond producer Alrosa, already subject to western sanctions, produces an estimated 40 per cent of the world's diamonds by volume from its mines, according to Edahn Golan, a diamond industry analyst.

One EU official involved in the G7 talks said: "We are confident that we will have a [diamond-tracing] system in place . . . in the coming months."

G7 to discuss peace summit plan page 2

Australia	A$7.00(inc GST)
China	RMB30
Hong Kong	HK$33
India	Rup220
Indonesia	Rp45,000
Japan	¥650(inc JCT)
Korea	W4,500
Malaysia	RM11.50
Pakistan	Rupee 350
Philippines	Peso 140
Singapore	S$5.80(inc GST)
Taiwan	NT$140
Thailand	Bht140
Vietnam	US$4.50

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World Markets

STOCK MARKETS

	May 18	Prev	%chg
S&P 500	4176.63	4158.77	0.43
Nasdaq Composite	12637.09	12500.57	1.09
Dow Jones Ind	33344.87	33420.77	-0.23
FTSEurofirst 300	1844.71	1836.64	0.44
Euro Stoxx 50	4368.94	4323.23	1.06
FTSE 100	7742.30	7723.23	0.25
FTSE All-Share	4221.45	4210.17	0.27
CAC 40	7446.89	7399.44	0.64
Xetra Dax	16163.36	15951.30	1.33
Nikkei	30573.93	30093.59	1.60
Hang Seng	19727.25	19560.57	0.85
MSCI World $	2820.92	2802.39	0.66
MSCI EM $	975.83	979.24	-0.35
MSCI ACWI $	651.81	648.23	0.55
FT Wilshire 2500	5372.45	5304.46	1.28
FT Wilshire 5000	41883.15	41346.30	1.30

CURRENCIES

Pair	May 18	Prev	Pair	May 18	Prev
$/€	1.077	1.082	€/$	0.929	0.924
$/£	1.241	1.247	£/$	0.806	0.802
£/€	0.868	0.868	€/£	1.152	1.152
¥/$	138.615	137.425	¥/€	149.281	148.701
¥/£	171.987	171.321	£ index	80.175	80.127
SFr/€	0.975	0.973	SFr/£	1.124	1.121

CRYPTO

	May 18	Prev	%chg
Bitcoin ($)	27040.40	27402.90	-1.32
Ethereum	1808.20	1822.14	-0.77

COMMODITIES

	May 18	Prev	%chg
Oil WTI $	71.82	72.89	-1.47
Oil Brent $	75.75	76.96	-1.57
Gold $	1974.40	2007.45	-1.65

GOVERNMENT BONDS

Yield (%)	May 18	Prev	Chg
US 2 yr	4.21	4.14	0.08
US 10 yr	3.63	3.57	0.07
US 30 yr	3.90	3.87	0.04
UK 2 yr	3.95	3.85	0.10
UK 10 yr	4.09	3.98	0.12
UK 30 yr	4.34	4.23	0.11
JPN 2 yr	-0.06	-0.06	0.00
JPN 10 yr	0.38	0.36	0.02
JPN 30 yr	1.22	1.20	0.02
GER 2 yr	2.75	2.69	0.05
GER 10 yr	2.44	2.33	0.11
GER 30 yr	2.63	2.51	0.12

Prices are latest for edition
Data provided by Morningstar

Russian invasion

G7 to discuss proposal for Ukraine peace summit

Move comes as China envoy visits Kyiv touting 'political settlement'

FT REPORTERS

G7 leaders will discuss a proposal for a Ukraine peace summit at their meeting in Hiroshima this week, in an effort to promote Kyiv's proposal for ending Russia's war against the country rather than rival plans proposed by China.

The G7 move, backed by Ukraine's president Volodymyr Zelenskyy, is not expected to include Russia, and comes as Chinese leader Xi Jinping's special envoy visits Kyiv touting Beijing's "political settlement" to end the almost 15-month long conflict.

Zelenskyy's 10-point plan includes a demand for Moscow to withdraw troops and for Ukraine's territorial integrity to be restored. China does not call for Russia's full withdrawal before talks begin.

Kyiv's western allies are increasingly worried about whether US military support for Ukraine is peaking, and could decline ahead of next year's US election.

An EU official said the G7 leaders, who begin a three-day summit in the Japanese port city today, would use the talks to discuss the idea of holding a conference this summer on Zelenskyy's plan.

Andriy Yermak, Zelenskyy's chief of staff, said Kyiv was interested "in China being involved in the implementation of the Ukrainian peace formula". Zelenskyy is expected to address the G7 leaders by video conference.

Russian president Vladimir Putin has blamed Ukraine for the lack of progress in peace talks but has so far shown no indication he will accept anything other than a full capitulation from Kyiv.

The Kremlin has backed China's peace plan and is also welcoming an initiative from Cyril Ramaphosa, South Africa's president, who has come under pressure after the US accused his country of supplying Russia with weapons.

Dmitry Peskov, Putin's spokesman, said yesterday that several African states would lead a peace delegation to Moscow after Putin spoke to Ramaphosa last week.

European allies are increasingly uncertain whether the US will come close to matching its existing $48bn package, adopted in 2022, particularly as it requires a vote in Congress this autumn against the backdrop of more partisan debate on the war. "No one knows," said a European official, one of 10 senior figures from Ukraine's allies, referring to the next phase of the war.

> 'There's no more flexibility in the US to keep writing cheques'
> European official

"We can't keep the same level of assistance for ever," the official added, arguing the rate of support could be sustained for a year or even possibly two.

US President Joe Biden, who has cast the war in Ukraine as a strategic defeat for Russia, has given no indication he intends to reduce support. But he is preparing for a re-election campaign with Donald Trump, a critic of open-ended US backing for the war, his most likely Republican rival in the 2024 race.

"What Trump says has a lot of impact on how difficult this issue becomes in Congress," said US Democratic Senator Chris Murphy, a member of the Senate foreign relations committee. "His position on Ukraine funding will have a lot to do with what happens if we need to reauthorise support."

Some allies in regular contact with the US over Ukraine say Washington sees the next five months as critical to the outcome of the conflict and the last real chance for Kyiv to change the situation.

With polling showing US support for Ukraine waning, some European allies say the White House is under pressure to show that tens of billions of dollars in aid have significantly affected the fight.

Western officials are hopeful that Ukraine's counter-offensive, backed by unprecedented supplies of Nato-standard weapons, will deliver major gains that could force Putin to negotiate terms.

"The message [to Kyiv] is basically that this is the best you're going to get," said another European official. "There's no more flexibility in the US to keep writing cheques, and European arms factories are at full capacity."

Reporting by Henry Foy in Hiroshima, Christopher Miller and Roman Olearchyk in Kyiv, Felicia Schwartz in Washington and Max Seddon in Riga

See The FT View

Poor ratings. Economy minister

Germany's Green star brought down to earth

Habeck's unpopularity is in stark contrast with adulation he enjoyed for many years

GUY CHAZAN — BERLIN

Cronyism, boiler bans, botched gas levies: after a whirlwind rise through the ranks of German politics, Robert Habeck is now suffering one of its most precipitous falls.

The Green economy minister and vice-chancellor faced the darkest day in his 17 months in office on Wednesday when he was forced to sack one of his closest aides over a widening nepotism scandal.

The firing of Patrick Graichen, secretary of state at the economy ministry, came with Habeck already on the ropes over an unpopular law to ban new oil and gas heating systems from 2024. Consumer groups have criticised the deadline as too tight, compared with countries such as the UK and the Netherlands, and worry about the financial burden it imposes on homeowners.

"Herr Habeck is a man of beautiful words, but people are beginning to see through that," said Julia Klöckner, economy spokeswoman for the opposition Christian Democrats (CDU). "At the end of the day he's also a minister who has to show leadership."

The Graichen affair, coupled with the boiler law, have taken the shine off a Green politician who was long viewed as a potential chancellor. In a matter of months, he has gone from being Germany's most popular minister to its most embattled. One poll released this month by Deutschlandtrend said only 30 per cent of voters were satisfied with the job he was doing.

Manfred Güllner, head of the pollster Forsa, said he doubted Habeck could recover from his latest setbacks. "When you fall so far in the polls, and you're still heading downwards, it's very hard to rise up again," he said.

Meanwhile evidence is building that Habeck's travails are also hurting his party. In weekend elections in the city state of Bremen, the Greens saw their share of the vote sink to 12 per cent, the lowest level since 1999.

Friedrich Merz, the CDU leader, said the Greens' poor showing in Bremen was down to the "Habeck effect". He said: "I can only urgently advise the coalition not to enact climate policy with a crowbar. It's not working."

In the limelight: Robert Habeck has been forced to sack one of his closest aides over a widening nepotism scandal
Florian Gaertner/Photothek/Getty Images

National polling data is also not looking good for the Greens. A poll by Forsa on Wednesday put the party on 15 per cent, one point behind the far-right Alternative for Germany.

Senior Greens are unfazed. "Habeck has said you can't do politics on the basis of approval ratings, and I agree with him," said Konstantin von Notz, a prominent Green MP. "He knows that when you're trying to fight the climate crisis by changing heating systems, you sometimes have to do things that won't exactly win people's hearts at once."

The decline in Habeck's popularity stands in stark contrast to the adulation he enjoyed for many years. When he and Annalena Baerbock were elected co-heads of the Green party in 2018, the former children's book author was widely admired for his modern style of leadership, oratorical skills and ideological pragmatism — a characteristic not normally associated with the Greens.

In 2021, the two led his party to their best national result ever when they garnered 14.8 per cent in the Bundestag election. Soon after, he and Baerbock led the Greens into a unique three-way coalition with Olaf Scholz's Social Democrats and the liberals. Just months into office, Habeck had to deal with the energy crisis caused by Russia's full-scale invasion of Ukraine and its subsequent suspension of gas supplies to Europe. Habeck and Graichen were widely credited with ensuring Germany did not run out of gas, avoided blackouts and dodged an economic crisis.

But there were plenty of slips on the way. Habeck was lambasted for his plan to impose a gas levy on all fuel consumers, a measure designed to help gas importers such as Uniper that had been driven to ruin by Moscow's gas shut-off. After an outcry, he pulled the plug on it.

The gas levy triggered doubts about Habeck's economic competence, said Uwe Jun, a political scientist at the University of Trier, while the Graichen affair "has called into question his leadership qualities".

> 'Herr Habeck is a man of beautiful words, but people are beginning to see through that'

One of the architects of Germany's planned transition to a carbon neutral economy, Graichen came under attack last month over his role in the selection process for the new head of Dena, the German energy agency. He had failed to disclose that Michael Schäfer, who was chosen for the job in March, was a close friend and best man at his wedding.

Habeck defended Graichen publicly, saying he had acknowledged his mistake. But worse was to come: on Wednesday, the minister revealed that Graichen had approved an application for funding from a Berlin environmental organisation where his sister worked. Habeck said that was "one mistake too many".

The affair has reflected badly on the Greens, said Klöckner. "They're shocked that they're now perceived as a normal party, like any other," she said. "They're saints no more."

But Von Notz dismissed the idea that Habeck had been damaged by the Graichen affair. "If you look at how other parties have dealt with issues like this in the past — they barely draw any consequences at all," he said.

South Africa

Eskom power group warns of 16-hour blackouts

JOSEPH COTTERILL — JOHANNESBURG

The head of South Africa's broken Eskom electricity monopoly has warned that rolling blackouts could hit record levels unless the utility can prevent its decrepit fleet of power plants being overwhelmed by breakdowns.

South Africans who are already enduring power cuts lasting up to 12 in every 32 hours were told by Calib Cassim, Eskom acting chief executive, that it was "going to be a difficult winter" where the outages could stretch to up to 16 hours.

"The winter outlook indicates an increased risk of supply shortfall against expected demand, with our worst-case scenario indicating that load-shedding could intensify to stage 8, if our interventions are not successful," Cassim said. South Africa's current "load-shedding" is classed as stage 6 on a scale that uses the number of gigawatts of demand that are subject to rolling cuts. While stage 8 is the maximum level of outage for which Eskom braced South Africans, the utility has been planning for the stages to go up to 16.

Although Cassim stressed this was the worst-case scenario, households and businesses have learnt not to get their hopes up as the crisis at Eskom has intensified, throttling growth and threatening inflation as companies fall back on expensive diesel generators.

Outages so far this year have already surpassed 2022 records as looting under the ruling African National Congress, lack of repairs and major coal and nuclear plants going offline have all brought Eskom to the brink.

President Cyril Ramaphosa's government has promised to review power station performance and to accelerate the procurement of energy supplies outside Eskom, but these measures have come too late for this winter.

The existing shortfall is so severe that "the amount of electricity distributed is at its lowest level since 2002, when the economy was a third smaller than it is today," Jason Tuvey, deputy chief emerging markets economist for Capital Economics, said.

David Pilling see Opinion

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Central, Hong Kong

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Published by
The Financial Times (HK) Limited,
6th Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong
Asia Editor: Robin Harding

Printed by
Australia: Spotpress Pty Ltd, 24-26 Lillian Fowler Place, Marrickville, NSW 2204
Hong Kong: Kin Ming Printing Co Ltd, 15/F BLK A, 18 Ka Yip Street, Ming Pao Industrial Centre, Chai Wan; Representative; Angela Mackay; ISSN 1025-918X
Japan: Nikkei Tokyo Newspaper Printing Center, Inc., 1-10-5, Shinonome, Koto-Ku, Tokyo 135-0062
Representative; Hiroko Rizzo Hoshino;
ISSN 0915-9460
South Korea: Maeil Business Newspaper, 30-1, 1-Ga, Pil-Dong, Jung-Ku, Seoul, 100-728
Singapore: SPH Media Limited, 2 Jurong Port Road, 619088
Representative, Anjali Mahindroo

Public forum

Ireland to debate neutrality and possibility of joining Nato

JUDE WEBBER — DUBLIN

Ireland must have an "open and honest" debate on its longstanding military neutrality and the possibility of joining Nato, foreign minister Micheál Martin has said ahead of the a public forum on the matter next month.

The war in Ukraine has raised questions about the nation's security in the face of 21st century threats, which include cyber security and attacks on undersea cables.

"We will discuss what our current policy of military neutrality means, whether it is fit for purpose in the current global security environment and whether we need to define more clearly what we do, and do not, mean by military neutrality," Martin told the Dáil parliament yesterday.

"I hope that the forum will provide a space to discuss what other security policy choices may exist for our island, as well as our responsibilities towards other partners," he said.

But Martin, who is also Ireland's defence minister, stressed it was not a "simplistic binary choice".

He added: "Staying as we are today, or immediately seeking to join a military alliance such as Nato, are not the only options."

Ireland's military neutrality predates the second world war and is in its constitution. The country's defence spending is a fraction of that of EU peers.

But John O'Brennan, a professor of European politics at Maynooth University, said a Russian ransomware attack on Ireland's national health service in 2021, and incursions by Russian ships into Irish waters amid suspicion that they were mapping infrastructure, meant that Ireland should re-examine its "ostrich-like mentality".

Ireland has convened citizens' assemblies in the past to discuss other major constitutional changes, including ending the ban on abortion.

But in this case, the government has opted for a consultative forum involving 1,000 citizens, experts, academic and service personnel who will meet on June 22-27 in Cork, Galway and Dublin.

Its independent chair will be Dame Louise Richardson, former vice-chancellor of the University of Oxford, who will present a report to Martin after which he will decide whether or not to recommend any policy changes to the cabinet.

The forum will include experts from Norway, a Nato member that, like Ireland, has a long history of international peace-building operations, as well as from Finland, which has been cleared to join Nato, and from membership-seeking Sweden. Longtime neutral Switzerland will be invited to address the discussions.

Martin said it was time to examine the so-called triple lock mechanism — the need for Irish government and parliamentary approval, as well as a UN mandate, before more than 12 military personnel can be deployed abroad.

Micheál Martin: says status quo or joining Nato are 'not only options'

He also stressed that the country's long-held belief that its location on the edge of Europe kept it safe was being challenged in a globalised age.

"We can no longer rely either on our geographic isolation for our security, nor believe that we can isolate ourselves from world events," Martin said.

He added that Ireland was home to nine of the top 10 global tech and communications companies with "particular vulnerabilities" because of its position as a "fulcrum" in transatlantic undersea cables that could have "devastating consequences" for Ireland and its partners if attacked.

"Since the attacks on the Nord Stream energy pipelines in the Baltic Sea in September 2022, we cannot ignore the particular vulnerabilities posed to energy and communications infrastructure across Europe, and most especially in the waters of the North Atlantic, close to our shores."

Ireland was discussing "possible engagement" with a new Critical Undersea Infrastructure Co-ordination Cell at Nato, the foreign ministry said.

Central bank forecasts suffer from inflation blind spot

Credibility of institutions that rely on trust rocked by poor predictions

CHRIS GILES — LONDON

The Bank of England is holding a "Festival of Mistakes" this week, marking lessons learnt from financial disasters of the distant past. Some would argue that they, and their counterparts at other central banks, should focus on more recent errors.

Advanced economies are experiencing the most acute — and most enduring — outbreak of inflation for a generation. Yet almost all rate-setters failed to spot the degree to which price pressures would ratchet up, and would stick around, despite record amounts of monetary and fiscal stimulus.

Most of the Federal Reserve's rate-setters failed to foresee that inflation would ever rise, and then overestimated the speed of its decline. Economists at the BoE and the European Central Bank underestimated the scale and persistence of inflation. Across the world, poor forecasts have contributed to central bankers failing to do their main job: maintaining price stability.

The failure to spot inflation has not only left central bankers risking financial instability by having to raise rates far faster than usual but threatened the credibility of institutions that rely on trust to steer the economy towards sustainable growth.

Stephen King, senior economic adviser to HSBC, blames their collective failure on rate-setters relying too much on their own capacity to control the public's expectations of what will happen to prices in the future.

In normal times, the rules that govern companies' decisions on pricing and workers' demands for wage rises can be influenced by central bankers' own inflation targets of around 2 per cent.

But what forecasts failed to show was that those rules only hold when inflation is broadly stable. Once it soars, and stays high, people begin to believe that "the central bank is now talking nonsense". Scepticism abounds, and inflation readings come to matter more than central banks' insistence that their policies can quell price pressures.

The reputational hit from their failure to foresee inflation has left central banks having to raise rates aggressively to convince investors and the public of their commitment to low inflation. In some quarters, it has also led to soul-searching. The ECB apologised for its underestimate of inflation and has promised to focus more on underlying inflation rather than forecasting models in future. The IMF has also talked openly about its forecasting "misjudgments", although this candour did not appear in any of its flagship reports.

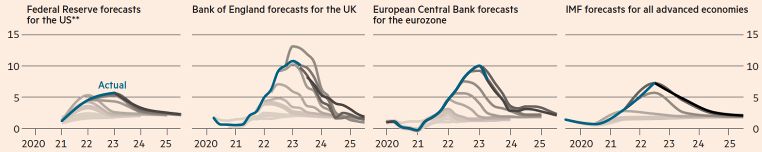
The BoE has been more combative, arguing its mistakes owed little to errors in its forecasts and were instead due to big shocks such as the war in Ukraine, which it could not have predicted.

Economists elsewhere caution that the public should focus less on whether or not projections turn out to be correct. That, they argue, is impossible and the public should focus more on whether the projections say something insightful about the economy at this point in time.

Bank of England: its experts blamed their mistakes on big shocks such as the Ukraine war
Henry Nicholls/Reuters

Policymakers failed to predict the severity of the surge in inflation

Successive forecasts for inflation, CPI, except US PCE* (%)



Grey lines show successive quarterly forecasts between Q1 2020 and Q2 2023
Darker lines signal more recent forecasts * PCE=Personal Consumption Expenditure deflator ** Shows PCE inflation only for Q4 of each year to tally with the Fed's forecasts
Sources: ECB; BoE; IMF; Federal Reserve

Richard Hughes, who heads the UK's independent fiscal watchdog, the Office for Budget Responsibility, acknowledged the failure to spot the build-up of price pressures was, along with underestimating the decline in productivity growth since the global financial crisis, one of "two big macro forecasting errors" made in recent decades. However, forecasts remained "the best understanding of the future, conditional on your knowledge of the present".

He highlighted the similarity between these predictions and financial market pricing, which can also change. "[Markets are] 'reacting to news', while [we] 'got it wrong'," Hughes said.

Alexandra Dimitrijevic, global head of research and development at Standard & Poor's, the credit rating agency, said the purpose of forecasts was not to get the numbers right to the last decimal point but "to look at the narrative, the direction and the risks". She added: "By definition a forecast is never right. The question is whether it is useful."

Clare Lombardelli, the new chief economist at the OECD, noted that dire predictions of a bleak winter across Europe were based on assumptions for the weather that, by luck, was warmer than normal — meaning gas storage, and therefore economic growth, held up.

Daniel Leigh, who heads the team behind the IMF's World Economic Outlook, which includes projections for each of the fund's 190 member countries, said failing to predict big trends did not mean forecasters were clueless.

Even if they proved to be incorrect, officials and ministers still found the fund's projections useful, he said, as they gave a sense of scale and explained the likely ripple effects of global trends.

However, others are less sympathetic.

Mohamed El-Erian, president of Queens' College, Cambridge, and an adviser to Allianz, has said the Fed's original forecast that high inflation would be "transitory" was "one of the worst calls in decades".

> 'By definition a forecast is never right. The question is whether it is useful'

He argued that if the Fed had more closely examined evidence from businesses and the implications of its own actions, then it would have spotted the severity of the rise in inflation earlier.

Lombardelli said central banks faced an especially tricky task, as they must not only produce forecasts for inflation but set policy to influence price pressures two years from now.

"What do you assume about the effects of policy if you're the policymaker?" she added.

That challenge is especially tough in an environment such as the present, when the after-effects of the pandemic and Russia's invasion of Ukraine are hard to predict.

El-Erian believes meeting it would prove difficult, particularly for the Fed.

Central banks, he said, had made "one-sided" forecasting errors without acknowledging them. Those errors could be blamed on models "failing to keep up with significant structural change in the economy", being too late to look at "micro data", and groupthink.

INTERNATIONAL

Central bank

Turkey's reserves plummeted before poll

Foreign currency and gold take $17bn hit as Erdoğan props up economy and lira

ADAM SAMSON — ANKARA
HARRY DEMPSEY — LONDON

Turkey's foreign currency and gold reserves tumbled $17bn in the six weeks before Sunday's general election as Recep Tayyip Erdoğan's government sought to prop up the economy and lira ahead of the tightly contested polls.

The central bank's foreign currency war chest dropped $9.5bn from the end of March to May 12, while its gold holdings fell $7.9bn, according to Financial Times calculations based on official data.

The declines come as investors and analysts are becoming increasingly concerned about the unconventional economic programmes the Erdoğan government has used in recent years to stabilise the economy. Those fears have only been exacerbated since Erdoğan's strong showing in Sunday's first-round vote put him in pole position for another five years as president.

The soaring demand for gold, meanwhile, was driven by local buyers seeking a safe asset to protect their savings at a time of acute inflation and a lira that is trading near record lows. "There's a growing demand for dollars and gold in the market," said Enver Erkan, chief economist at Istanbul-based brokerage Dinamik Yatırım Menkul Değerler.

"The central bank is doing whatever it can but that's not a sustainable approach, because there's not much left in the tank, in terms of reserves."

The general election was seen as a potential economic turning point for Turkey, with Erdoğan's main challenger, Kemal Kılıçdaroğlu promising a series of economic reforms.

However, Erdoğan's unexpectedly strong first-round showing — he failed to secure an outright majority but scored a much bigger share of the vote than his rival — has heaped pressure on the lira and knocked other Turkish assets ahead of the May 28 runoff vote.

Foreign currency reserves registered $53.2bn as of May 12, two days before Sunday's election, but those figures include tens of billions of dollars borrowed from domestic banks through short-term agreements known as "swaps". Reserves had been $75bn at the end of 2022. Tim Ash at BlueBay Asset Management described the recent fall in reserves as "huge".

Fitch Ratings told the Financial Times this week that pressure on foreign currency reserves increased as the government took a strongly pro-growth approach before the elections, and because these assets were helping to finance Turkey's near-record current account deficit. Economists also say the central bank has used reserves for years to slow the currency's fall.

Turkish authorities have made it more difficult for local consumers and businesses to purchase foreign currencies in recent months, as part of Erdoğan's attempt to prop up the lira and reduce the use of the dollar and euros across the $900bn economy.

Many are turning to gold as a safe way to protect their savings, against a lira that has fallen 60 per cent against the dollar over the past two years to a record low, and persistently high inflation that has diminished the currency's purchasing power at home.

Gillian Tett see Opinion

Pakistan. Political turmoil

Populist Khan raises pressure on military

Former premier's criticism of army chief risks causing serious confrontation

BENJAMIN PARKIN — NEW DELHI
FARHAN BOKHARI — ISLAMABAD

Tight security: Imran Khan arrives in court on Monday in Lahore. Inset, Asim Munir
Rahat Dar/EPA-EFE/Shutterstock

For Pakistan's populist opposition leader Imran Khan, one man above all looms over his legal woes and the instability shaking the nation: the country's army chief, General Asim Munir.

Since his release on bail last week, Khan has alleged that Munir ordered his arrest on what he called trumped-up corruption charges, accusing the general of threatening "democracy, our constitution, fundamental rights".

"He's basically dismantling the future of this country to protect himself," Khan, whose anti-corruption and welfarist platform has made him wildly popular, told reporters after he was freed by Islamabad's High Court.

The former premier's challenge to a man that few Pakistanis have previously dared openly criticise risks sparking the most serious confrontation between civilian politicians and the military since the return to democracy in 2008.

Even after the restoration of civilian rule ended open rule by the generals, the 500,000-strong army has continued to govern the nuclear-armed south Asian nation from behind the scenes.

In the days after Khan's arrest, supporters of his Pakistan Tehreek-e-Insaf party (PTI) protested around the country, breached the army headquarters in Rawalpindi and even set fire to a senior general's home in Lahore. Khan has distanced himself from the violence.

Pakistanis are braced for a long spell of instability as Khan, who aims to return to power in elections due by October, fights court cases on allegations from corruption to terrorism. While analysts say he is the favourite to win the poll, Khan's supporters decry the claims as a plot by Munir and Prime Minister Shehbaz Sharif's government to remove him from the race.

Bilal Gilani, executive director of pollster Gallup Pakistan, said Pakistan's future was likely to be decided not by elections or public opinion, but by who won the power battle between the military and Khan.

"One side has the ability to bring the public out. The other side has the ability to bring the arms out," Gilani said. "We've just seen the first round . . . There'll be more rounds of violence before everything settles."

Khan's opponents dismiss his criticism of Munir as a gambit to press the generals into helping him return to power. PTI officials claim that many within the army sympathise with the former cricket star's party.

Munir, who was appointed army chief by Sharif in November, has not publicly commented on Khan's claims. Without naming the former premier, the army on Monday decried what it called "propaganda warfare, unleashed against the army leadership".

"Restraint will no longer be exercised against perpetrators, spoilers and violators who attack military installations," it added.

Human rights groups have expressed concern. Amnesty International accused the army of trying to "crack down on dissent by exercising fear".

Munir was named chief of the Inter-Services Intelligence agency in 2018, but was transferred to a different role by Khan after less than a year. Khan alleges Munir wants to block his return to power to protect his current position.

While the army supported Khan's rise to the premiership in 2018, the relationship soured and he lost power in a parliamentary no-confidence vote in April last year. Simmering tensions between Khan and the army burst into the open in November when, after being shot in the leg during a rally, he accused a separate military official of conspiring with the government to assassinate him, prompting vehement denials.

The army insists it does not meddle in civilian politics and has long portrayed itself as a guarantor of stability, from leading the Covid-19 response under Khan to participating in relief efforts during devastating floods last year.

Yet many do not believe the army leadership is truly neutral. Hasan Askari Rizvi, author of multiple books about the military, said anti-army vandalism was fuelled by the popular belief the generals sided with Sharif.

"If the army wants to begin resolving this crisis, it must first begin to be seen as non-partisan and neutral," he said.

'We've just seen the first round . . . There'll be more rounds of violence before everything settles'

Even some close to the "establishment", as Pakistan's military deep state is known, worry tensions are getting out of control. Ghulam Mustafa, a retired lieutenant general, said that while the army "must be very upset over how events unfolded", it should work to bring Khan and Sharif together.

"Hopefully, I think an olive branch will be extended [to Khan]," he said. "Alternatively this crisis will grow."

The political turmoil comes as ordinary Pakistanis struggle through the country's most severe economic crisis in years. Annual consumer price inflation hit 36 per cent in April and the $4.4bn in foreign reserves is enough to cover only about a month's worth of imports.

Analysts warn the country is at risk of defaulting unless it is bailed out by creditors such as the IMF, China or Saudi Arabia, yet the instability leaves potential saviours even less likely to lend.

"We sincerely hope that the political forces in Pakistan will build consensus, uphold stability . . . so that it can focus on growing the economy," China foreign minister Qin Gang said during a visit to Islamabad this month.

Monetary policy

Fed's Bullard suggests higher rates as inflation 'insurance'

COLBY SMITH — WASHINGTON

A top Federal Reserve official has reaffirmed his support for lifting interest rates further as an "insurance" policy against inflation, underscoring divisions that have emerged at the US central bank about monetary policy.

James Bullard, president of the Federal Reserve Bank of St Louis and a leading hawk, said yesterday he would keep an "open mind" going into the next policy meeting in June but suggested he is inclined to back another rate rise after 10 successive increases since last year.

Another quarter-point increase would bring the benchmark federal funds rate to a target range of 5.25-5.50 per cent, higher than most officials deemed necessary in March to curtail inflation and at odds with the pause that Fed chair Jay Powell and other policymakers have recently suggested at a time of great uncertainty.

"I do expect disinflation, but it's been slower than I would have liked, and it may warrant taking out some insurance by raising rates somewhat more to make sure that we really do get inflation under control," said Bullard.

"Our main risk is that inflation doesn't go down or even turns around and goes higher, as it did in the 1970s."

Bullard's comments align with those of Lorie Logan, president of the Dallas Fed and a voting member on the Federal Open Market Committee this year, who earlier yesterday said the case for a pause in June was not yet convincing.

Those stand in contrast with remarks from several officials this week who have urged a more cautious approach as well as Fed governor Philip Jefferson, whom the Biden administration just tapped to be the next vice-chair. Jefferson emphasised his expectation for growth to slow this year and for interest rates to be fully felt in the economy.

"History shows that monetary policy works with long and variable lags, and that a year is not a long enough period for demand to feel the full effect of higher interest rates," he said yesterday. He also cited a likely drag from banking sector stress as lenders retrench.

Bullard said concerns about the impact of banking stress were "overemphasised", and what is likely to affect the economy more significantly is a recent decline in yields on Treasury bonds.

"We're trying to have this disinflationary pressure and that's supposed to come through higher rates," he said. It was a "bit concerning" that yields were "going in the wrong direction". He added: "Maybe this will fuel a slower disinflation or even a little bit more inflation . . . than what we intend."

Bullard said the current benchmark rate is at the low end of a range that would be considered "sufficiently restrictive" — doing enough to alleviate price pressures. According to his calculations, a policy rate just above 6 per cent represents the top end of the range.

"It would probably be better and more prudent to be in the middle of the zone," he said, noting that the labour market was "not just strong, it's very strong". Tom Barkin, president of the Richmond Fed, said on Tuesday that "at best" the labour market had moved from "red hot to hot".

Central Asia

Xi courts former Soviet states as Russian influence wanes

JOE LEAHY — BEIJING

President Xi Jinping is stepping up efforts to boost China's influence in central Asia by hosting his first in-person regional summit dedicated to tightening ties with an area traditionally dominated by Russia.

With Moscow weakened and distracted by the war in Ukraine, the two-day summit that started yesterday is a chance for Beijing to push for stronger economic and political relationships with five strategically important former Soviet republics; Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan.

"I don't think China is going to replace the significance of Russia in central Asia in a short period of time but [competition for influence] has already started," said Chienyu Shih at Taiwan's Institute for National Defense and Security Research. "They are in a kind of silent competition mode."

China has played up the symbolism of the summit, at which Xi is showcasing his skills as a statesman even as Japanese premier Fumio Kishida prepares to host the G7 in Hiroshima this weekend.

China is holding the meeting in Xi'an, the Chinese capital from where the Silk Road trade route once snaked through central Asia to Europe. This year also marks the 10th anniversary of Xi's launch of his Silk Road equivalent, the $1tn Belt and Road Initiative.

Beijing views central Asia as critical to the security of its western Xinjiang region, where it is has been accused of suppressing the indigenous Muslim Uyghur population. The area is also an important source of energy and a conduit for land-based trade with Europe.

Russia has begun to lose influence across the former Soviet Union amid disquiet over the war in Ukraine. Moscow has also lost its traditional peacekeeper role, being absent during border clashes between Kyrgyzstan and Tajikistan last year.

Kazakhstan, one of Russia's closest partners, has refused to support the invasion or recognise Moscow's annexation of Ukrainian land and last year signed an intelligence-sharing pact with Turkey, a Nato member.

President Vladimir Putin invited all five central Asian leaders to the annual Victory Day parade celebrations in Moscow last week, some at the last minute. The hasty organisation indicated most of the leaders had "initially politely avoided the trip", but "when Putin rang it became not just difficult, but dangerous to say no", said Temur Umarov, at the Carnegie Russia and Eurasia Center.

Central Asia's economies have boomed partly on an influx of investment from Russian individuals and companies following the outbreak of hostilities, the European Bank for Reconstruction and Development said. Some of the countries are benefiting from increased remittances from migrant workers in Russia as labour gets more scarce there.

'[Competition for influence] has already started. They are in a kind of silent competition mode'

Central Asian countries were caught "between two fires", worried about being swept up in Putin's war but unable to resist the benefits from remaining one of Russia's few windows to the world, Umarov said. "Anything that looks like the region is leaning one way or the other shouldn't be taken as total support for Russia or a break with it."

The summit is China's third with the so-called C5 countries, as previous ones were online due to the pandemic.

Beijing's focus on central Asia dates from 2012, when Xi launched a "March West" strategy, said Yang Jiang at the Danish Institute for International Studies.

The following year, Xi launched the BRI in Kazakhstan. China's trade with the five countries totalled $70.2bn last year while nearly 80 per cent of China-Europe freight trains passed through the region, Chinese state media said.

China is the biggest buyer of central Asian gas. The region also has reserves of rare earth metals, especially in Kazakhstan. "China can play a key role in the mining and extraction of these reserves," said Yunis Sharifli, at the Central Asia Barometer, a research body.

Analysts said China might offer to help the region with green energy projects, the building of 5G mobile networks and extending road and rail links.

Another plan is a proposal for China, Kyrgyzstan and Uzbekistan to build a $4.1bn rail link to open rail-only travel to Europe and avoid going via Russia, which is subject to western sanctions.

Additional reporting by Max Seddon, Riga

IMF loan

Ghana secures $3bn bailout after restructuring deal struck

DAVID PILLING AND JONATHAN WHEATLEY — LONDON
JOSEPH COTTERILL — JOHANNESBURG

The IMF has approved a $3bn loan to Ghana after the west African country's creditors, including China, agreed to a crucial debt-restructuring that is vital to resolving Accra's long-running economic and financial crisis.

The approval, which will immediately release $600mn, caps the first stage of a prolonged saga over the $63bn of external and domestic debts that Ghana ran up over the past 15 years.

The IMF's decision to move ahead with the bailout will be welcomed by other countries struggling to reach agreements with their lenders over how to deal with debt woes.

Discord between western creditors and Beijing over how to restructure outstanding loans and bond payments have added to the burden facing some of the world's most financially troubled countries, such as Zambia and Sri Lanka.

Ghana owes about $5.4bn to lender nations, according to the IMF, including about $1.9bn to China. But its debts to commercial creditors are larger, about $15bn, including some $13bn owed to holders of its eurobonds. It has about $34.5bn of domestic debts, mainly to local banks and pension funds.

Accra stopped paying most of its external debts at the end of last year after reaching a preliminary agreement with the IMF, and has embarked on what its finance minister has called a "punitive" restructuring of its domestic debts. Ghana has had to agree to measures designed to raise more tax revenue and stop the central bank from buying the government's debt.

Kristalina Georgieva, IMF managing director, said Ghana was putting in place a "strong programme of reforms to revitalise growth and reduce the country's debt burden".

Kevin Daly of Abrdn, an asset manager and member of a committee for private sector bondholders, said the deal implied external creditors would take a $10.5bn hit from 2023-2026. That figure amounts to about half of Ghana's current obligations over the period.

Ceramic technologies that **prevent pollution and capture carbon**

NGK INSULATORS
www.ngk-insulators.com/en

In 1970, the US federal government passed the Clean Air Act, which established air quality standards regulating pollution from industry and transport. This landmark law has been emulated by governments worldwide ever since, contributing to better air quality for billions of people.

Significantly, the legislation also spurred technical innovations designed to meet environmental goals without sacrificing growth. One of these innovations is the catalytic converter, fitted onto automotives with internal combustion engines to reduce harmful emissions. As a result, tailpipe emissions from new passenger vehicles are 99 per cent cleaner for most pollutants compared to the 1960s.

One of the largest global manufacturers of substrates used in such catalytic converters today is NGK Insulators Ltd., the Japanese technology company.

NGK's president Shigeru Kobayashi likes to talk about Senator Edmund Muskie of Maine, who authored the Clean Air Act and became a leading voice of modern American environmentalism. Kobayashi sees similarities between the developments in the 1970s in air pollution regulation and the current pivot to carbon neutrality. He says the new global commitment to cutting GHG emissions and its regulatory frameworks is transforming his company. And, he believes, the commitment will continue to spur new innovations, including many in ceramics.

"Reducing and regulating the emissions of CO_2 is now the key issue and clearly where the business opportunities are," says Kobayashi. "I believe we have many ceramic-based technologies that can effectively contribute to decarbonisation and efforts to capture, store and utilise carbon sustainably."

Shigeru Kobayashi, President, NGK Insulators, Ltd.

Ceramic solutions for CCUS

Indeed, NGK has a surprisingly broad portfolio of potential solutions across the carbon, capture, utilisation and storage (CCUS) cycle.

The company is working on ceramic membranes capable of separating substances at a molecular level, including carbon dioxide, with unique sub-nanometre-sized pore control technology. It is already field-testing one of these membranes separate CO_2 during enhanced oil recovery processes. In addition, it hopes to develop others that can capture CO_2 directly from factory and energy plant flues. And for the vast amounts of CO_2 already released into our atmosphere, the company is developing a honeycomb-structured ceramic contactor for use in direct air capture (DAC, see sidebar).

Captured carbon in these processes can be fed into a solid-oxide electrolysis cell to generate hydrogen or ceramic reactors to generate various synthetic fuels such as methane, methanol and e-fuels, both solutions that NGK is hard at work to realise.

Finally, to power various steps of this cycle, the company is offering grid-scale ceramic-based NAS® storage batteries that have been successfully deployed for over 20 years. It is also developing a new zinc rechargeable ZNB battery optimised for safe indoor use.

"All of these key technologies — from membranes, reactors, to honeycombs — have evolved out of producing catalytic converters for the automotive industry," says Kobayashi. "So we already have the know-how, factories, people and capital needed for massive scaling of these solutions."

New value from ceramics

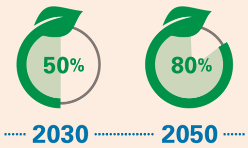
It makes sense for a company to be eager to refashion its production lines, which annually supply tens of millions of components to internal combustion engine automobiles, towards products aimed at a carbon-neutral future.

But even from a purely technical perspective, ceramics offer advantages.

"Ceramic membranes and filters can be used efficiently under high temperature, high pressure and corrosive environments while also providing efficient and highly accurate separation of particles, including for CO_2," explains Kobayashi.

Compared to other organic materials currently being tested for DAC and various CCUS processes, such as pellets and fibres, ceramics can improve energy efficiency and structural durability.

Another consideration is that these ceramic products can be made from a material that is abundant and commonly available. For example, NGK's ceramic-based NAS® batteries, which do not use rare metals, will become increasingly attractive as global lithium supplies come under strain from surging demand.



Percentage of total sales NGK is aiming to generate from products related to carbon-neutral and digital technologies

To work towards its new vision as a leader of carbon-neutral and digital technologies, NGK will spend ¥300bn over the ten-year period to 2030 on R&D for solutions related to these two fields. The goal is to generate half of its total sales from products from these areas by 2030 and to then raise it to 80 per cent by 2050 from its current 30 per cent[1].

The company also expects steady demand for automotive catalysts as exhaust regulations across developing world markets become more stringent, and the shift to EVs has yet to materialise. Elsewhere, sales from semiconductor manufacturing equipment materials and various electronic components are robust, in line with the ongoing digital transformation of the global economy.

Bringing a hard-to-abate sector to zero emissions

One key challenge in achieving net zero emissions is ensuring the technology used to capture carbon does not generate more carbon than it captures. This challenge is particularly relevant for 'hard-to-abate' sectors like steel, cement and chemicals, which are energy-intensive and have hefty emissions.

Ceramic manufacturing is an energy-hungry industry, with high-tech industrial ceramics often fired at over 1,300 degrees Celsius inside furnaces primarily fuelled by burning natural gas. Today, industrial ceramics accounts for some 1 per cent of Europe's carbon emissions.

NGK figures show the company emitted, at its peak level, 870,000 tonnes of CO_2 in 2019 (of which 70 per cent came from electricity and 30 per cent from fossil fuels used for kilns). The firm says it is working to reduce emissions to 370,000 tonnes of CO_2 by 2030 and to reach net zero by 2050[2].

"We have been experimenting with hydrogen to fire our kilns and find that it is more or less possible," explains Kobayashi. "But for this fuel transition to be feasible, there needs to be a supply chain of cheap and clean hydrogen."

In the meantime, NGK is making existing plants more efficient and experimenting with other processes, such as methanation and electric kilns.

Last year, NGK joined the RE100, a global initiative which aims for 100 per cent of the electricity used in business operations to come from renewable energy sources. As a result, the company has committed to sourcing all electricity in its overseas operations from renewables by 2025[3] and globally by 2040[4]. To accelerate this process, NGK is deploying large-scale NAS® storage batteries in combination with photovoltaic cells across its factories globally, with a target of generating some 40MW (amounting to a cut of 22,000 tonnes of CO_2 emissions) from its solar panels by 2025[5].

Much remains to be done, but the tempo for the century-old ceramics specialist is accelerating.

"There are few companies like us which have been patiently, almost boringly, researching ceramic technologies for decades," says Kobayashi. "Now, we are combining this with a focus on agility to bring these solutions to market quickly."

How ceramics can contribute to scaling up DAC

The science is clear. Meeting Paris Agreement goals will require gigatonnes of carbon already emitted to be effectively scrubbed out of the air.

One promising solution is direct air capture (or DAC), a technology that removes carbon directly from the ambient air through a chemical process. To make a material impact, DAC must be scaled up fast. The International Energy Agency estimates that an average of 32 large-scale DAC plants, each capable of capturing 1 megatonne of CO_2 per year, need to be built annually between now and 2050.

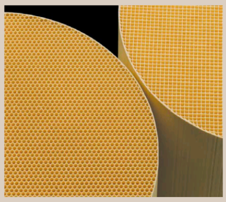
NGK believes that its ceramic substrate — supplied for decades in use for catalytic converters to purify exhaust gases from combustion engines in cars — is suitable for this task.

The ultra-thin walls of the substrate's honeycomb structure create a very large surface area to be coated with chemicals that bind to CO_2 and remove them from ambient air. Its structural strengths also generate reduced pressure loss and heat capacity than other approaches. This means less electricity is needed to push the air through the contactor and less heat is required to release the captured CO_2, making the process more efficient. Ceramics are also highly durable, resulting in longer lifespans and lower capital costs, compared to other materials.

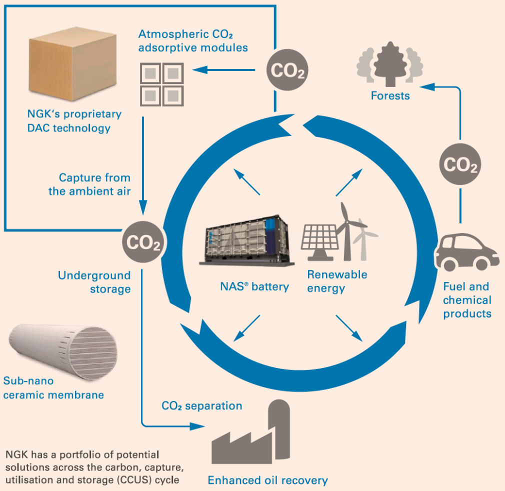
By deploying these ceramic components in modular and easy-to-scale solid-DAC plants, carbon removal operations can be scaled up rapidly and more efficiently.

The company expects that 30 litres of honeycomb ceramics will be needed to extract one tonne of CO_2 annually. NGK aims to modify its existing plants to be able to supply 300 million litres of honeycomb for DAC by 2040[6]. That represents a fifth of the capacity of DAC that the IEA estimates will be required to reach climate targets.

Currently the company is supplying samples of its ceramic components to DAC companies and aims to achieve demonstration tests by 2025.



The company believes the honeycomb structure of its ceramic substrates could help scale carbon removal operations



NGK has a portfolio of potential solutions across the carbon, capture, utilisation and storage (CCUS) cycle

1, 2 NGK Report 2022 https://www.ngk-insulators.com/en/sustainability/pdf/2022/ngk2022.pdf
3 https://www.ngk-insulators.com/en/news/20211014_1.html
4 https://www.ngk-insulators.com/en/news/20221027_1.html
5 https://www.ngk-insulators.com/en/news/20221124_2.html
6 Internal documents from NGK

Up for auction Oversupply of oilfield equipment is a stark sign that drilling in US shale energy regions is levelling off PAGE 8

Companies & Markets

Credit Suisse bondholders study Finma's wipeout order

- Judge grants access in AT1 lawsuit
- Ruling piles pressure on watchdog

ROBERT SMITH, STEPHEN MORRIS AND OWEN WALKER — LONDON

Credit Suisse bondholders have forced the Swiss financial regulator to divulge the decree that wiped out their investments, handing them an early victory in the legal battle against the writedown.

Investors representing at least $4.5bn of wiped-out additional tier 1 bonds filed a lawsuit against Finma last month. The suit accuses the banking regulator of having acted unconstitutionally when it ordered the bank to cancel the $17bn of AT1 bonds as part of its shotgun marriage to UBS two months ago.

The investors and Quinn Emanuel, their law firm, launched their challenge largely in the dark as Finma had kept secret the wording of its decree ordering the writedown of their investments.

But the judge overseeing the case, filed in St Gallen, ordered Finma to hand over the decree last week, giving the AT1 bondholders a firmer foothold to contest the writedown. In addition to the decree, the government issued two emergency ordinances expanding Finma's powers to do so.

The first ordinance on March 16 did not mention the AT1 bonds. But on March 19, a Sunday, officials added the line: "Finma may order the borrower and the financial group to write down additional tier one capital". The government said this gave Finma a "clearer legal basis" to wipe out the bonds.

Finma has publicly said the contractual conditions were met to write down the bonds because Credit Suisse drew on government-backed liquidity facilities in the days before its rescue by UBS.

This provoked an outcry from investors because the AT1 bonds could be written down only if government assistance also bolstered the bank's capital ratios, which they argued was not the case given the authorities intervened only to aid Credit Suisse's liquidity.

A copy of Finma's decree says the government-backed facilities had a "direct positive effect on the liquidity and capital situation". Finma said this satisfied the so-called viability event clause in the bond's documents and meant the bank "was therefore able to write off the AT1 instruments on its own initiative".

One bondholder said the fact that the decree explicitly sets out Finma's interpretation of the contracts governing the AT1 bonds would help the challenge.

"Before, it seemed like you were fighting a law, or an ordinance, which made it a constitutional fight" in which investors were less likely to prevail, he said. "Now it's back in the realm of contracts."

> 'Before, it seemed like [investors] were fighting a law . . . now it's back in the realm of contracts'

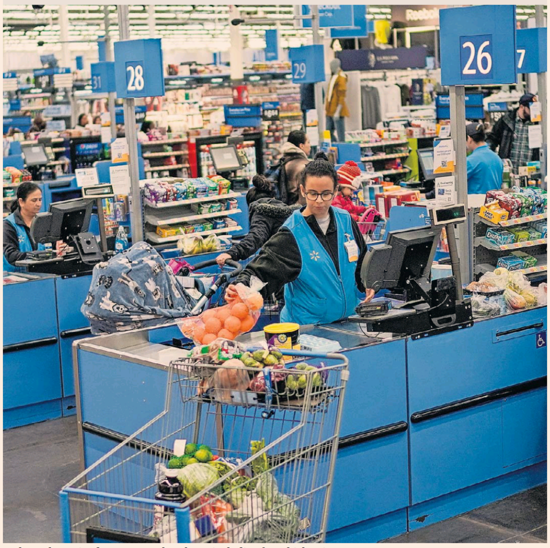
The investor said Finma's reasoning that drawing on liquidity facilities also bolstered Credit Suisse's capital was "absurd" and could have set a worrying precedent. "If every time a bank draws on central bank money it triggers their AT1s then we'd be in a real mess."

Finma declined to comment.

The decree sheds further light on the scale of the run in the days before the takeover was agreed. Finma noted that after a run on the back of a crisis in US regional lenders, Credit Suisse "reached its internal cash limit with the Swiss National Bank" in mid-March and that a fall below this value presented a risk the bank would "no longer be able to execute its payment transactions properly".

Credit Suisse applied to the SNB for SFr39bn ($43bn) in liquidity assistance on March 15. It was granted the next day. After outflows of SFr14bn on March 16, it applied for a further SFr20bn.

Retail haven Bullish Walmart raises guidance after first-quarter earnings beat expectations



Walmart has gained grocery market share, including from higher-income customers — Eduardo Munoz Alvarez/AP Photo

ANDREW EDGECLIFFE-JOHNSON
NEW YORK

Walmart reported stronger than expected earnings in the three months to the end of April, allowing it to raise its full-year estimates and buck the more wary tone about US consumer spending set by rivals Home Depot and Target this week.

"Stubborn inflation" in dry grocery and consumables still weighed on some families and created uncertainty about the outlook for the second half, Doug McMillon, Walmart's chief executive, told analysts.

Despite a 4 percentage point fall in headline inflation in food and consumables in the quarter, food prices were more than 20 per cent above their level two years ago, said John David Rainey, chief financial officer.

"At the headline level consumer spending has proven resilient but below the surface we continue to see signs that customers remain choiceful, particularly in discretionary categories," Rainey said, echoing comments from Home Depot and Target.

But Walmart gave a more bullish account of growth in the quarter and of its prospects for the rest of the year than its rivals. The world's largest retailer raised its full-year forecasts, predicting 3.5 per cent sales growth rather than the 2.5 to 3 per cent guidance it had reaffirmed last month. It now expects adjusted earnings to hit $6.10 to $6.20 a share, above the $5.90 to $6.05 range it previously flagged.

Revenues for its fiscal first quarter were up 7.7 per cent excluding currency swings to $152bn, with ecommerce sales advancing 26 per cent. Cuts to operating expenses helped offset the spending shift from more profitable general merchandise, lifting adjusted earnings per share by 13 per cent to $1.47, above the $1.25 to $1.30 range it had told investors to expect.

Walmart gained market share in grocery, including from higher-income consumers who have become price-conscious. Cheaper private-label brands also claimed a larger share of its US sales in the quarter.

Corey Tarlowe, a retail analyst at Jefferies, said the increases Walmart saw in both the number of consumers coming to its stores and their average spend were "very encouraging".

Its more confident outlook than the one Target offered suggested it could gain market share at a time when US consumers were becoming "more and more stretched", Tarlowe said.

Walmart pointed to a 28 per cent sales increase at its stores in China as Covid curbs were eased, and double-digit growth from the Walmex business in Mexico and from its Flipkart ecommerce business in India.

Walmart shares were up 1 per cent in late morning trading yesterday.

See Lex

'Leaner' BT plan means loss of up to 55,000 jobs

ANNA GROSS — LONDON

BT is to slash up to 42 per cent of its workforce by the end of the decade as the UK telecoms group embarks on its most radical cost-cutting since it was privatised in the 1980s.

The move comes two days after rival Vodafone unveiled plans to axe 11,000 jobs over the next three years to boost its flagging performance.

BT chief executive Philip Jansen said the group would become "a leaner business with a brighter future," adding that many of those reductions would come from the end of its full fibre rollout.

Other roles will go due to increasing digitisation, Jansen said, as he claimed AI would bring about sweeping changes.

"For a company like BT there is a huge opportunity to use AI to be more efficient," he said of the jobs to be lost through digitisation and automation.

BT said yesterday that it would cut between 40,000 and 55,000 jobs, including employees and third-party contractors, by 2030. The FTSE 100 group's current workforce totals 130,000, including around 30,000 third-party contractors.

Faced with rising costs and a series of underperforming businesses, BT had already embarked on a cost-cutting programme. The group said it had achieved £2.1bn in cost savings of a £3bn target.

The cuts will include 15,000 fibre engineers and 10,000 maintenance workers, a person close to the company said, with another 10,000 eliminated by increasing digitisation and automation.

"This is an existing plan, we're just announcing it and giving people a flavour of the landing zone in five to seven years' time," Jansen said.

The Communication Workers Union, the biggest union representing BT workers, said that the job cuts did not come as a big surprise. However John Ferrett, a negotiator at Prospect, said the union was "deeply concerned by the scale of these cuts" and that it had demanded an urgent meeting with Jansen.

BT's move to deepen its cost cutting came as the former monopoly reported a mixed set of annual results. While revenues and profits surpassed expectations, its free cash flow — a metric closely watched by investors — disappointed. For the 12 months to the end of March, the group reported free cash flow of £1.3bn, at the lower end of the £1.3bn t-£1.5bn range it had set out.

See Lex

A form of direct regulation for AI models will become inevitable

INSIDE BUSINESS
TECHNOLOGY
Richard Waters

For regulators trying to get their heads around the new generation of artificial intelligence systems like ChatGPT, there are two very different problems to confront. One is when the technology does not work as intended. The other is when it does.

Generative AI, which produces text or images automatically, has become a potential menace because of both its awesome power and its uncontrollability — a noxious combination that presents unique problems for anyone hoping to limit their capacity for harm.

Before ChatGPT, a consensus had largely formed around the objectives of AI regulation. All the attention was on trying to control the applications of the technology, with a particular focus on its use in high-risk situations like healthcare. Now, an altogether different question has presented itself. When a smart, all-purpose chatbot has the ability to cause upheaval across a wide range of human activity, is it time to regulate the AI models themselves?

So-called general purpose technologies like AI, which can be used for many different things, present a particular problem for regulators. With AI, it is difficult to separate benign uses from the more sinister. And AI makers admit they can't explain exactly how the technology works, or predict when a particular input in the form of a prompt will lead to a particular output.

The encouraging news is that there is plenty of work going on to get to grips with the unique problems presented by the technology. For governments around the world, the question now is whether to step in and back these efforts with the force of formal regulation.

The so-called large language models that lie behind generative AI services like ChatGPT fail on the most basic measure of effectiveness for any piece of technology: being able to clearly specify what it is intended to do, and then measure whether it achieves is objectives.

There is little that is repeatable in their performance, and evaluations of their output are highly subjective.

In the US, the National Institute of Standards and Technology has been working with experts to try to come up with standards for how these systems should be designed, tested and deployed.

> OpenAI and Google face reputational risk from the fear caused by such a powerful and opaque technology

Another push has been for transparency, potentially making it easier to subject the models to a greater degree of outside scrutiny. Understanding what's happening inside a learning system like an LLM is not as straightforward as exposing the code in traditional software.

But makers of large models like OpenAI and Google face reputational risk from the fear caused by such a powerful and opaque technology, and are keen to find ways to satisfy the hunger for more openness. After the chief executives of four of the leading AI companies visited Washington earlier this month, the White House announced that they would submit their models for outside scrutiny at the annual Defcon cyber security conference this August.

Setting standards for safety processes, increasing transparency about the models' workings and giving outside experts a chance to kick the tyres are all ways to increase assurances about LLMs. The question is what formal regulation is needed — and what restrictions should be placed on models deemed a threat.

One possibility, suggested by Alexandr Wang, CEO of Scale AI, would be to treat AI the same as the GPS positioning system, limiting the most powerful versions of the technology for restricted uses. But it would be hard to impose limits like this in a competitive technology market. Another approach, recommended this week by OpenAI CEO Sam Altman, would be to subject LLMs to direct regulatory oversight. A licensing regime could be used to ensure they adhere to certain safety standards and have been appropriately vetted.

Despite the appeal, there are obvious drawbacks to this. It would risk carving out a separate market of large, regulated models under the control of a handful of companies with resources to operate in a highly regulated environment.

The current breakneck pace of development in AI would also cause problems. By definition, today's most advanced models quickly become tomorrow's routine pieces of software.

At the same time, some of the capabilities currently available only in large, all-purpose models like ChatGPT may soon also come from much smaller systems trained to handle narrower tasks.

None of this lends itself to easy answers. But with the technologists themselves calling for oversight of the smart bots, some form of direct regulation seems inevitable.

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Financial services

PwC seizes oversight of Australia operation

Global bosses flown in to gauge scandal impact will stay for extended period

MICHAEL O'DWYER — LONDON
NIC FILDES — SYDNEY
STEPHEN FOLEY — NEW YORK

PwC will seize long-term oversight of its Australian business following the local team's role in a tax leak scandal.

International executives — some of whom were flown to Sydney by the Big Four firm to assess the immediate damage to its brand — are set to remain in place for an extended period, according to two insiders with knowledge of the decision.

While PwC's national businesses have autonomy over their operations, its global headquarters was using its rights under the international network's rules in order to exert influence over the Australian business in response to the misuse of government information, said one of the people, who spoke on the condition of anonymity.

PwC's global office declined to comment.

The response follows the publication of emails showing how PwC used information received during its work with the Australian government to win business by advising corporate clients on anti-tax-avoidance rules.

The chief executive of PwC's Australian business and two other leaders have stepped down, while a former partner has been banned from practising as a tax agent for two years.

The scandal came as insiders said the firm had been preparing to publicly roll out the next phase of a plan to increase the independence of its auditors and "build trust" in its business, a central plank of its global branding since 2021.

International executives were likely to remain at the Australian business for several months or longer, the person said. The need for "support" was likely to be heightened by the installation of a new management team in Australia, said another person at the firm.

The move mirrors the response of rival Big Four firm EY when it was plunged into crisis by the collapse of Wirecard in 2021 after a fraud in Germany, and by Toshiba's accounting scandal in Japan in 2015. Both companies had been EY audit clients.

EY's global legal, audit quality, and communications teams were among those given roles in the response to the Wirecard crisis, which led to a two-year ban on new audit work for EY Germany, said people familiar with the matter. International audit quality teams spent several months in Japan following the accounting scandal at Toshiba.

KPMG deployed a similar strategy in 2018, embedding international partners into its South African firm after it was at the centre of a corruption scandal.

PwC said law firm Linklaters, which is to review the involvement of personnel outside Australia in the leaks scandal, would "have unrestricted access to what they need to enable them to investigate and to inform their recommendations for change".

Linklaters would be given access to earlier internal investigations carried out by PwC and use these in its review, said people with knowledge of the matter. But PwC Global said the law firm would "form its own independent assessment of what happened across our network".

PwC has not said whether it will publish the findings or how long the process will take. PwC Global said the sharing of confidential information by its Australian business had been "unacceptable".

Linklaters and PwC Australia did not respond to requests for comment.

Oil & gas. Equipment glut

US drillers 'hit the halt button' as backdrop shifts

Pristine rigs are auctioned off at bargain sums after sector rejig and fall in energy prices

MYLES MCCORMICK — NEW YORK

Texas auctioneer Kruse Asset Management will put two unused, top-of-the-line drilling rigs under the hammer next week.

The towering structures designed to bore oil and gas wells are on offer for fire-sale prices. Valued at $40mn and $30mn when built in 2019, their respective starting bids will be $12.9mn and $2.3mn.

"There's no reason for them to be so cheap, but there's just no demand," said Dan Kruse, chief executive of the San Antonio-based auctioneer, who has been selling oilfield equipment for four decades.

An oversupply of equipment is a stark sign that drilling in US shale energy regions is levelling off, as producers respond to lower commodity prices and pressure from Wall Street to direct spare cash to shareholders.

After slowly climbing since the depths of the coronavirus pandemic, the number of oil and natural gas rigs at work in the country has declined 6 per cent since the beginning of the year to 731 last week, according to Baker Hughes, the oilfield services company. Almost 2,000 rigs were running in the middle of 2014, when the shale revolution was at a peak. Last week the number of gas-directed rigs dropped by 16, or 10 per cent — the steepest weekly fall since 2016.

"Today's operators are more discerning than ever before," said Matt Johnson, chief executive of Primary Vision, an energy data company. Johnson said producers that received a windfall from last year's rally were watching oil prices before hiring new drilling crews. "The overall economy is still in a state of cautious uncertainty and upstream participants are paying attention."

At the same time, more private companies that accounted for much of the modest increase in shale drilling activity last year have been acquired by cash-rich public companies, which are under greater scrutiny over returning cash to shareholders.

"They had really been the growth engine," said Nathan Nemeth, an analyst at Wood Mackenzie, a consultancy. "Now those privates are being bought and taken out and the trend has been a slowdown in growth."

An oil pumpjack at work in the Permian Basin. Producers are watching energy prices before hiring new drilling crews
Joe Raedle/Getty Images

Recently, New York-listed Matador Resources snapped up private equity-backed Permian basin driller Advance Energy for $1.6bn, while the public company Ovintiv bought $4.3bn of assets from Encap Investments last month.

US crude oil and dry gas production are on track to make annual records this year, according to the Energy Information Administration. But as drilling hits a plateau, growth is decelerating.

US oil output soared more than 1mn barrels a day each year between 2012 and 2014, with production hitting a peak of 13mn in November 2019. Analysts are scaling down forecasts, with the EIA saying production will rise just 200,000 b/d over the next 12 months to 12.6mn b/d.

The productivity of wells has improved in recent years as companies sharpened their skills at breaking through shale resources. But it has begun to slide in some once-prolific regions such as the Bakken shale of North Dakota, where new oil production per rig rose from just over 100 b/d in 2007 to more than 2,700 b/d in 2020, before declining since to less than 1,700 b/d, according to EIA.

Weakening energy prices have accentuated the pullback in US drilling. US oil prices settled just below $71 on Tuesday, down more than 40 per cent since Russia's invasion of Ukraine sent them above $120 last year.

Benchmark US gas prices have fallen about two-thirds over the same period to just above $2 per million British thermal units.

Publicly traded gas-focused producers including Chesapeake Energy and Comstock Resources — alongside a host of private companies — have indicated that they will ease drilling in the Haynesville shale basin that straddles Texas and Louisiana this year.

"In terms of the gas markets, obviously, we have hit an air pocket here," Anthony Petrello, chief executive of drilling contractor Nabors Industries, said on a recent earnings call. "When the end of March came along, a lot of those guys just hit the halt button."

Like its competitors, Nabors has sought to move rigs from gas-focused basins to oil-focused plays such as the prolific Permian basin in west Texas and New Mexico. Rival Precision Drilling said on a recent call with analysts that it planned to shift rigs north of the border to Canada.

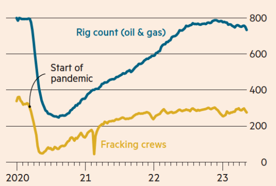
Many gas drillers are banking on the construction of new terminals to export liquefied natural gas, a promising sales outlet for domestic US gas producers. But these projects take years to come on line and no new projects are scheduled to start up until late 2024.

For Kruse, the auctioneer, that is too late. He said he was now looking beyond the "mushy" US market, seeking buyers in Latin America and the Middle East.

"We're marketing everywhere, but abroad is more realistic to find the buyer, I think — where more end users would be. Internationally is probably where the rigs will sell."

'The overall economy is still in a state of cautious uncertainty and upstream participants are paying attention'

Drilling tapers off in shale patch
Number



Sources: Primary Vision; Baker Hughes

Industrials

Adani courts bankers after onslaught by short seller

CHLOE CORNISH — MUMBAI

Gautam Adani has invited bankers on a three-day trip next month to tour his conglomerate's prized assets and restore confidence after a short seller accused his group of accounting fraud and stock price manipulation.

The magnate has offered lenders a chance to visit the airport his group is building outside Mumbai, as well as port and energy facilities in Mundra, in Gujarat, from June 8 to 10, according to an email seen by the Financial Times.

Guests had been invited to meet and dine with Adani Group executives at a hotel near Mumbai's airport, the invitation said.

Two people familiar with the matter confirmed details of the itinerary. Adani declined to comment.

The initiative is the first trip of its kind hosted by Adani since New York-based short seller Hindenburg Research published its report in January, which wiped more than $100bn off the market value of the group's listed companies.

The ports-to-power business, which has denied the allegations, has since been forced to slow down spending on new businesses and focus on cutting down its debt pile, which stood at about $30bn at the beginning of the year.

Adani's rapid expansion in the past decade has been supported by loans from banks, including Barclays, Deutsche Bank and Standard Chartered.

The mogul 'would try and do everything possible to heal the relationships, to quell the uncertainty'

After the short seller's report, analysts warned that it could become more difficult for the company to secure financing from global institutions because of governance concerns.

"Even banks would have become more cautious as there's a controversy going on," said Arun Kumar, a retired economics professor at New Delhi's Jawaharlal Nehru University. "I suppose Adani would try and do everything possible to heal the relationships, to quell the uncertainty that's surrounding their group at the moment."

Adani had hosted similar events before the Hindenburg report and subsequent sell-off, albeit virtually during the pandemic, a person close to the company said.

The initiative comes as two Adani companies, electricity unit Adani Transmission and flagship Adani Enterprises, are seeking to raise a combined $2.5bn by issuing shares in a private placement or by other methods. The companies' boards approved the plan last Saturday.

Earlier in the year, Adani Enterprises had to call off a $2.4bn fundraising following the release of the Hindenburg report.

The Securities and Exchange Board of India is probing Adani over claims in the report, and the Supreme Court has appointed a panel to monitor its progress. The court in March gave Sebi two months to finish its probe, but the regulator asked for more time.

Sebi said in an affidavit this week that any "premature conclusion of the case . . . arrived at without full facts . . . would be legally untenable".

Opposition politicians have criticised the delay, and Supreme Court judges on Wednesday asked Sebi to wrap up the investigation by August 14, Reuters reported.

Banks

Deutsche in $75mn payout to Epstein victims

JOE MILLER — NEW YORK

Deutsche Bank has agreed to pay up to $75mn to settle a lawsuit brought by an unnamed woman who alleged it had benefited from human trafficking by retaining Jeffrey Epstein as a client.

Under the pseudonym Jane Doe, she said she was abused by Epstein, and filed the proposed class action against Deutsche in November, after a New York law allowed sexual abuse claims where the statute of limitations had expired to proceed for a limited period.

She claimed the German bank "chose profit over following the law" and knew it would "earn millions of dollars from facilitating Epstein's sex trafficking".

Dozens of women may ultimately share the damages award, which will be distributed in amounts determined by an administrator assessing individual claims, people familiar with the matter said. Claimants could get as much as $5mn each, the people said.

The settlement draws a line under one of three lawsuits involving lenders to Epstein. Two others target JPMorgan Chase, which has been sued by another alleged victim and the US Virgin Islands, where Epstein had a home. JPMorgan brought a fourth suit against former executive Jes Staley, accusing him of lying about his links with Epstein.

Plaintiffs' lawyers said they believed the sum paid by Deutsche was "likely the largest sex-trafficking settlement involving a banking institution in US history". Doe's representatives at Edwards Pottinger and Boies Schiller Flexner said the agreement was the "culmination of two law firms conducting more than a decade-long investigation to hold one of Epstein's financial banking partners responsible for the role it played in facilitating his trafficking organisation".

Deutsche paid $150mn to the New York State Department of Financial Services in 2020 over its Epstein relationship and internal compliance failures and last year agreed to pay $26mn to shareholders who accused the bank of misleading them over its client vetting process.

The Frankfurt-based lender had tried to have Doe's case dismissed, arguing a settlement she reached with the Epstein estate in April 2022, in which she received $7.4mn, covered its liability, too.

It also argued Doe's "deficient" complaint did "not come close" to adequately alleging Deutsche was part of Epstein's sex-trafficking ring.

Deutsche declined to comment.

In recent years, Deutsche has invested €4bn in improving its internal compliance systems, building an anti-financial crime team of more than 1,900, a person familiar with the matter said.

The bank first took on Epstein as a client in August 2013, soon after JPMorgan dropped him amid concerns about his sexual misconduct and reports that he was paying victims in cash.

Financials

Mediobanca buys UK-based tech advisory firm

SILVIA SCIORILLI BORRELLI — MILAN

Mediobanca has acquired London-based financial advisory Arma Partners as the Italian bank pushes deeper into the UK and attempts to win more tech clients across Europe and the US.

The deal for Arma, which advises clients across industries including software, underlines how Mediobanca is trying to expand its role beyond corporate Italy, where it has been a powerbroker for decades.

Mediobanca chief executive Alberto Nagel said that Arma's geographic spread was a "perfect fit" that would allow it to build a presence in the US.

Over the past five years, Arma has advised on deals worth a combined €8.5bn across the software and cloud computing sectors as well as fintechs. It has annual revenue of more than €100mn.

The deal values Arma at more than twice its revenue, according to a person familiar with the matter. Following the acquisition, Arma's founder and managing partner Paul-Noël Guély, a former head of European technology investments at Lehman Brothers and Goldman Sachs, will continue to lead its team of 100 bankers across offices in London, Munich and the US.

Guély said that selling the business would allow Arma to "expand globally while remaining an independent firm." Guély and his team will work closely with Mediobanca's co-heads of investment banking Francisco Bachiller and Giuseppe Baldelli.

Alberto Nagel, Mediobanca's chief, said Arma's spread was a 'perfect fit'

The deal is the latest by Mediobanca that takes it beyond its domestic market. In 2015 it struck its first foreign deal with the acquisition of Cairn Capital, a London-based investment manager.

Two years ago, Cairn bought distressed-debt specialist Bybrook Capital, creating a group with about $8bn in assets under management.

Mediobanca did not disclose the price, but said that it would pay 40 per cent of it in cash when the deal closes and the remaining 60 per cent over the next four years, depending in part on the performance of Arma.

The deal comes amid speculation that Mediobanca's next target could be Banca Generali, Italy's largest private banking group and the largest shareholder in insurer Generali. A potential deal was derailed a couple of years ago amid disagreements over price.

Social media groups struggle to cope with US states' youth safety decrees

Lawyers for platforms thrash out how to handle array of protection laws and their associated risks

HANNAH MURPHY — SAN FRANCISCO

FT montage/Getty Images

Social media platforms are struggling to deal with a patchwork of US state laws requiring them to verify users' ages and give parents more control over their children's accounts.

States including Utah and Arkansas have passed child social media laws in recent weeks, and similar proposals have been put forward in states such as Louisiana, Texas and Ohio.

The legislative efforts are designed to address fears that online platforms are harming the mental health and wellbeing of children and teens amid a rise in teen suicide.

But critics — including the platforms and some children's advocacy groups — say the measures are poorly drafted and fragmented, potentially leading to unintended consequences.

One staff member at a large technology company who leads its state legislative policy described the proposals as "nightmarish [and] nonsensical, if not Kafkaesque. Being able to prepare for this with confidence is a Herculean task".

The person said their legal teams were thrashing out how to interpret the various rules and their associated risks.

There is a growing body of research linking heavy use of social media by children and teens to poor mental health, prompting demands to better protect children from toxic content.

Republican Utah state representative Jordan Teuscher, who was the House sponsor of the state's bill, said it had been created in response to a number of studies showing "some really devastating effects of social media on teens".

He said of the decision to introduce the legislation, which is set to come into force in March 2024: "We strongly believe that parents best know how to take care of their own children. It was parents coming to us saying, 'I need help'."

The Utah law requires social media platforms to verify the age of all state residents and then get parental consent before allowing under-18s to open an account.

In addition, platforms must grant parents access to those accounts and they are banned from showing them advertisements or targeted content.

Governments and regulators are racing to introduce legislation with the UK's Online Safety Bill and the EU's Digital Services Act compelling social media companies to shield children from harmful content.

In the US, a new federal proposal, the Kids Online Safety Act, was introduced by US senators Marsha Blackburn, a Republican, and Richard Blumenthal, a Democrat, which would place a duty of care on platforms to protect children.

Earlier this year, Republican senator Josh Hawley introduced a bill that would enforce a minimum age requirement of 16 for social media users.

Social media platforms and experts agree that federal laws would be most effective in order to impose a uniform nationwide standard. But, in the meantime, the smattering of state laws emerging has forced the platforms to scramble to adapt.

States taking action on the issue have diverged into "two lanes", said Zamaan Qureshi, co-chair of a youth coalition advocating safer social media for young people.

In one, several Democratic-led states, such as California, had been focused on regulation that aimed to "force technology companies to make design changes to their products to better protect minors", he said. In the other, a greater number of Republican states had focused on the role of parents.

Marsha Blackburn is one of the senators who introduced the Kids Online Safety bill

National security

Montana ban faced by TikTok

TikTok is facing its first ban by a US state over national security concerns after Montana's governor signed a bill prohibiting downloads of the social media app, setting up a potential legal fight over free speech.

The bill, signed by Greg Gianforte on Wednesday and taking effect in January, bans TikTok from operating in Montana and prohibits app stores from allowing downloads of the app, which is owned by Chinese company ByteDance.

If they do not comply, TikTok and the app stores, such as Apple and Google, could face fines of $10,000 per violation per day, according to the bill.

The ban comes amid mounting security concerns from governments and regulators about the company's ties to Beijing.

Earlier this year, the US government called for a ban or divestiture of the app, fearing it could harvest data on its 150mn US users for espionage.

"To protect Montanans' personal and private data from the Chinese Communist party, I have banned TikTok in Montana," Gianforte wrote on Twitter.

The law is widely expected to face legal challenges.

TikTok said: "Governor Gianforte has signed a bill that infringes on the First Amendment rights of the people of Montana by unlawfully banning TikTok, a platform that empowers hundreds of thousands of people across the state."

TikTok has become a flashpoint in tension between the US and China, uniting Republicans and Democrats in Washington, many of whom have called for a federal ban.

China has said it opposes a demand from the US that the US arm of TikTok be separated from its Chinese owners.

In Montana, it is unclear what will happen to TikTok users who have downloaded the app ahead of the law coming into force. It is unclear if and how app stores can carve out offering an app on a state-by-state basis.

Google and Apple did not respond to a request for comment.

One common theme among the Republican state lawmaking efforts is a requirement for the platforms to carry out age verification for all users.

This paves the way for a second requirement in some states for platforms to gain consent from a parent or guardian before they allow under-18s on their apps, and in some cases, to allow those parents to have access to their child's accounts.

Given a lack of specificity in the drafting of the measures, the platforms have been left perplexed by how to gather parental consent, according to multiple people familiar with the matter, weighing whether this might be a simple check-box exercise or will require companies to collect a copy of a birth certificate, for example.

Academics and advocacy groups have also raised questions about free speech and the privacy of the children the laws are designed to protect. And certain state rules might leave LGBT+ children whose families did not support them particularly vulnerable, Qureshi warned.

"What an active parent means is very different for each child or each young person," he said.

The age verification mandate poses big challenges. Vetting for age, which typically involves requesting ID or using age estimation through face scanning technology, will result in underage users being removed from the platforms, hitting advertising revenue.

If ID is the main method for verification, critics warn that not all minors have access to official identification. Age range estimation is an inexact science.

Arkansas, whose legislation comes into force in September, has ordered platforms to use third parties to verify ages, raising concerns about whether there are enough tools to manage the demand.

'Nonsensical, if not Kafkaesque. Being able to prepare for this with confidence is a Herculean task'

'We strongly believe that parents best know how to take care of their own children'

Yoti, a UK provider of age verification technology, is used by Meta's Instagram and Facebook Dating, the company has said. TikTok is weighing using the tech, according to two people familiar with the matter.

One of the biggest companies offering age verification tech is MindGeek, owner of Pornhub and RedTube, according to two tech policy staff.

Social media platforms, including Meta and Snap, have begun pushing the idea that age verification should be handled by the app stores where they are downloaded or at the device level — on an Apple iPhone, for example.

Meta said the company had developed more than 30 tools for teens and families, including parental supervision tools. "We'll continue evaluating proposed legislation and working with policymakers on these important issues."

Snap, which has also developed parental controls, said it was in talks with peers, regulators and third parties about how to address the age verification challenge. TikTok said "industry-wide collaboration" was needed.

Some children's advocacy groups argued that the focus of the legislation is misplaced. "The theme is putting it on parents and giving more parents more rights . . . It's saying the platforms don't need to change," said Josh Golin, executive director of non-profit Fairplay. "Really, what we think we should focus on is making platforms safer and less exploitative of kids."

See FT Big Read

Technology

AI pioneer Bengio warns of threat to democracy

MADHUMITA MURGIA
ARTIFICIAL INTELLIGENCE EDITOR

Advanced artificial intelligence systems such as OpenAI's GPT could destabilise democracy unless governments take quick action and "protect the public", an AI pioneer has warned.

Yoshua Bengio, who won the Turing Award with Geoffrey Hinton and Yann LeCun in 2018, said the rush to launch AI products had become "unhealthy". He saw a "danger to political systems, to democracy, to the very nature of truth".

Bengio has joined a growing faction of AI experts sounding the alarm about the rapid rollout of powerful large language models. His colleague and friend Hinton quit Google this month to speak more freely about the risks posed by AI.

Bengio said indiscriminate access to large language models was a serious concern, noting the lack of scrutiny. "Companies can rent access to ChatGPT . . . for example," he said. "It would be important that this access be closely monitored so we know who is using those systems so we can track potentially illegal or dangerous uses."

Tech groups have been racing to launch generative AI products — software that can write text and create images. Google last week unveiled a revamped search engine powered by its new AI system PaLM 2.

Microsoft-backed OpenAI's most advanced software, GPT-4, which it revealed in March, is being adopted by banks, consulting firms, start-ups, educational institutions and governments in an effort to supercharge productivity. "The race dynamic . . . is a vicious circle," said Bengio, a professor of computer science at the University of Montreal and the founder of Mila, the Quebec Artificial Intelligence Institute.

Regulators and governments are stepping up scrutiny of the technology. Sam Altman, OpenAI's chief executive, on Tuesday called on US lawmakers to regulate the field, outlining his fears about "interactive disinformation" ahead of US elections next year.

Best known for his work on deep learning, Bengio is one of a handful of senior AI researchers who have stayed in academia following a brain drain to tech companies over the past decade.

LeCun joined Meta in 2013, while Bengio's brother, Samy, was a senior research scientist in Google's AI division for almost 15 years before he quit to join Apple in 2021.

Bengio was one of more than 1,000 AI experts and tech executives to sign an open letter last month calling for a six-month pause on the development of advanced AI systems.

"If you want humanity and society to survive these challenges, we can't have the competition between people, companies, countries — and a very weak international co-ordination," he said.

There was an urgent need to make AI systems more transparent, including auditing the data being used to train them and their outputs. With peers, Bengio has also proposed an international coalition to fund AI research in areas such as climate and healthcare.

"Like investments into CERN in Europe or space programmes — that's the scale where AI public investment should be today to really bring the benefits of AI to everyone, and not just to make a lot of money," he added.

Technology

Chipmakers to expand in Japan as tech decoupling accelerates

LEO LEWIS AND KANA INAGAKI — TOKYO

Seven of the largest semiconductor makers have set out plans to increase manufacturing and deepen tech partnerships in Japan as western allies step up efforts to reshape the chip supply chain amid rising tensions with China.

At an unprecedented meeting in Tokyo with Japanese prime minister Fumio Kishida, the heads of chipmakers including Taiwan Semiconductor Manufacturing, South Korea's Samsung Electronics and Intel and Micron of the US described plans that could transform Japan's prospects of re-emerging as a semiconductor powerhouse.

Micron said it expected to invest up to ¥500bn ($3.7bn), including Japanese state subsidies, to build a plant to produce cutting-edge extreme ultraviolet lithography technology in Hiroshima.

Samsung is also discussing setting up a ¥30bn research and development centre in Yokohama with pilot lines for semiconductor devices.

Japanese government officials said the move followed a thaw in relations between Tokyo and Seoul.

Samsung was not available for comment.

"Japan's role has risen as like-minded nations work to strengthen their supply chains," said Yasutoshi Nishimura, Japan's minister of economy, trade and industry, following the meeting with chip chief executives. "We reconfirmed the strong potential for Japan's semiconductor industry."

The announcement comes as Japan prepares to host a G7 summit where economic security will be a focus of talks.

The easing of longstanding tensions between South Korea and Japan comes as the US has deployed significant diplomatic capital to urge closer alignment between its allies in the region against the perceived threat of China's expanding technological and military powers, and to reduce dependency on chips produced by TSMC and others in Taiwan.

TSMC, the biggest contract chipmaker, also expressed the possibility of more investment in Japan after it agreed to build a new plant in the south-western prefecture of Kumamoto.

Nishimura also referred to conversations with Intel on greater co-operation with Japanese chipmakers and said he had discussed co-operation among Applied Materials, IBM and Japan's Rapidus. The gathering of the chipmakers in Tokyo adds further definition to the industrial blocs that are emerging as soured US-China relations continue to produce signs of decoupling in global supply chains.

Nishimura said the government would use ¥1.3tn earmarked in Japan's supplementary budget last year to support the pledges made by foreign chipmakers.

Crypto. Tougher oversight

US digital asset crackdown pushes exchanges offshore

In the pink: crypto firms are considering offshore locations such as Bermuda in response to intensifying US regulation
Andykazie/Dreamstime

Overseas rivals taking larger share of trading volumes with less fear of regulatory reprisals

SCOTT CHIPOLINA

US cryptocurrency exchanges are setting up offshore venues in a hunt for overseas customers and to escape being ensnared in a regulatory blitz from US authorities.

Two of the largest venues, Nasdaq-listed Coinbase and Gemini, have stepped up plans to launch marketplaces outside the US following enforcement cases against domestic crypto companies.

US regulators have toughened oversight of the digital assets market following the failure of lenders such as Celsius Network and FTX, the exchange run by Sam Bankman-Fried.

Besides targeting individuals, the watchdogs have also deemed some products illegal in the US and forced companies to pull lucrative business.

By contrast, US crypto exchanges' offshore rivals have been able to launch products and take market share with less fear of reprisal.

Binance, which says it has no headquarters, has become the world's largest crypto exchange with daily volumes that dwarf US rivals.

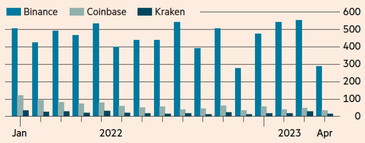
"For crypto companies trying to engage in compliance, they get punished in the marketplace by competitors that believe it's better to beg for forgiveness than ask for permission," said John Reed Stark, former head of the Securities and Exchange Commission's internet enforcement division.

Coinbase said securing a licence in Bermuda would increase "economic freedom and opportunity" for its customers.

But the US crackdown has also heightened investor nerves about using the US market.

'Headquarter-less' Binance dwarfs US exchanges Coinbase and Kraken in trading volume

Spot trading volume ($bn)



Source: CCData

Since the start of the year, Kraken agreed to end its staking business in the US — in which customers agree to lock up their tokens in other crypto projects in return for a high yield — as part of a settlement with the SEC.

Paxos shut down further issuance of BUSD, the Binance-branded stablecoin, a token used to help traders move more quickly in and out of the crypto market; the SEC warned Coinbase that it might face an enforcement action; and Bakkt quickly delisted 25 of the 36 available tokens on purchase of Apex Crypto, citing "regulatory guidance".

As uncertainty lingers, US marketplaces are losing ground to offshore rivals. Since January, Coinbase's share of the spot crypto market has almost halved to 5 per cent, according to data from Kaiko. Binance gained 30 per cent, partly on the back of free trading.

Smaller rivals such as Turkish crypto platform BtcTurk, Korea's UpBit and EU-based Bitpanda have recorded double-digit gains in cumulative trade volume in the first four months of 2023 compared with the previous four-month period.

Coinbase and Gemini have declined in the same period, Kaiko also found.

Without common global standards, exchanges are looking around the world for a favourable regime as a base for their growth plans.

From offshore locations, Coinbase and Gemini will both launch perpetual futures, a type of derivative widely favoured by regular traders and a source of income for companies such as Binance.

"Regulation and standards for this market have been rolled out differently in different markets, in some cases there's bespoke regimes, in some cases there's no regime . . . it's all very much a moving target at this moment in time," Eva Gustavsson, head of public affairs at digital assets company Copper.co, told an FT conference last week.

The type of money most commonly used in crypto markets has also flowed out of the US in recent months. Most daily trading is done through buying and selling popular tokens such as bitcoin with stablecoins like tether.

Stablecoins are normally pegged to the world's biggest currencies and act as a bridge between crypto and traditional markets.

Since January, the market share of British Virgin Islands-registered Tether has risen by a fifth to $82bn, representing more than 60 per cent of the market.

In contrast, Circle, a stablecoin issuer that holds an array of US money transmitter licences, has lost a third of its market share in the same period.

Only $30bn of Circle's USDC coins are now in circulation.

Hester Peirce, an SEC commissioner, said solid US rules for governing crypto would reverse the flow as investors would be attracted by predictable rules.

"When you have . . . central companies that are dealing with customers, it's very likely you're going to want to have some regulatory regime around them because you find out that centralised companies do the same kind of dastardly things whether or not they're in crypto or something else," Pierce added.

But many crypto executives acknowledge that there are limits to escaping US rules.

"Crypto firms considering offshore locations like Bermuda in response to intensifying regulation may view this as an appealing short-term solution . . . if you want to serve the US market, then you need to work with US regulators," said Thomas Hook, chief compliance officer at Bitstamp, a European exchange.

Moreover, the criminal charges brought against some of FTX's senior management and civil charges against Binance for illegally serving US customers underscored how US authorities have long extended their reach across borders when it affects consumers or the dollar.

"US law is very clear on this: you can be a foreign entity but, as soon as you touch American customers, you have established jurisdiction for US regulatory agencies, period," said Charley Cooper, former chief of staff at the Commodity Futures Trading Commission.

'They get punished by competitors that believe it's better to beg for forgiveness than ask for permission'

Crypto

Alameda bids to claw back millions from FTX-era deal

MARK VANDEVELDE — NEW YORK

Alameda Research is seeking to claw back hundreds of millions of dollars paid to individuals and companies, including former UK chancellor George Osborne's venture capital vehicle, in connection with a deal struck by Sam Bankman-Fried shortly before his FTX cryptocurrency empire entered bankruptcy last year.

Alameda, which is now being run by restructuring expert John Ray, alleged that Bankman-Fried and other insiders misappropriated FTX money to pay for the acquisition of Embed Financial, a start-up broker-dealer that had been touted as a way for the cryptocurrency group to expand its offerings into traditional financial securities.

In two lawsuits filed in Delaware on Wednesday, the company sought to reclaim millions of dollars from former Embed employees who received "retention" payments from the deal as well as the company's former shareholders.

Among the defendants are prominent firms that held stakes in Embed, including Y Combinator, Bain Capital Ventures and 9Yards, where Osborne is a partner alongside his brother, Theo.

Alameda's lawyers want the defendants, including California-based 9Yards, to repay the money they received from the Embed transaction, under bankruptcy laws that allow courts to unwind "fraudulent transfers" that are intended to take assets out of reach of creditors.

Among the defendants are firms including 9Yards where George Osborne is a partner

9Yards, which allegedly received about $46,000 from the transaction, did not immediately respond to a request for comment. None of the defendants are accused of any wrongdoing.

The complaint detailed an elaborate series of transactions involving multiple accounts at now-defunct Signature Bank that Alameda's lawyers said were intended to create the false impression that the $220mn used to acquire Embed came from the personal accounts of Bankman-Fried and other FTX executives, instead of the company.

A lawyer for Bankman-Fried did not immediately respond to a request for comment outside regular office hours.

With faulty technology and net revenue of only $25,000, Embed was worth a small fraction of the amount that Bankman-Fried's team had agreed to pay for it, Alameda's lawyers alleged in the filings.

They also quoted from internal communications in the weeks before the merger in which Embed employees relayed their previous experience of dealing with Bankman-Fried's team when FTX became an Embed customer.

The FTX affiliate in question "didn't do a ton of dd [due diligence]", said one employee, according to the filings. "I get a sense that they are [cowboy emoji] over there."

Additional reporting by George Hammond

Equities

Alibaba plans logistics and grocery unit IPOs in tech empire shake-up

ELEANOR OLCOTT — HONG KONG

Alibaba is planning to list its logistics and grocery businesses within the next 18 months and spin off its cloud division as the Chinese group commences a massive shake-up of its tech empire.

In its first financial results since the tech giant announced plans to split into six businesses, Alibaba kicked off the group's break-up as it posted a single-digit rise in revenues during the first quarter.

The Chinese group yesterday said revenues had risen 2 per cent in the three months to March to Rmb208bn ($30bn) compared with a year earlier.

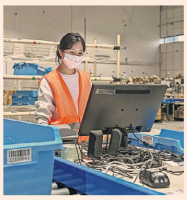
Alibaba said the board had approved plans to execute an initial public offering for its Freshippo grocery business, expected to be completed within the next year. It is also seeking to list its Cainiao Smart Logistics business in 12 to 18 months.

"We believe that these two companies are ready to go public," said Daniel Zhang, the group's chief executive, on an investor call.

Alibaba also revealed plans to spin off its struggling cloud business through a stock dividend to shareholders after completing a private fundraising round for the unit.

But the cloud computing arm's recent struggles could damp its valuation in private markets. In the first three months, the unit reported a 2 per cent fall in revenues year on year — the first quarterly sales decline on record.

"The cloud business is fundamentally different from other consumer-facing businesses," said Zhang. "This will allow the cloud business to sharpen its business strategy and optimise operations," adding that Alibaba intended for the business to become an independently listed company.



Alibaba is seeking a flotation of its Cainiao Smart Logistics business

The announcements come less than two months after Alibaba revealed its plan to split into six business units in a radical break-up that comes after Beijing's crackdown on China's tech giants.

Alibaba yesterday announced the six new chief executives and board members for the respective new entities.

Under the restructuring, the Alibaba holding group will retain full ownership of its domestic ecommerce businesses Tmall and Taobao, which generated more profits than the group as a whole in its last fiscal year.

Alibaba's share price rallied following news of the split-up in March but has retreated close to pre-announcement levels amid investor concern over tepid spending on consumer goods and a slower than expected rebound in Chinese economic activity.

Additional reporting by Ryan McMorrow in Beijing

Equities

Sony stock jumps as investors cheer U-turn on financial services arm

KANA INAGAKI AND LEO LEWIS — TOKYO

Sony said it would consider spinning off and relisting shares of its financial services arm to bolster investments in its entertainment business, delighting investors with a U-turn in strategy.

Shares in the Japanese group rose 6.4 per cent yesterday as investors welcomed the move as a way to unlock value in the Japanese conglomerate.

Sony plans to retain a stake of about 20 per cent and target a timeframe of two to three years for the listing.

Three years ago, Sony spent $3.7bn to take control of its financial unit, which houses the group's online banking and insurance businesses, despite pressure from US activist investor Third Point to break up and focus on entertainment.

But at a press conference, Sony's new president, Hiroki Totoki, said a partial spin-off of its financial arm was necessary to strengthen investment capacity.

"In order to expand our growth over the medium to longer term, we will need the ability to invest in image sensors and the entertainment business at a completely new level," Totoki said.

In the past five years, Sony has gone on an acquisition spree to expand its entertainment assets, buying EMI Music Publishing for $2.3bn and spending $1.2bn to acquire AT&T's anime streaming service Crunchyroll.

Totoki said Sony would make use of a government scheme that allows companies to break up their units without incurring additional tax burdens.

Companies in Japan have come under increasing pressure from activist investors and the Tokyo Stock Exchange to improve governance and capital efficiency.

'We will need the ability to invest in image sensors and the entertainment business at a new level'

Japan's stocks have been propelled by growing hopes of higher governance standards, larger share buybacks and other value-boosting measures.

Yesterday, the benchmark Topix index was at a 33-year high, up more than 15.5 per cent since the start of 2023.

David Gibson, a longtime Sony analyst at MST Financial, said the move was consistent with the company's plans to scale up its investment in image sensors and entertainment.

He said the eventual initial public offering of Sony Financial was likely to be used to help fund "aggressive merger and acquisition" activity by the company.

"Consolidation in entertainment has been happening and Sony doesn't want to be left behind," he added.

Macquarie analyst Damian Thong called the latest decision by Sony "an excellent move", saying "it is good that Sony is able to change course when new opportunities present themselves".

Many investors questioned Sony's original decision to take full control of its financial business in 2020, noting the lack of synergy with the group's other businesses.

At the time, executives explained that the diversity of its business portfolio was a strength for Sony.

"It probably removes a bit of conglomerate discount," said a big Sony shareholder. "It's not a massive game changer but I think it is incrementally the right decision."

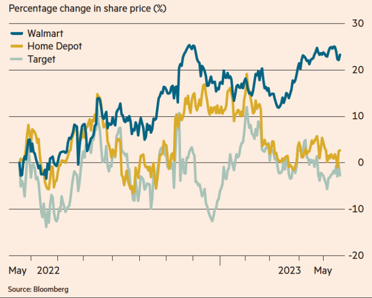
The day in the markets

What you need to know

- Wall Street climbs after shrugging off weak jobless benefits data
- Treasuries and dollar trading still indicate worries over US debt ceiling
- Crude oil dips while European stocks advance

Walmart outpaces rivals as consumers hit by inflation

Percentage change in share price (%)



Source: Bloomberg

Wall Street stocks picked up in trading yesterday, extending their rally from the previous session as policymakers in Washington signalled that they would strike a deal to lift the US debt ceiling ahead of the deadline.

Wall Street's benchmark S&P 500 was up 0.4 per cent by midday in New York while the tech-heavy Nasdaq Composite had added 0.9 per cent, shrugging off early declines on weak US jobless benefits data.

The moves came as the Republican House Speaker Kevin McCarthy announced that the bill to raise the US debt ceiling could be put to a vote as early as next week.

"All of this should be taken with a grain of salt," said Joel Kruger, market strategist at LMAX Group, noting that, "with yields on the rise and the US dollar driving higher, we would be concerned about the sustainability of the equity market rally".

Yields on interest-rate-sensitive two-year Treasury notes was up 7 basis points to 4.23 per cent while those on benchmark 10-year bonds was up 5bp to 3.63 per cent as the debt sold off.

The US Dollar index, which tracks the currency against a basket of six peers, gained 0.7 per cent.

"The dollar's strength [. . .] signals how the FX markets seem to be lagging the cautious optimism shown in other asset classes like equities," said Francesco Pesole, currency strategist at ING.

Global oil benchmark Brent crude fell 1.4 per cent to $75.84 a barrel while US equivalent West Texas Intermediate was also down 1.4 per cent to $71.81 a barrel.

Meanwhile, data from the US labour department showed applications for new unemployment aid fell from 264,000 in the previous seven days to 242,000 claims last week.

The figure landed below analyst expectations, raising concerns that a tight labour market will make it harder for the US Federal Reserve to bring inflation levels back to target.

Corporate results added to confusion around consumer spending. Walmart rose after the world's largest retailer delivered stronger than expected earnings.

The group was the outlier after rivals Home Depot and Target had painted a much bleaker image of US discretionary spending earlier in the week.

Across the Atlantic, the region-wide Stoxx Europe 600 firmed 0.4 per cent, the CAC 40 in Paris rose 0.6 per cent while Frankfurt's Xetra Dax gained 1.3 per cent. **Daria Mosolova**

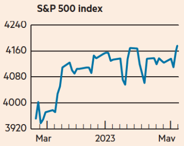
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4176.63	1844.71	30573.93	7742.30	3297.32	109407.85
% change on day	0.43	0.44	1.60	0.25	0.40	-0.05
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	103.127	1.077	138.615	1.241	7.029	4.977
% change on day	0.238	-0.462	0.866	-0.481	0.438	0.326
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.631	2.444	0.380	4.093	2.760	11.480
Basis point change on day	6.540	11.100	1.560	11.700	-0.200	3.700
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	431.58	75.75	71.82	1974.40	23.69	3737.70
% change on day	0.31	-1.57	-1.47	-1.65	-0.42	1.85

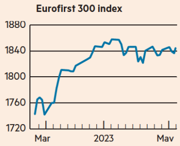
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

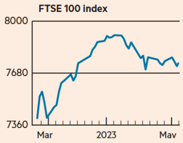
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Take-two Interactive Software	11.94	Asml Holding	5.37	Jd Sports Fashion	5.92
	Bath & Body Works	10.23	Commerzbank	4.82	Convatec	5.02
	Netflix	9.65	Porsche	3.40	Ashtead	3.35
	Synopsys	8.60	Infineon Tech	3.36	Standard Chartered	2.88
	Cadence Design Systems	6.29	Saipem	3.34	Dcc	2.72
Downs	Newmont	-3.92	E.on	-7.01	Burberry	-5.20
	Target	-3.29	Carrefour	-2.82	Bt	-5.00
	Cigna (the)	-3.07	Terna	-2.62	Ocado	-3.07
	Etsy	-2.75	Lindt	-2.15	National Grid	-2.85
	T-mobile Us	-2.66	Snam	-1.89	Centrica	-2.46

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone. All data provided by Morningstar unless otherwise noted.

Wall Street

Rallying to the top of the S&P 500 index was **Take-Two Interactive**, the video game producer, which achieved net bookings of $1.39bn in its fiscal fourth quarter, "above the high end of our guidance range", said chief executive Strauss Zelnick.

Providing a further fillip was a forecast of $8bn in net bookings in its 2025 financial year, "the clearest indication of pending GTA VI [*Grand Theft Auto*] release", said UBS.

Joining Take-Two at the head of the blue-chip index was **Bed & Body Works**, which posted earnings of 33 cents per share for the first quarter, more than 28 per cent ahead of Wall Street estimates.

The personal care and beauty retailer said it benefited from a "better than expected merchandise margin rate and store selling expenses".

It also lifted its full-year outlook, forecasting earnings of between $2.70 and $3.10 per share, up from a $2.50 to $3 range stated in February.

Another big riser was streamer **Netflix**, which revealed that its ad-supported tier had nearly 5mn monthly active users six months after launch.

Greg Peters, Netflix's co-chief executive, said: "On average, more than a quarter of our sign-ups now choose the ads plan in countries where it's available." *Ray Douglas*

Europe

France's **Trigano** jumped after forecasting a "good increase in its sales and profitability" for the second half of its financial year.

The motorhome and caravan group reported first-half operating profit of €173.4mn, "thanks to a record contribution from the leisure vehicle business", and planned to introduce new vehicles from June onwards that "should appeal to budget-conscious customers".

Better than expected earnings lifted **Eventim**, the German entertainment ticketing group, which achieved core profits of €76mn in the first quarter — 33 per cent ahead of 2019 levels and 21 per cent above the consensus estimate.

This period was "usually a seasonally weaker quarter", said Jefferies and yet the number of tickets Eventim sold online in the year to date stood at 18mn, up 63 per cent year on year.

New business buoyed **Saipem**, the Italian oil and gas group, which was awarded two offshore contracts worth about $850mn in total.

One is linked to a construction and installation project in the Black Sea while the other involves decommissioning activities in the North Sea.

Citi, which assigned the group a "buy" recommendation, added that it was also a frontrunner for work on the Marjan oilfield off the Saudi Arabia coast. *Ray Douglas*

London

An upgrade to its full-year outlook pushed medical products maker **ConvaTec** near the top of the FTSE 100.

It expected organic revenue to grow between 5 and 6.5 per cent in 2023, up from a previous range of 4.5 to 6 per cent.

Citi said the improved guidance was a "clear indication of strong underlying momentum, especially in advanced wound care".

At the tail-end of the blue-chip benchmark index was fashion brand **Burberry**, which sank despite reporting a 16 per cent rise in comparable store sales for its fiscal fourth quarter, above a consensus estimate of 14 per cent.

But Sophie Lund-Yates, lead equity analyst at Hargreaves Lansdown, flagged Burberry's unchanged guidance as "a little lacklustre".

Weaker sales in the Americas also overshadowed a robust rebound in mainland China.

Near the top of FTSE 250 index was **Aston Martin** following news that China's Geely had doubled its stake in the luxury-car maker to 17 per cent and would supply components under a new "long-term partnership".

Sinking to the bottom of the mid-cap index was publisher **Future**, which expected its full-year performance would be towards the bottom end of market expectations. *Ray Douglas*

Let's harness the power of AI to beat financial crime

Adena Friedman

Markets Insight

Recent breakthroughs in artificial intelligence are rightly seen as a step-change in our technology economy. For the world of finance, much of the reaction has been focused on the risks from this rapid shift.

Concerns have rightly been raised about the capacity of regulators to oversee AI operations, market concentration risks from the small number of service providers and digital herding where computers all act alike, reinforcing market swings.

While calls for caution and proactive regulation are appropriate, so are the calls for urgency and optimism as we empower industries to start harnessing the potential of the AI advances.

This starts with recognising that all AI is not created equal. Yes, the power of generative AI, which allows images and text to be created from prompts, has captured the world's imagination. But AI has been deployed across our markets for many years.

Nasdaq uses AI for predictive market maintenance — preventing disruptions before they occur — and we are embedding AI in different stages across our operations. It is particularly important for our anti-financial crime software division. Within the world of finance, AI's capacity to help detect, deter and stop financial crime is perhaps the most compelling use case of the technology.

Financial crime is a major — and thriving — global industry. Estimates from LexisNexis show banks spend nearly $275bn on tackling financial crime annually. Yet UN studies suggest less than 1 per cent of the approximately $4tn of illicit funds that are in circulation across the financial system is being intercepted by law enforcement.

One contributor to this disconnect is the restrictive impact of regulations that limit the banks' use of data and advanced technology.

To put it most simply, financial crime is a data problem. Criminals don't bank with only one bank. They exploit the entire financial ecosystem to avoid detection. The increasing interconnectivity of finance and the emergence of new payments systems are all helping criminals become more effective.

On the crime-fighting side, the quality and depth of our data sets, combined with the use of the latest analytics technologies, are the most critical determinants of success in stopping crime.

> Criminals leverage innovation at scale and speed to stay multiple steps ahead of detection

In Nasdaq's anti-financial crime division, we have built data lakes that bring together normalised and anonymised transaction data from more than 2,400 banks. This consortium data approach, combined with advanced AI algorithms, has boosted our ability to detect suspicious transaction patterns.

Yet banks are expected to provide end-to-end explainability to any model that they use, including for crime fighting, which greatly inhibits the impact.

After years of fighting market manipulation and financial crime, two truths stand out: criminals don't follow laws or regulations and they leverage technological innovation at scale and speed to stay multiple steps ahead of detection.

It is critical that we find common ground with regulators around solutions to tackle this insidious problem.

That starts with responsible data sharing. In the US, banks are allowed to share information for the purpose of fighting crime. Enabling financial institutions in Europe, Canada and other regions to share data both from within and outside their own networks would greatly enhance our ability to identify criminal activity.

There are proven models that enable data sharing while protecting individuals' rights to privacy. These can — and should — be replicated at scale.

The second imperative is for regulators to allow the industry to leverage the latest capabilities in cloud, AI and machine learning so we can better respond to new threats, increase effectiveness and improve efficiency.

Finally, there is an opportunity to increase collaboration. Criminal enterprises are deeply connected and the financial system needs to mirror that by strengthening collaboration between the private sector, government and law enforcement. One critical change would be the deployment of "feedback loops": communication from law enforcement to banks to confirm whether reported activity was found to be criminal or not.

This requires little investment but allows banks to refine their algorithms based on real-world outcomes.

The fight against financial crime is complex enough as it is. I strongly urge regulators to reduce, not add to, the complexity. Let's leverage the next wave of innovation to strengthen the integrity of the financial system with technology on our side.

Adena Friedman is chair and chief executive of Nasdaq

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
0.43%	1.09%	-0.23%	0.25%	0.44%	1.60%	0.85%	0.31%	-0.462%	-0.481%	0.866%	No change	-0.36%	-1.65%

Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison

AMERICAS

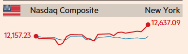
Apr 19 - May 18 — S&P 500, New York

Day ▲0.43% Month ▲0.48% Year ▲6.40%

Apr 19 - May 18 — S&P/TSX COMP, Toronto

Day ▼-0.60% Month ▼-2.48% Year ▼-2.81%

Nasdaq Composite, New York



Day ▲1.09% Month ▲3.94% Year ▲10.63%

IPC, Mexico City

Day ▲0.30% Month ▲1.50% Year ▲9.54%

Dow Jones Industrial, New York

Day ▼-0.23% Month ▼-1.87% Year ▲5.88%

Bovespa, São Paulo

Day ▼-0.05% Month ▲3.03% Year ▲2.95%

EUROPE

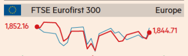
Apr 19 - May 18 — FTSE 100, London

Day ▲0.25% Month ▼-2.08% Year ▲4.12%

Apr 19 - May 18 — Xetra Dax, Frankfurt

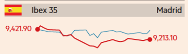
Day ▲1.33% Month ▲2.37% Year ▲13.94%

FTSE Eurofirst 300, Europe



Day ▲0.44% Month ▼-0.44% Year ▲8.56%

Ibex 35, Madrid



Day ▲0.02% Month ▼-1.76% Year ▲8.70%

CAC 40, Paris

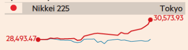
Day ▲0.64% Month ▼-0.68% Year ▲15.81%

FTSE MIB, Milan

Day ▲0.14% Month ▼-1.68% Year ▲12.07%

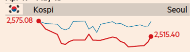
ASIA

Apr 19 - May 18 — Nikkei 225, Tokyo



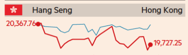
Day ▲1.60% Month ▲7.29% Year ▲14.76%

Apr 19 - May 18 — Kospi, Seoul



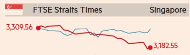
Day ▲0.83% Month ▼-2.35% Year ▼-4.01%

Hang Seng, Hong Kong



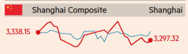
Day ▲0.85% Month ▼-5.14% Year ▼-4.31%

FTSE Straits Times, Singapore



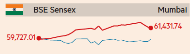
Day ▲0.27% Month ▼-3.97% Year ▼-0.45%

Shanghai Composite, Shanghai



Day ▲0.40% Month ▼-2.61% Year ▲6.58%

BSE Sensex, Mumbai



Day ▼-0.21% Month ▲2.59% Year ▲13.15%

Country	Index	Latest	Previous
[illegible]			

(c) Closed. (u) Unavailable. † Correction. ▼ Subject to official recalculation. For more index coverage please see www.ft.com/worldindices.

STOCK MARKET: BIGGEST MOVERS

AMERICA · LONDON · EURO MARKETS · TOKYO

[illegible]

UK MARKET WINNERS AND LOSERS

FTSE 100 · FTSE 250 · FTSE SmallCap · Industry Sectors

[illegible]

Based on last week's performance. †Price at suspension.

CURRENCIES

DOLLAR · EURO · POUND

[illegible]

FTSE ACTUARIES SHARE INDICES

UK SERIES

[illegible]

FT 30 INDEX

[illegible]

FT WILSHIRE 5000 INDEX SERIES

[illegible]

FTSE GLOBAL EQUITY INDEX SERIES

[illegible]

FTSE SECTORS: LEADERS & LAGGARDS

[illegible]

FTSE 100 SUMMARY

[illegible]

UK STOCK MARKET TRADING DATA

[illegible]

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UK COMPANY RESULTS

[illegible]

UK RECENT EQUITY ISSUES

[illegible]

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Australia (A$)							
ANZ Bank	23.64	0.06	26.08	20.78	6.43	9.84	46948.39
BHP Group	44.24	0.52	50.09	35.83	9.36	10.31	148193.74
CmwBkAu	98.00	0.86	111.38	86.98	3.60	18.29	109282.76
CSL	302.82	-1.40	314.21	254.30	1.01	43.03	96589.32
NatAusBk	26.40	0.21	32.83	25.43	3.43	13.95	54791.93
Telstra	4.33	-0.02	4.40	3.62	2.33	34.95	33082.75
Wesfarmers	51.23	0.23	52.79	40.03	3.50	26.14	38414.88
Westpac Bank	20.96	0.04	24.50	18.80	4.27	15.13	48635.03
Woolworths	38.10	-0.02	39.88	31.67	2.86	43.12	30703.46
Belgium (€)							
AnBshInBv	54.76	0.40	62.01	45.56	0.94	28.24	102448.86
KBC Grp	59.52	1.68	72.46	45.53	5.59	10.01	26740.53
Brazil (R$)							
Ambev	14.50	-0.06	16.88	12.60	3.84	22.17	45901
Bradesco	13.47	-0.06	17.71	11.15	6.08	6.31	14427.38
Cielo	5.49	-0.03	6.22	3.31	2.62	18.81	2997.08
ItauHldFin	22.86	-0.18	26.04	18.86	3.34	9.16	22775.91
Petrobras	28.98	-0.04	42.08	23.61	16.34	4.18	43339.27
Vale	69.44	-0.44	94.48	61.90	18.46	3.14	63334.13
Canada (C$)							
Bausch Hlth	11.06	1.01	14.21	5.10	-	-3.39	2967.83
BCE	62.92	-0.28	69.44	55.66	5.44	21.52	42559.75
BkMontrl	118.19	-1.44	138.85	113.47	3.74	9.29	62505.99
BkNvaS	66.72	-0.22	86.22	63.19	5.44	8.53	59280.12
Brookfield	58.88	11.29	63.88	41.28	1.09	19.91	69948.82
CanadPcR	110.65	-0.14	112.27	86.42	0.67	27.07	76394.44
CanImp	56.26	-0.47	71.10	53.58	10.44	3.98	38276.83
CanNatRs	74.65	-0.69	87.92	58.75	2.62	11.82	60695.71
CanNatRy	159.19	-1.06	175.39	137.26	1.51	23.62	78538.16
Enbridge	49.76	-0.24	59.69	48.88	6.56	17.73	74717.54
GtWesLif	38.70	0.10	39.12	27.99	4.88	11.11	26722.83
ImpOil	61.77	-0.15	79.83	52.67	1.63	18.15	26756.97
Manulife	25.91	-0.10	27.50	20.81	4.42	7.48	35465.43
Nutrien	81.85	-0.30	134.19	79.15	2.78	12.00	30110
RylBkC	127.22	-1.40	140.18	116.75	3.42	11.54	131192.15
SHOP	82.20	0.47	87.53	33.00	-	2.91	81503.57
Suncor En	38.23	-0.27	53.62	36.39	2.69	14.11	37381.7
ThmReut	168.69	2.58	180.93	120.57	1.19	11.87	58897.06
TntoDom	81.76	-0.51	97.13	76.40	3.91	10.46	110990.55
TrnCan	53.92	-0.48	74.44	50.70	6.31	29.64	40893.77
China (HK$)							
AgricBkCh	3.15	0.07	3.28	2.20	6.90	4.04	12368.69
Bk China	3.29	0.07	3.45	2.51	6.89	3.98	35143.93
BkofComm	5.27	0.05	5.65	3.83	6.77	4.26	23569.64
BOE Tech	0.64	-0.03	0.85	0.53	-	10.09	16.26
Ch Coms Cons	4.91	0.16	5.52	3.09	4.23	3.98	2771.31
Ch Evrbrght	2.58	0.04	2.86	2.03	9.46	3.41	4178.53
Ch Rail Cons	6.33	0.17	7.46	3.75	4.22	3.29	1678.89
Ch Rail Gp	5.58	0.25	6.30	3.41	3.76	4.39	2299.08
ChConstBk	5.39	0.10	5.90	4.10	7.02	3.83	165532.13
China Vanke	11.22	0.12	19.90	9.87	12.94	4.94	3162.48
ChinaCitic	4.38	0.10	4.74	2.92	6.53	3.97	8326.57
ChinaLife	15.00	0.52	15.84	8.53	4.64	6.41	14258.11
ChinaMBank	39.15	0.30	53.00	25.40	3.72	7.06	22959.33
ChinaMob	65.60	1.25	70.20	46.80	5.00	9.90	171460.19
ChinaPcIns	24.85	0.90	26.50	12.10	5.39	7.92	8809.8
ChMinsheng	3.33	0.06	3.52	2.19	7.53	4.21	3539.29
ChMrchSecs	14.47	-0.12	15.98	12.12	3.15	12.37	15279.01
Chna Utd Coms	5.03	0.04	6.45	3.30	2.32	24.17	22159.33
ChShenEgy	27.70	0.40	28.70	20.50	7.54	8.21	11950.95
ChShpbldng	4.94	-	5.32	3.37	-	-351.82	15520.5
ChStConEng	6.28	-0.05	7.35	4.68	3.57	4.66	36917.29
ChUncHK	6.20	0.13	6.58	3.27	2.58	13.35	24233.41
CNNC Intl	7.07	-0.03	7.44	5.78	1.84	17.70	18979.89
CSR	4.98	0.18	5.26	2.37	4.24	13.38	2780.65
Daqin	7.78	0.08	8.21	5.95	6.44	11.29	16455.35
GuosenSec	9.49	-0.04	10.55	8.43	2.53	10.45	11917.67
HaitongSecs	5.44	0.03	6.01	3.77	5.39	5.77	2369.34
Hngzh HikVDT	35.53	0.53	48.84	26.80	2.35	18.70	46042.72
Hunng Pwr	4.68	-0.07	5.16	2.62	4.31	-5.14	2810.03
IM Baotou Stl	1.83	-0.01	2.71	1.75	-	29.85	8247.16
In&CmBkCh	4.45	0.08	4.73	3.37	6.96	3.99	49338.07
IndstrlBk	17.18	0.04	21.00	14.91	4.72	4.51	50775.63
Kweichow	1691	-10.00	2077	1333	1.19	36.49	302209.53
Midea	0.40	-0.01	0.49	0.32	-	-4.19	15.19
New Ch Life Ins	22.85	0.75	25.00	12.04	6.84	4.24	3018.43
PetroChina	5.52	0.18	5.62	2.95	4.41	10.88	14877.47
PingAnIns	56.30	1.20	63.10	31.30	4.54	8.75	53561.56
PngAnBnk	12.49	-	15.27	10.22	1.46	7.15	34482.1
Pwr Cons Corp	7.07	-0.06	8.45	6.76	1.31	14.08	11055.48
SaicMtr	13.81	-0.13	19.29	13.72	4.49	6.62	22954.73
ShenwanHong	0.12	0.00	0.18	0.07	-	3.59	139.53
ShgPdgBk	7.68	0.07	8.22	6.63	6.26	4.71	32070.77
Sinopec Corp	5.25	0.18	5.47	3.06	2.71	6.19	16619.09
Sinopec Oil	2.16	0.04	2.39	1.81	-	687.97	4169.87
Denmark (kr)							
DanskeBk	140.85	0.50	165.35	86.90	1.38	9.96	17560.62
MollerMrsk	11860	-145.00	22650	11100	2.78	2.00	14359.33
NovoB	1150	4.60	1178.4	721.40	0.79	57.25	289780.57
Finland (€)							
Nokia	3.73	0.00	5.20	3.66	-	13.29	22612.89
SampoA	45.68	0.03	49.97	39.86	3.62	10.05	25137.54
France (€)							
Airbus Grpe	128.80	0.60	131.22	86.52	-	24.40	109636.48
AirLiquide	161.30	1.70	164.52	114.48	1.65	30.77	90964.06
AXA	27.75	0.10	30.34	20.34	4.99	9.66	68520.7
BNP Parib	59.64	1.01	67.02	40.67	4.34	8.88	79280.1
ChristianDior	827.50	-	872.00	521.50	0.82	31.22	160863.68
Cred Agr	11.81	0.12	11.94	8.09	6.55	6.67	38485.73
Danone	58.45	-0.18	61.88	46.76	3.21	20.55	42641.97
EDF	12.00	-	12.05	7.27	3.93	9.54	51705.59
Engie SA	14.50	-0.23	15.56	10.07	3.54	10.55	38023.54
EssilorLuxottica	186.38	0.22	188.40	132.70	0.56	58.74	89860.68
Hermes Intl	1983.8	4.80	2027	957.60	0.22	88.02	225543.7
LOreal	417.00	1.50	442.60	300.45	0.93	52.51	240694.21
LVMH	872.50	-1.90	904.60	535.00	0.78	37.76	471743.29
Orange	11.33	-0.10	11.94	9.08	5.12	3887.03	32457.53
PernodRic	211.30	0.90	218.00	166.60	1.43	32.97	58698.27
Renault	33.62	0.94	43.96	22.33	-	-25.95	10705.62
Safran	143.20	-0.66	145.52	87.85	0.29	1480.40	65891.67
Sanofi	99.86	1.00	105.18	76.45	3.10	20.87	135735.69
Sant Gbn	54.44	1.25	58.53	35.18	2.42	13.46	30240.34
Schneider	162.12	2.60	162.90	110.02	1.55	29.56	99709.85
SocGen	22.98	0.46	28.39	18.97	2.33	4.01	19997.42
Total	55.69	0.50	60.93	45.81	4.69	11.06	149354.04
UnibailR	49.68	0.06	73.09	39.68	-	-7.44	7615.7
Vinci	110.18	-0.44	112.40	80.84	2.36	25.26	70070.11
Vivendi	9.52	0.05	11.45	7.59	6.10	-17.58	11309.65
Germany (€)							
Allianz	210.05	1.15	228.40	156.22	4.42	13.72	91234.83
BASF	47.46	0.53	53.77	37.90	6.73	8.12	45681.85
Bayer	54.11	0.32	67.49	46.70	3.58	54.84	57249.44
BMW	102.50	2.36	109.84	68.44	1.79	5.65	66452.54
Continental	68.84	1.62	79.24	44.31	-	10.97	14827.86
Deut Bank	9.76	0.07	12.09	7.25	-	9.93	21445.01
Deut Tlkm	21.79	-0.05	23.13	17.35	2.66	25.89	117015.73
DeutsPost	41.79	0.93	44.64	29.68	3.20	10.93	55764.67
E.ON	11.09	-0.82	12.29	7.28	4.10	6.37	31546.19
Fresenius Med	42.22	-0.73	57.22	25.95	3.07	13.19	13322.54
Fresenius SE	27.13	-0.51	33.46	19.69	3.21	8.87	16318.09
HenkelKgaA	69.90	0.64	70.06	56.55	2.53	19.22	19557.09
Linde	340.00	2.40	344.00	261.20	1.06	54.61	179542.99
Mercedes-Benz	70.50	2.12	75.92	50.19	1.85	7.29	81227.23
MuenchRkv	330.50	2.90	342.90	212.70	2.87	16.32	48573.28
SAP	124.04	1.70	124.60	79.58	1.44	28.75	164109.27
Siemens	157.74	4.32	157.96	93.67	2.15	24.52	135902.22
Volkswgn	149.75	4.55	217.00	143.45	3.10	5.23	47590.01
Hong Kong (HK$)							
AIA	79.25	0.05	93.65	57.25	1.55	19.77	117632.51
BOC Hold	24.10	-	31.85	23.55	4.74	12.06	32548.83
Ch OSLnd&Inv	18.34	-0.08	25.60	14.40	6.02	4.44	25641.35
ChngKng	45.10	0.30	57.00	42.90	3.61	10.06	20697.77
Citic Ltd	10.20	0.22	10.86	7.01	4.85	4.60	37903.45
Citic Secs	16.70	0.22	18.52	11.60	2.63	8.39	5589.33
CK Hutchison	51.05	-	56.85	38.55	4.10	6.31	24976.37
CNOOC	12.82	0.12	13.36	9.22	3.25	10.91	73000.69
HangSeng	112.00	0.90	141.40	108.30	5.01	17.57	27352.68
HK Exc&Clr	306.00	0.20	404.20	208.20	2.75	33.64	49558.1
MTR	38.40	-	43.70	33.15	2.95	27.11	30422.66
SandsCh	26.60	0.35	30.20	12.50	-	-28.64	27500.41
SHK Props	103.00	-0.80	114.80	83.10	4.42	11.47	38126.99
Tencent	339.80	-3.00	397.60	188.69	0.43	13.04	416177.56
India (Rs)							
Bhartiartl	799.35	7.10	860.55	628.75	-	167.88	57758.35
HDFC Bk	1645	6.55	1734.45	1271.6	-	27.43	111291.62
Hind Unilevr	2627.55	-34.20	2741.6	2100	1.24	69.24	74745.15
HsngDevFin	2716	9.85	2867	2026	0.86	22.74	60607.66
ICICI Bk	946.50	7.15	958.20	669.95	0.22	29.54	80073
Infosys	1416	-0.90	1672.6	1185.3	2.48	24.22	62594.92
ITC	419.70	-7.90	433.45	258.55	2.61	34.31	63150.98
L&T	2188.2	-31.40	2416.35	1456.35	0.84	35.71	37232.44
OilNatGas	166.35	-0.90	169.00	119.85	5.57	4.63	25336.81
RelianceIn	2434.05	-5.25	2817.35	2180	0.29	27.40	199392.23
SBI NewA	574.20	-12.10	629.55	430.70	0.71	15.75	62042.92
SunPhrmInds	929.65	-6.30	1070.95	789.90	0.82	34.08	27005.37
Tata Cons	3199.85	-8.85	3575	2926.1	1.16	30.06	141754.8
Israel (ILS)							
TevaPha	29.80	-0.21	38.39	23.83	-	23.26	9058.27
Italy (€)							
Enel	5.90	-0.08	6.26	3.96	6.01	28.38	64609.96
ENI	13.34	-0.06	14.98	10.45	4.89	5.81	51799.74
Generali	18.68	0.05	19.23	13.67	7.61	10.85	31368.67
IntSPaolo	2.39	-0.01	2.60	1.58	1.48	76.56	47048.41
Unicred	19.05	0.11	20.05	8.24	0.61	29.24	39812.54
Japan (¥)							
AstellasPh	2243.5	4.50	2246	1823.5	2.26	31.37	29289.61
Bridgestne	5631	-9.00	5693	4548	3.25	11.90	28992.78
Canon	3367	117.00	3516	2754.5	3.20	15.13	32397.51
CntJpRwy	17320	-165.00	17920	14730	0.83	-30.17	25739.78
Denso … Ericsson	[illegible]						
Ericsson	54.17	-0.19	82.25	53.36	4.44	7.52	15727.5
H & M	146.54	2.54	157.30	98.27	4.60	19.02	20227.06
Investor	213.70	-1.40	221.95	158.20	1.75	8.66	36792.72
Nordea Bk	108.50	-0.10	134.94	88.32	14.42	11.93	36960.31
SEB	114.60	0.10	133.50	99.42	9.43	9.02	23332.93
SvnskaHn	86.48	-0.48	112.90	80.88	6.19	7.99	15893.13
Swedbank	169.15	0.70	219.90	124.50	9.21	8.51	18094.42
Telia Co	26.56	-0.15	41.04	25.54	8.06	8.83	9869.12
Volvo	204.60	-0.35	219.75	154.28	3.40	12.55	30711.92
Switzerland (SFr)							
ABB	33.13	0.20	33.25	23.84	2.28	16.63	72392.82
CredSuisse	0.77	0.01	6.76	0.66	11.76	-1.27	3437.97
Nestle	113.28	-1.18	123.04	103.42	2.20	20.58	336381.69
Novartis	91.06	-1.44	93.95	73.33	3.01	10.35	230647.96
Richemont … AT&T	[illegible]						
Autodesk	203.26	4.80	235.01	163.20	-	98.12	43656.79
AutomData	213.92	-0.04	274.92	196.61	1.64	36.15	88375.22
AutoZone	2656.29	-23.26	2750	1703.32	-	26.20	48869.64
Avago Tech	672.96	15.49	675.17	415.07	2.05	41.49	280572.95
BakerHu	27.65	0.17	38.66	20.42	2.45	69.86	27991.81
Bank of NY	40.62	-0.04	52.26	36.22	2.93	10.71	32054.62
BankAm	28.19	-0.38	38.60	26.32	2.53	8.62	224650.42
Baxter	42.73	-0.05	77.08	37.35	2.33	18.44	21614.97
BectonDick	250.59	-0.69	269.06	215.90	1.23	47.33	71171.3
BerkshHat	502445.96	1845.96	506000	393012.25	-	9.22	294356.96
Biogen	303.22	-3.03	319.74	188.54	-	31.83	43888.76
BlackRock	660.61	9.97	785.65	503.12	2.29	18.87	98934.71
Boeing	206.25	-0.63	221.33	113.02	-	-31.49	124075.65
Booking Holdings … IntcntlExch	[illegible]						
Intel	29.56	0.69	44.93	24.59	4.31	6.64	123301.85
Intuit	446.31	14.45	490.83	351.90	0.53	61.01	125210.66
John&John	158.09	-0.90	183.35	150.11	2.43	22.10	410827.37
JohnsonCn	62.77	0.80	69.15	45.52	1.68	31.29	43066.42
JPMrgnCh	138.10	-0.35	144.34	101.28	2.52	9.81	403568.04
Kimb-Clark	142.68	-2.17	147.87	108.74	3.02	29.23	48137.38
KinderM	16.37	-0.08	20.20	15.78	6.22	38.60	36687.55
KLA Corp	427.46	10.63	428.89	250.20	0.84	24.02	58647.04
Kraft Heinz	38.59	-0.32	43.09	32.73	3.80	51.37	47359.95
Kroger	48.93	-0.33	53.47	41.82	1.47	24.38	35110.95
LasVegasSd	60.72	1.08	65.58	30.14	-	-43.89	46402.74
LibertyGbl	17.25	-0.09	25.13	15.22	-	0.80	2951.34
Lilly (E)	436.78	-0.69	445.54	283.11	0.71	77.91	414623.43
Linde … Zoetis	[illegible]						
Zoom	69.02	1.17	124.05	60.45	-	16.59	17061.74
Venezuela (VEF)							
Bco de Vnzla	4.30	-0.04	4.59	0.65	122.19	-	608.34
Bco Provncl	8.00	-	70000	6.80	-	0.00	116.37

Closing prices and highs & lows are in traded currency (with variations for that country indicated by stock), market capitalisation is in USD. Highs & lows are based on intraday trading over a rolling 52 week period.
♦ ex-dividend
■ ex-capital redistribution
price at time of suspension

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Bausch Hlth	10.41	10.05	0.36	3.58	2.09	30.8	5.00
Applied Materi.	131.66	125.70	5.96	4.74	10.24	14.0	18.37
KLA Corp	427.46	416.83	10.63	2.55	30.29	10.6	15.22
Advanced Micro	106.87	103.75	3.12	3.01	6.65	10.1	19.26
Panasonic	1424.50	1401.00	23.50	1.68	104.00	9.8	10.67
CapOne	96.00	94.69	1.31	1.38	7.27	9.8	-1.60
Sony	13720.00	12895.00	825.00	6.40	375.00	9.6	12.81
MitUFJFin	945.70	929.30	16.40	1.76	66.30	9.6	8.57
Carnival	11.22	11.04	0.18	1.63	0.80	9.6	13.92
Workday	195.10	188.22	6.88	3.65	9.90	9.4	0.84
Delta	35.98	35.93	0.05	0.13	2.71	8.3	1.75
Netflix	372.75	339.96	32.79	9.65	-4.80	8.1	11.50
ASML Hld	641.10	608.40	32.70	5.37	15.10	8.1	9.91
Truist Financial Corp	28.98	28.92	0.06	0.21	2.09	8.0	-14.30
Cadence Design	217.00	204.15	12.85	6.29	2.69	7.7	1.48
SK Hynix	93600.00	91900.00	1700.00	1.85	5000.00	7.7	3.84
Sychrony Fin	29.48	28.76	0.72	2.50	1.35	7.6	-2.60
FastRetail	33360.00	32990.00	370.00	1.12	1940.00	7.4	4.69
Avago Tech	672.96	657.47	15.49	2.36	29.80	7.2	6.44
Broadcom	672.96	657.47	15.49	2.36	29.80	7.2	6.44

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Vodafone	82.94	82.34	0.60	0.73	-8.65	-8.8	-10.06
E.ON	11.08	11.91	-0.84	-7.01	-0.19	-8.4	-8.43
Exelon	39.11	39.26	-0.15	-0.38	-3.22	-7.9	-8.72
Ch OSLnd&Inv	18.34	18.42	-0.08	-0.43	-1.50	-7.9	-15.28
Chna Utd Coms	5.03	4.99	0.04	0.80	-0.47	-7.9	-14.46
BT	140.70	148.10	-7.40	-5.00	-4.45	-7.8	-12.35
L&T	2188.20	2219.60	-31.40	-1.41	-144.85	-7.5	-1.17
ChStConEng	6.28	6.33	-0.05	-0.79	-0.44	-7.2	-4.56
Ch Rail Cons	6.33	6.16	0.17	2.76	-0.66	-7.2	0.63
Bayer	54.16	53.79	0.37	0.69	-4.50	-7.1	-7.10
Perrigo	33.04	32.86	0.18	0.55	-2.64	-6.9	-9.14
Enbridge	49.65	50.00	-0.35	-0.70	-3.14	-6.6	-7.16
China Vanke	11.22	11.10	0.12	1.08	-0.88	-6.3	-13.69
Ch Coms Cons	4.91	4.75	0.16	3.37	-0.48	-6.1	-6.48
BMW	102.08	100.14	1.94	1.94	-8.58	-6.1	-6.16
DominRes	52.19	53.22	-1.04	-1.94	-2.24	-5.9	-9.07
KoreaElePwr	18160.00	18410.00	-250.00	-1.36	-830.00	-5.6	-2.75
Pwr Cons Corp	7.07	7.13	-0.06	-0.84	-0.35	-5.5	-9.82
DukeEner	92.17	93.02	-0.85	-0.91	-4.31	-5.3	-5.41
Fresenius Med	42.20	42.95	-0.75	-1.75	-1.59	-5.3	-5.21

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

May 18	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
High Yield US$										
HCA Inc.	04/24	8.36	BB-	Ba2	BB	113.75	4.24	0.00	0.12	-
High Yield Euro										
Aldesa Financial Services S.A.	04/21	7.25	-	-	B	71.10	28.23	0.00	0.64	25.98
Emerging US$										
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.60	-	-	0.34
Colombia	01/26	4.50	-	Baa2	BBB-	109.50	2.33	0.16	0.52	1.28
Brazil	04/26	6.00	-	Ba2	BB-	115.15	2.78	-0.01	0.65	1.73
Poland	04/26	3.25	-	A2	A-	111.22	0.98	0.03	0.16	-0.07
Mexico	05/26	11.50	-	Baa1	BBB-	149.00	1.61	0.00	-0.12	0.56
Turkey	03/27	6.00	-	Ba2	BB+	101.26	5.82	0.00	0.17	3.07
Turkey	03/27	6.00	-	B2	BB-	102.88	5.43	0.14	0.83	4.38
Peru	08/27	4.13	BBB+	A3	BBB+	103.50	3.66	0.01	-0.02	0.80
Russia	06/28	12.75	-	Baa3	BBB	168.12	2.48	0.07	0.05	-
Brazil	02/47	5.63	-	Ba2	BB-	101.48	5.52	0.08	0.80	-
Emerging Euro										
Brazil	04/21	2.88	BB-	Ba2	BB-	103.09	0.05	0.01	-0.09	-1.19
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.56
Mexico	04/23	2.75	-	Baa1	BBB-	106.48	-0.26	-	-	-0.36
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	117.04	1.00	0.02	-0.15	-1.42

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.

BONDS: GLOBAL INVESTMENT GRADE

May 18	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
US$										
FleetBoston Financial Corp.	01/28	6.88	BBB+	Baa1	A-	129.00	2.54	-0.01	-0.05	-
The Goldman Sachs Group, Inc.	02/28	5.00	BBB+	A3	A	117.21	2.47	0.00	0.32	-
NationsBank Corp.	03/28	6.80	BBB+	Baa1	A-	127.69	2.72	-0.01	0.06	-
GTE LLC	04/28	6.94	BBB+	Baa2	A-	128.27	2.80	0.00	-0.11	-
United Utilities PLC	08/28	6.88	BBB	Baa1	A-	130.43	2.62	-0.07	-0.22	-
Barclays Bank plc	01/29	4.50	A	A1	A+	96.46	5.02	0.00	0.02	-
Euro										
Electricite de France (EDF)	04/30	4.63	A-	A3	A-	137.45	0.82	-0.01	0.10	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	124.42	0.68	0.00	-0.11	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	121.70	0.93	0.00	0.02	-
Finland	04/31	0.75	AA+	Aa1	AA+	111.08	-0.27	0.00	-0.05	-0.87
Yen										
Mexico	06/26	1.09	-	Baa1	BBB-	98.73	1.34	-0.02	-0.14	0.27
£ Sterling										
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02	-

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.

INTEREST RATES: OFFICIAL

May 18	Rate	Current	Since	Last
US	Fed Funds	4.75-5.00	22-03-2023	4.75-4.50
US	Prime	8.25	04-05-2023	8.00
US	Discount	5.00	02-05-2023	4.75
Euro	Repo	3.25	02-05-2023	2.899
UK	Repo	4.50	11-05-2023	4.25
Japan	O'night Call	0.00-0.10	01-02-2016	0.00
Switzerland	Libor Target	-1.25-0.25	15-01-2015	-0.75--0.25

INTEREST RATES: MARKET

May 18 (Libor: May 17)	Over night	Change Day	Change Week	Change Month	One month	Three month	Six month	One year
US$ Libor	5.06043	-0.001	-0.001	0.021	5.13243	5.36900	5.39886	5.34571
Euro Libor	-0.64957	-0.064	0.000	0.001	-0.61943	-0.58057	-0.55600	-0.48571
£ Libor	0.18063	-0.005	0.000	0.001	4.20130	4.69610	4.74470	0.81363
Swiss Fr Libor				-0.002	-0.77540	-0.75300	-0.70280	-0.55320
Yen Libor				0.000	-0.06005	-0.02617	0.07165	0.04867
Euro Euribor				-0.006	3.15200	3.38800	3.67100	3.83400
Sterling CDs				0.000	0.50000	0.63000	0.78500	
US$ CDs				0.000	5.15000	5.33000	5.34000	
Euro CDs				0.000	3.14000	3.33000	3.57000	

May 18	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	2.89	3.19	2.92	3.22	2.99	3.29	3.18	3.48	3.42	3.72	3.51	3.81
Sterling					0.45	0.55	0.58	0.68	0.71	0.86	0.90	1.05
US Dollar	4.88	5.08	4.91	5.11	5.05	5.25	5.23	5.43	5.24	5.44	5.13	5.33
Japanese Yen	-0.30	-0.10	-0.30	-0.10	-0.25	0.05	-0.15	0.05	-0.05	0.15	0.00	0.20

Libor rates come from ICE (see www.theice.com) and are fixed at 11am UK time. Other data sources: US $, Euro & CDs: Tullett Prebon; SDR, US Discount: IMF; EONIA: ECB; Swiss Libor: SNB; EURONIA, RONIA & SONIA: WMBA.

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	209.44	-0.36	-0.13	2.81	-0.40	4.16
Corporates(£)	329.90	-0.15	-0.52	2.10	-0.10	-7.72
Corporates(€)	211.55	-0.17	-0.36	2.04	0.36	-3.99
Eurozone Sov(€)	212.02	0.09	-0.14	2.17	0.93	-7.89
Gilts(£)	267.58	-0.10	-1.19	-0.74	-1.37	-17.07
Overall(£)	278.48	-0.11	-0.97	0.00	-1.03	-14.66
Overall(€)	208.30	0.01	-0.14	2.01	0.78	-6.97
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
Euro Corporate (€)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (€)	629.40	-7.75	-	-	-6.63	-0.01
Eurozone Govt Bond	110.04	-0.19	-	-	-0.34	-0.64

CREDIT INDICES	Index	Day's change	Week's change	Month's change	Series high	Series low
Markit iTraxx						
Crossover 5Y	436.01	-14.18	-18.32	5.92	510.17	424.31
Europe 5Y	83.48	-2.77	-3.62	2.69	101.15	79.69
Japan 5Y	74.50	-2.89	-4.79	-5.68	99.54	74.50
Senior Financials 5Y	96.88	-3.50	-7.06	4.10	124.01	91.28
Markit CDX						
Emerging Markets 5Y	258.54	-4.90	9.55	20.14	265.81	229.64
Nth Amer High Yld 5Y	497.85	-14.13	5.69	30.79	511.98	458.20
Nth Amer Inv Grade 5Y	80.43	-3.10	0.01	5.32	88.71	73.57

Websites: markit.com, ftse.com. All indices shown are unhedged. Currencies are shown in brackets after the index names.

VOLATILITY INDICES

	May 18	Day Chng	Prev	52 wk high	52 wk low
VIX	16.54	-0.33	16.87	35.05	15.53
VXD	15.37	0.18	15.19	37.57	10.88
VXN	19.44	0.28	19.16	41.12	5.85
VDAX	16.44	-0.79	17.24	93.30	-

† CBOE. VIX: S&P 500 index Options Volatility, VXD: DJIA Index Options Volatility, VXN: NASDAQ Index Options Volatility. ‡ Deutsche Borse. VDAX: DAX Index Options Volatility.

BONDS: BENCHMARK GOVERNMENT

	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	-	-	-	-	-	-	-	-
	05/32	1.25	83.30	3.42	0.02	-0.03	0.09	0.01
	02/50	1.00	103.06	1.48	0.00	-0.19	0.00	0.01
Austria	02/29	0.50	87.96	2.79	0.03	0.07	0.02	1.54
	02/47	1.50	72.00	3.20	-0.02	0.03	0.10	1.53
Belgium	06/27	0.80	92.78	2.69	0.03	0.09	0.01	1.72
	06/47	1.60	69.99	3.46	-0.02	0.03	0.07	1.40
Canada	03/25	1.25	95.18	4.08	0.10	0.37	0.38	1.30
	06/30	1.25	88.20	3.13	0.06	0.27	0.29	0.16
	12/48	2.75	92.76	3.17	0.02	0.10	0.17	0.14
Denmark	11/29	0.50	87.91	2.55	0.01	0.06	0.00	1.26
	11/52	0.25	51.10	2.67	-0.03	0.04	0.09	1.20
Finland	09/24	0.00	96.26	2.94	0.04	0.11	0.06	2.42
	09/29	0.50	86.93	2.78	0.00	0.06	-0.01	1.52
France	05/28	0.75	91.07	2.68	0.02	0.09	0.02	1.59
	05/48	2.00	77.52	3.34	-0.02	0.03	0.07	1.42
Germany	08/29	0.00	86.96	2.26	0.02	0.07	0.00	1.38
	08/50	0.00	52.02	2.43	-0.03	0.04	0.10	1.28
Greece	-	-	-	-	-	-	-	-
	01/28	3.75	101.25	3.45	0.02	-0.05	-0.17	0.92
Ireland	-	-	-	-	-	-	-	-
	05/26	1.00	95.20	2.69	0.04	0.09	0.02	1.89
	02/45	2.00	79.99	3.30	-0.02	0.02	0.07	1.40
Italy	02/25	0.35	95.08	3.34	0.00	0.10	0.02	1.92
	05/30	0.40	90.58	1.84	-0.01	0.07	0.12	1.59
	03/48	3.45	83.77	4.55	-0.03	0.00	0.10	1.33
Japan	04/25	0.05	100.05	0.03	-0.01	-0.02	-0.02	-0.02
	12/29	0.10	99.68	0.15	-0.02	-0.04	-0.05	-0.03
	12/49	0.40	82.00	1.19	-0.04	-0.05	-0.07	0.22
Netherlands	07/27	0.75	92.98	2.55	0.03	0.08	-0.01	1.67
	01/47	2.75	99.54	2.78	-0.03	0.04	0.09	1.45
New Zealand	05/31	1.50	81.87	4.19	0.08	0.06	0.12	0.58
	09/40	2.50	122.87	2.40	0.02	0.03	0.16	0.55
Norway	08/30	1.38	88.21	3.23	0.00	-0.01	0.07	0.41
Poland	-	-	-	-	-	-	-	-
	07/27	2.50	87.72	5.89	-0.02	0.12	-0.03	-0.97
	04/47	4.00	77.10	5.79	-0.01	-0.05	-0.14	-0.51
Portugal	04/27	4.13	105.15	2.72	0.04	0.07	0.00	1.41
Spain	-	-	-	-	-	-	-	-
	10/29	0.60	85.60	3.10	0.00	0.06	0.03	1.41
	10/46	2.90	84.70	3.91	-0.01	0.04	0.11	1.38
Sweden	06/30	0.13	114.42	0.59	-0.04	-0.10	-0.16	1.54
	03/39	3.50	114.29	2.41	-0.01	-0.05	-0.03	0.43
Switzerland	04/28	4.00	115.07	0.83	-0.03	-0.09	-0.12	0.42
	06/29	0.00	94.92	0.86	-0.04	-0.09	-0.13	0.33
United Kingdom	07/23	0.75	99.36	4.36	0.05	-0.09	0.10	3.02
	07/27	1.25	90.47	3.73	0.06	0.04	0.07	2.18
	07/47	1.50	58.61	4.26	0.02	0.05	0.16	2.14
United States	-	-	-	-	-	-	-	-
	03/25	0.50	93.41	4.21	0.09	0.26	0.09	1.32
	02/30	1.50	87.69	3.57	0.05	0.19	0.08	0.60
	02/50	0.25	69.79	1.65	-0.01	0.03	0.10	0.89

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

GILTS: UK CASH MARKET

May 18	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
	-	-	-	-	-	-	-	-	-
Tr 0.75pc '23	99.38	4.28	0.71	2.39	-1.38	212.41	99.38	97.34	34.36
Tr 0.125pc '24	97.10	4.36	1.40	5.31	1.87	194.59	97.80	94.34	35.55
Tr 2pc '25	95.53	4.05	2.53	5.47	6.58	170.00	101.69	93.15	39.93
Tr 0.125pc '26	90.46	3.88	3.47	6.59	6.59	156.95	95.25	86.33	35.32
Tr 1.25pc '27	90.07	3.85	3.49	6.94	6.94	146.79	98.68	85.65	40.99
Tr 0.5pc '29	82.66	3.92	3.16	6.23	5.95	133.33	95.06	78.21	28.92
Tr 1pc '32	78.77	3.90	3.72	6.56	5.98	110.81	122.11	78.77	35.96
Tr 4.25pc '36	101.50	4.10	3.54	6.77	5.94	100.00	126.22	94.91	31.68
Tr 4.5pc '42	102.17	4.33	2.85	5.87	6.39	104.25	139.32	93.79	28.35
Tr 3.75pc '52	89.81	4.37	3.07	6.07	7.37	111.11	137.56	82.51	25.11
Tr 4pc '60	94.65	4.29	3.37	6.72	8.61	120.00	154.19	87.32	25.13

Gilts benchmarks & non-rump undated stocks. Closing mid-price in pounds per £100 nominal of stock.

GILTS: UK FTSE ACTUARIES INDICES

Price Indices Fixed Coupon	May 18	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	81.14	-0.24	2349.18	-0.18	-2.72	4.02
2 5 - 10 Years	145.94	-0.86	3114.56	-1.14	-10.66	3.85
3 10 - 15 Years	153.00	-1.35	3564.50	-2.03	-16.43	4.10
4 5 - 15 Years	146.48	-1.01	3219.91	-1.41	-12.35	3.95
5 Over 15 Years	200.71	-2.23	3490.13	-4.65	-31.69	4.31
7 All stocks	131.67	-1.13	2963.34	-2.04	-17.19	4.19

Index Linked	May 18	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	325.09	-0.21	-0.35	0.28	2763.06	-0.17	1.38
2 Over 5 years	512.18	-1.88	-4.94	-31.99	3915.34	-4.82	-31.61
3 5-15 years	446.67	-0.94	-2.35	-13.64	3628.31	-2.20	-12.91
4 Over 15 years	558.15	-2.57	-6.76	-40.99	4138.30	-6.67	-40.77
5 All stocks	490.46	-1.60	-4.17	-28.01	3826.32	-4.05	-27.55

Yield Indices	May 18	May 17	Yr ago		May 18	May 17	Yr ago
5 Yrs	3.81	3.68	1.53	20 Yrs	4.33	4.21	2.15
10 Yrs	3.97	3.84	1.88	45 Yrs	4.20	4.06	1.87
15 Yrs	4.22	4.09	2.10				

Real yield	inflation 0% May 18	Dur yrs	Previous	Yr ago	inflation 5% May 18	Dur yrs	Previous	Yr ago
Up to 5 yrs	0.84	2.34	0.75	-2.52	0.51	2.35	0.41	-3.12
Over 5 yrs	0.87	18.88	0.77	-1.43	0.85	18.92	0.75	-1.47
5-15 yrs	0.58	9.24	0.48	-1.93	0.51	9.25	0.40	-2.05
Over 15 yrs	0.95	25.61	0.84	-1.36	0.94	25.61	0.84	-1.38
All stocks	0.87	16.01	0.77	-1.45	0.84	16.08	0.74	-1.48

See FTSE website for more details www.ftse.com/products/indices/gilts

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COMMODITIES

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Energy		Price*	Change
Crude Oil†	Jun	72.57	-0.26
Brent Crude Oil‡		75.75	-1.21
RBOB Gasoline†	Jul	2.57	0.00
Natural Gas†	Jun	2.41	0.04
Base Metals (♠ LME 3 Months)			
Aluminium		2267.50	-32.50
Aluminium Alloy		2150.00	-75.00
Copper		8174.00	-134.00
Lead		2047.00	-3.00
Nickel		20990.00	-510.00
Tin		24860.00	-140.00
Zinc		2464.00	-60.00
Precious Metals (PM London Fix)			
Gold		1974.40	-33.05
Silver (US cents)		2368.50	-10.00
Platinum		1075.00	5.00
Palladium		1490.00	-31.00
Bulk Commodities			
Iron Ore		107.38	0.54
Baltic Dry Index		1402.00	-23.00
Richards Bay ICE Futures		112.00	2.00

Agricultural & Cattle Futures		Price*	Change
Corn♦	Jul	552.75	-8.75
Wheat♦	Jul	610.50	-15.00
Soybeans♦	Jul	1328.25	-8.75
Soybeans Meal♦	Jul	419.60	-5.70
Cocoa (ICE Liffe)✠	Jul	2336.00	33.00
Cocoa (ICE US)♥	Jul	3026.00	26.00
Coffee(Robusta)✠	Jul	2536.00	-46.00
Coffee (Arabica)♥	Jul	185.50	-0.55
White Sugar✠		706.80	-4.90
Sugar 11♥		25.65	-0.26
Cotton♥	Jul	86.51	-0.43
Orange Juice♥	Jul	252.80	0.85
Live Cattle♣	Jun	164.88	1.00
Feeder Cattle♣	May	134.88	-
Lean Hogs♣	Jun	84.88	-2.33

	May 17	% Chg Month	% Chg Year
S&P GSCI Spt	543.47	-8.39	-28.00
DJ UBS Spot	100.65	-7.40	-22.32
TR/CC CRB TR	289.83	-4.84	-13.71
LEBA EUA Carbon	58.91	-1.98	129.94
LEBA UK Power	1048.00	-37.43	-39.60

Sources: † NYMEX, ‡ ECX/ICE, ♦ CBOT, ✠ ICE Liffe, ♥ ICE Futures, ♣ CME, ♠ LME/London Metal Exchange.* Latest prices, $ unless otherwise stated.

BONDS: INDEX-LINKED

	Price May 17	Yield May 17	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 26	109.53	1.473	1.391	-0.72	5.25	72236.77	8
Fr 0.25%' 24	100.32	-0.018	-0.042	0.17	17.92	258876.26	17
Swe 1.00%' 25	126.73	0.863	0.921	0.53	35.93	226977.19	7
UK 2.500%' 24	375.61	1.300	1.267	0.23	6.82	532920.70	30
UK 2.50%' 24	375.61	1.300	1.267	0.23	6.82	532920.70	30
UK 2.00%' 35	243.04	0.526	0.552	-1.12	9.08	532920.70	30
US 0.625%' 26	97.02	1.778	1.758	-0.26	42.42	1653528.19	48
US 3.625%' 28	110.10	1.484	1.441	-0.57	16.78	1653528.19	48

Representative stocks from each major market Source: Merill Lynch Global Bond Indices † Local currencies. ‡ Total market value. In line with market convention, for UK Gilts inflation factor is applied to price, for other markets it is applied to par amount.

BONDS: TEN YEAR GOVT SPREADS

	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	3.42	1.16	-0.15	Netherlands	2.55	0.29	-1.02
Austria	2.79	0.53	-0.78	New Zealand	4.19	1.93	0.62
Canada	3.13	0.87	-0.44	Norway	3.23	0.96	-0.34
Denmark	2.55	0.28	-1.02	Portugal	2.72	0.45	-0.85
Finland	2.78	0.52	-0.79	Spain	3.10	0.83	-0.47
Germany	2.26	0.00	-1.31	Sweden	0.59	-1.68	-2.98
Italy	1.84	-0.42	-1.73	Switzerland	0.86	-1.40	-2.71
Japan	0.15	-2.12	-3.42	United States	3.57	1.31	0.00

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

Boutique studio's lavishly vacant folly

FILM

Danny Leigh

Beau Is Afraid
Ari Aster
★★☆☆☆

Nam June Paik: Moon Is the Oldest TV
Amanda Kim
★★★★☆

Fast X
Louis Leterrier
★★★☆☆

Are You There God? It's Me, Margaret
Kelly Fremon Craig
★★★★☆

We all get old in the end. Witness A24, the boutique New York studio that has spent the past decade growing into an American behemoth. A handful of its films (*Uncut Gems*, *Ex Machina*) were always better than the rest. But the glib, splashy movies the company specialised in were all so beautifully marketed they made the A24 brand itself hot stuff. Now it has entered a prosperous middle age. Oscar-winner *Everything Everywhere All at Once* is just the flagship of an outfit opening international offices and turning out bad tear-jerkers (*The Whale*), like every Hollywood titan in history.

But establishment status makes hipsters uneasy. Cue **Beau Is Afraid**, a $35mn outburst from writer-director Ari Aster that is, remarkably, the priciest film A24 has ever backed. The star is another Oscar-winner, Joaquin Phoenix, pulling various faces but most often a stunned wince. Join the club. The movie is a chore, a grinding, faux-experimental folly from a company in a splattery midlife crisis. Would it not have been simpler just to get tattoos?

We begin in utero. As per Freud, you too will wish we'd stayed put. Instead, Phoenix soon shuffles on screen as the adult Beau. Adult is a relative term. Riddled with anxiety, hairstyle speaking of male pattern baldness and the downy fragility of a chick, he has been spoiled and stunted by his wealthy mother. Or at least so he hints to his analyst. The whole film resembles therapy, though sadly not so much that we're paid to listen.

Aster usually channels his inner child into scary movies: the much-applauded *Hereditary* and *Midsommar*. *Beau Is Afraid* is trailed as a departure, but horror remains the underlying vibe. After the shrink, the first act is a darkly comic exercise in urban paranoia, Beau besieged in a drab apartment overlooking a hellscape of sex perverts and violent street people. The mood is queasy: *Eraserhead* reimagined by hedge-fund managers. It is also the best part of the movie, made at least with *Looney Tunes* vim.

Above, from left, Nathan Lane, Joaquin Phoenix and Amy Ryan in the Oedipal odyssey 'Beau Is Afraid'. Right: 'Nam June Paik: Moon Is the Oldest TV' tells the story of the father of video art — Takashi Seida

> In the first act of 'Beau Is Afraid' the mood is queasy: 'Eraserhead' reimagined by hedge-fund managers

Eventually though, bereavement sets in motion a return to the family home. "In motion" is pushing it though, given the pointed stasis often involved in Beau's Oedipal odyssey. There will be stays in a fairytale forest, a reverie of the future and flashbacks to the past, but many, many scenes dwell in American suburbia, which Aster boldly portrays as bland and stifling. Teenage girls join his mother, homeless people and sex in petrifying Beau, though his real terror should be that he never once resembles an actual character. He is only ever Phoenix, performing.

Aster's best and final gag is that his lavishly vacant film clocks in at two minutes short of three very long hours. A shame the joke is on us, but still. Whatever frightens the director, it clearly isn't a real producer. One of those might ask what end is being met by the frantic stylistic high jinks the movie is littered with; or whether, for all the loud psychodrama, it has a thing to say. Instead, A24 simply smiles and hands over the $35mn allowance. You call that parenting?
In UK cinemas now

The future is a lonely place. Just ask Nam June Paik, the South Korean jester-savant who, in the act of inventing video art, also foresaw the internet from the primitive mid-20th century. Directed by Amanda Kim, pinbright new documentary **Moon Is the Oldest TV** is a deft piece of multitasking that also explains why his powers of prophecy could go under-appreciated. Even friends admit to being baffled when phoned at 2am to be told: "We're in a boat in the ocean and we don't know where the shore is!"

At the most basic level, the film is a niche concern: the biography of a key figure in the postwar avant-garde. Arriving in 1950s Europe having trained as a concert pianist, Paik fell in with composer John Cage, whose fame did not spare him the younger man's prankishness. (Years later, a meeting with Bill Clinton saw one man's trousers fall to their ankles.) But while Cage and co altered and prepared pianos to subvert tradition, Paik soon took issue with the future as well. Amid the space age, he was at once seer and sceptic.

And here the movie takes on other dimensions. By the 1960s, mankind eyed a Moon landing. In response, Paik built wilfully silly robots of wire and foam rubber. However epic our progress, he suggested, we were still the same ludicrous old humans.

The film is too graceful to spell out what Paik, who died in 2006, might make of our current slavish relationship with technology. For her first feature, Kim whips up a zippy, playful mood her subject would probably have enjoyed. But she can do gravity too: teasing out the wider history that linked artist, art and things to come.

The child who grew up in occupied Seoul with a callous industrialist father became the adult applying magnets to the all-seeing authority of TV sets, distorting and reshaping the images. For much of his life, Asia was othered and patronised by the west; Paik gazed up at satellites and saw a more equitable future, culturally at least. (Again, Kim lets us join the dots ourselves to modern Seoul as global content hub.)

Back on Earth, recognition comes slowly for trailblazing artists. Remuneration slower yet. Still, the world at least caught up with Paik in time for the Guggenheim and the rest to host later displays of endlessly multiplying screens. If audiences were unsure of the meaning, with smartphones still years away, it all became clear eventually. And that cryptic 2am warning of lost bearings? Viewers of this excellent film will come to understand that too.
In UK cinemas now

The end is nigh for *Fast and Furious*. The new instalment of the all-conquering series, **Fast X**, is also the last. Well, almost. In fact, it is the first half of a two-part finale. The bell does not toll quite yet for Vin Diesel's gearhead patriarch Dominic Toretto. Still, while the extended farewell is pure studio chicanery, it is hard to imagine a fan unsated by a film this stuffed with turbo accelerations, fist-fighting stunt doubles and decorative star names. Charlize Theron and Helen Mirren are among returning veterans, joined by new kids including Brie Larson and Jason Momoa. Clearly, the love of the material is a powerful incentive for all manner of premium acting talent.

But there is also, just perhaps, a small residual thrill from appearing in a Hollywood franchise of rare authentic global appeal. Midway through, director Louis Leterrier offers a precis of the whole saga to date. The sequence is seemingly aimed at series latecomers, but the real point is to underline the wistful mood. How many traffic violations have brought us here? How often has Diesel invoked the single, sacred word: family? Of course, once again that means Dom's cross-cultural crew of kindly Robin Hoods. But it also signifies his literal bloodline, menaced by Momoa's panto-villainous Brazilian crime-lord. (His air of retro camp may raise eyebrows.)

Leterrier deals confidently with the cameos and pyrotechnics, ushering the story through a green-screen world tour (Naples, Spitalfields, Antarctica). As ever, the tone is pro-wrestling adjacent. John Cena of that sport is another co-star. (So far, no one has yet made a movie detailing Diesel's off-camera estrangement from sometime colleague Dwayne "The Rock" Johnson. Surely Aaron Sorkin must be working on the script?)

The fun can be infectious, with just enough knowing edge. A vast spherical bomb rolls down a Roman hill, like a scene from a lost silent classic. Later, the single-syllable dialogue is punctuated by a warning that, should plans go sideways, "the fallout could be existential." Will the ghost of Sartre finally nab a Lamborghini? Find out next time, one last time.
In cinemas now

Circus strongmen have borne less crushing loads than Kelly Fremon Craig. Half a century after Judy Blume published her beloved 1970 novel **Are You There God? It's Me, Margaret**, writer-director Fremon Craig now brings a movie adaptation to the screen. Blume's tale of American middle-grade girlhood is so deeply adored by so many readers that even those outside the demographic core recognise the risk involved. It would only be natural for the movie to share the nerves we see gnawing 11-year-old New Yorker Margaret (Abby Ryder Fortson), obliged by her parents (Rachel McAdams and Benny Safdie) to relocate to suburban New Jersey just when boys and periods are already poised to upend her world.

All the more notable that the movie feels this spry and alive: like an antique board game that still proves a hoot to play. Blume's widescreen social context remains, with timely-once-more subplots about reproductive health and sex education. But Fremon Craig also never loses sight of how epic the most everyday trials are to the child who goes through them. The adults cast may look an inch more toned than they would have in the actual '70s — but the prayers of devotees have largely been answered.
In UK cinemas now

Left: Rachel McAdams, left, and Abby Ryder Fortson in 'Are You There God? It's Me, Margaret'. Below: pyrotechnics and traffic violations in 'Fast X' Dana Hawley/Lionsgate

Content moderators view the most disturbing and graphic content on Facebook so users don't have to. Now, dozens of contract workers in Kenya are suing Meta for a fairer deal and better conditions.

By David Pilling and Madhumita Murgia

'Once you have seen it, you can't unsee it'

By his own estimate, Trevin Brownie has seen more than 1,000 people being beheaded.

In his job, he had to watch a new Facebook video roughly every 55 seconds, he says, removing and categorising the most harmful and graphic content. On his first day, he recalls vomiting in revulsion after watching a video of a man killing himself in front of his three-year-old child.

After that things got worse. "You get child pornography, you get bestiality, necrophilia, harm against humans, harm against animals, rapings," he says, his voice shaking. "You don't see that on Facebook as a user. It is my job as a moderator to make sure you don't see it."

After a while, he says, the ceaseless horrors begin to affect the moderator in unexpected ways. "You get to a point, after you've seen 100 beheadings, when you actually start hoping that the next one becomes more gruesome. It's a type of addiction."

Brownie is one of several hundred young people, most in their 20s, who were recruited by Sama, a San Francisco-based outsourcing company, to work in its Nairobi hub moderating Facebook content.

A South African, he is now part of a group of 184 petitioners in a lawsuit against both Sama and Facebook owner Meta for alleged human rights violations and wrongful termination of contracts.

The case is one of the largest of its kind anywhere in the world, but one of three being pursued against Meta in Kenya. Together, they have potentially global implications for the employment conditions of a hidden army of tens of thousands of moderators employed to filter out the most toxic material from the world's social media networks, lawyers say.

In 2020, Facebook paid out $52mn to settle a lawsuit and provide mental health treatment for American content moderators. Other cases filed by moderators in Ireland have sought compensation for alleged post-traumatic stress disorder.

But the Kenyan cases are the first filed outside the US that seek to change through court procedures how moderators of Facebook content are treated. Should they succeed, they could lead to many more in places where Meta and other social media providers screen content through third-party providers, potentially improving conditions for thousands of workers paid comparatively little to expose themselves to the worst of humanity.

Just as toiling on factory floors or inhaling coal dust destroyed the bodies of workers in the industrial age, say the moderators' lawyers, so do those working on the digital shop floor of social media risk having their minds ruined.

"These are frontline issues for this generation's labour rights," says Neema Mutemi, a lecturer at the University of Nairobi who is helping to publicise the case.

Asked to respond to the allegations, Meta said it does not comment on ongoing litigation.

Online harms

In recent years, Meta has come under increasing pressure to moderate vitriol and misinformation on its platforms, which include Facebook, WhatsApp and Instagram.

In 2021, whistleblower Frances Haugen leaked thousands of internal documents revealing the company's approach to protecting its users, and told the US Senate the company prioritised "profit over safety".

Meta failed particularly to filter divisive content and protect users in non-western countries such as Ethiopia, Afghanistan and Libya, the documents showed, even when Facebook's own research marked them "high risk" because of their fragile political landscape and frequency of hate speech.

In the past few years, Meta has invested billions of dollars to tackle harms across its apps, recruiting about 40,000 people to work on safety and security, many contracted through third-party outsourcing groups such as Accenture, Cognizant and Covalen.

An estimated 15,000 are content moderators. Outside the US, Meta works with companies in more than 20 sites around the world, including India, the Philippines, Ireland and Poland, who now help sift content in multiple foreign languages.

In 2019, Meta hired Sama to take on the work of content moderation as part of a new African hub, to focus on filtering African language content. It set about hiring people from countries including Burundi, Ethiopia, Kenya, Somalia, South Africa and Uganda to come and work at its facilities in Nairobi.

Yet within four years of starting content moderation, Sama decided to get out of the business, ending its contract with Facebook and firing some of the managers who had overseen the new work. "It is important work, but I think it is getting quite, quite challenging," Wendy Gonzalez, Sama's chief executive, tells the FT, adding that content moderation had only ever been 2 per cent of Sama's business. "We chose to get out of this business as a whole."

Many of the moderators working in Kenya say the work leaves them psychologically scarred, plagued by flashbacks and unable to maintain normal social relations.

"Once you have seen it, you can't unsee it. A lot of us, now, we can't sleep," says Kauna Ibrahim Malgwi, a Nigerian graduate of psychology who started at Sama's Nairobi hub in 2019 and moderated content in the Hausa language spoken across west Africa. She is now on antidepressants, she says.

Cori Crider, a director at Foxglove, a London-based non-profit legal firm that is supporting former Sama moderators with their case, says moderators receive wholly inadequate protection from mental stress.

"Policemen who investigate child-abuse imagery cases have an armada of psychiatrists and strict limits on how much material they can see," she says. But the counsellors employed by Sama on Meta's behalf "are not qualified to diagnose or treat post-traumatic stress disorder," she alleges. "These coaches tell you to do deep breathing and finger painting. They are not professional."

Sama says all the counsellors it employed had professional Kenyan qualifications.

Meta argued that Kenya's courts had no jurisdiction in the case over unfair dismissals. But on April 20, in what the moderators and their lawyers saw as a major victory, a Kenyan judge ruled that Meta could indeed be sued in the country. Meta is appealing. "If Shell came and dumped things off Kenya's coast, it would be very obvious whether or not Kenya has jurisdiction," says Mercy Mutemi, a Kenyan lawyer at Nzili and Sumbi Advocates, who is representing the moderators. "This is not a physical, tangible thing. This is tech. But the argument is the same. They've come here to do harm."

Working conditions

The case of the 184 moderators is one of three lawsuits filed on behalf of content moderators by Mutemi's law firm with Foxglove's support.

The first was lodged last year on behalf of Daniel Motaung, a South African moderator working in Nairobi, against both Sama and Meta. In that case too, a separate Kenyan judge dismissed Meta's contention that Kenyan courts had no jurisdiction.

Motaung alleges he was wrongfully dismissed after he tried to form a union to press for better pay and working conditions. He also claims to have been lured into the job under false pretences, unaware of exactly what it entailed.

Sama disputes these claims, saying that content moderators were acquainted with the job during their hiring and training process, and that Motaung was sacked for violating the company's code of conduct. "As far as the union being formed, we have policies in place for freedom of association," says Gonzalez. "If a union was being formed, that is not a problem."

Content moderators recruited from outside Kenya were paid about Ks60,000 a month, including an expat allowance, equivalent to about $564 at 2020 exchange rates.

Moderators typically worked a nine-hour shift, with an hour's break, two weeks on days and two weeks on nights. After tax, they received an hourly wage of roughly $2.20.

Sama points out those wages were several times the minimum wage and equivalent to the salary received by Kenyan paramedics or graduate level teachers. But Crider from Foxglove says she is not impressed: "$2.20 an hour to put yourself through repeated footage of murder, torture and child abuse? It's a pittance."

Haugen, the Facebook whistleblower, said Motaung's struggle for workers' rights was the digital-era equivalent of previous struggles. "People fighting for each other is why we have the 40-hour work week," she said, speaking at an event alongside Motaung in London last year. "We need to extend that solidarity to the new front, on things like content-moderation factories."

This month, moderators in Nairobi voted to form what their lawyers say is the first union of content moderators in the world. Motaung called the resolution "a historic moment".

The last of the three cases being heard in Kenya deals not with labour law, but with the alleged consequences of material posted on Facebook. It claims that Facebook's failure to deal with hate speech and incitement to violence fuelled ethnic violence in Ethiopia's civil war, which ended in November.

Crider says the three cases are related because poor treatment of content moderators results directly in unsafe content being left to spread unchecked by Meta's platforms. One of two plaintiffs, researcher Abrham Meareg, alleges that his father, a chemistry professor, was killed in Ethiopia's Amhara region in October 2021 after a post on Facebook revealed his address and called for his murder. Abrham says he asked Facebook multiple times to remove the content, without success.

Lawyers in Kenya are seeking the establishment of a $1.6bn victims' fund and better conditions for future content moderators. Crucially, they are also asking for changes to Facebook's algorithm to prevent this happening elsewhere in future.

The lawyers say that to compete with other platforms, Facebook deliberately maximises user engagement for profit, which can help unsafe or hazardous content go viral.

"Abrham is not an outlier or a one-off," says Rosa Curling, a director at Foxglove. "There are endless examples of things being published on Facebook, [calls for people] to be killed. And then that, in fact, happening."

Curling says the quality of Facebook moderation in the Nairobi hub is affected by the working practices now being challenged in court.

Gonzalez of Sama acknowledges that regulation of content moderation is deficient, saying the issue should be "top of mind" for social media company chiefs. "These platforms, and not just [Facebook] in particular, but others as well, are kind of out in the wild," she says. "There need to be checks and balances and protections put in place."

While Meta contracts tens of thousands of human moderators, it is already investing heavily in their replacement: artificial intelligence software that can filter misinformation, hate speech and other forms of toxic content on its platforms. In the most recent quarter, it said that 98 per cent of "violent and graphic content" taken down was detected using AI.

However, critics point out that the overwhelming amount of harmful content that remains online in places like Ethiopia is evidence that AI software cannot yet pick up the nuances required to moderate images and human speech.

'Not a normal job'

As well as potentially setting legal precedent, the cases in Kenya offer a rare glimpse into the working lives of content moderators, who normally toil away in anonymity.

The non-disclosure agreements they are required to sign, usually at the behest of contractors like Sama, forbid them from sharing details of their work even with their families. Gonzalez says this is to protect sensitive client data.

Frank Mugisha, a former Sama employee from Uganda, has another explanation. "I've never had a chance to share my story with anyone because I've always been kept a dirty secret," he says.

Following the loss of their jobs, Sama employees from outside Kenya now face the possibility of expulsion from the country, though a court has issued an interim injunction preventing Meta and Sama from terminating the moderators' contracts until a judgment is made on the legality of their redundancy.

All the content moderators who spoke to the FT had signed non-disclosure agreements. But their lawyers said these did not prevent them from discussing their working conditions.

Moderators from a range of countries across Africa were consistent in their criticisms. All said they had taken on the job without being properly informed about what it entailed. All complained of constant pressure from managers to work at speed, with a requirement to deal with each "ticket", or item, in 50 or 55 seconds.

Meta said that it does not mandate quotas for moderators, and said they "aren't pressured to make hasty decisions", though it said "efficiency and effectiveness" are key to the work.

Fasica Gebrekidan, an Ethiopian moderator who studied journalism at Mekelle university, got a job at Sama shortly after fleeing Ethiopia's civil war in 2021. After learning she would be working indirectly for Meta, she thought "maybe I'm the luckiest girl in the world," she says. "I didn't expect dismembered bodies every day from drone attacks," she adds.

Until now, Gebrekidan has not spoken to anyone, shielding the nature of her work even from her mother. "I know what I do is not a normal job," she says. "But I consider myself a hero for filtering all this toxic, negative stuff."

Below: Mercy Mutemi, a Kenyan lawyer representing the moderators, seated, and fellow counsel follow proceedings during a virtual pre-trial consultation last month. Below right: Abrham Meareg, the son of an Ethiopian academic shot dead after being attacked in Facebook posts, has brought a case against Meta over its alleged failure to deal with hate speech

FT montage/Dreamstime; Tony Karumba/AFP/Getty Images; Foxglove

'If Shell came and dumped things off Kenya's coast, it would be very obvious whether or not Kenya has jurisdiction'

'These platforms are kind of out in the wild. There need to be checks and balances and protections put in place'

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Clamping down on Russia's sanctions evasion

Western leaders need to get tougher on offshore secrecy jurisdictions

Allies of Ukraine gathering in Japan this week for the G7 summit may approach the next round of sanctions talks with trepidation. An agreement on restricting the Russian diamond trade is welcome but, from here, many of the grander proposals to stem the flow of money and critical goods to Russia raise diplomatic problems.

The EU and Japan oppose US proposals to ban all but a few specified categories of exports to Russia. Any move by the EU to block imports of refined products made from Russian crude will irritate India — and the US, if it drives up energy prices. If the EU further restricts exports passing through Russia en route to other places, it will hurt countries such as Kazakhstan.

But there are win-wins out there. There is one under-discussed tool used by Russia in almost every sanctions-evasion attempt: secrecy jurisdictions. The war is a good reason for leaders to focus, once again, on the offshore world.

What was once primarily a tax evasion industry has been swelled by loot-stashing. The multinational Russian Elites, Proxies, and Oligarchs Task Force issued an advisory in March noting that a lot of avoidance vehicles were "located in jurisdictions that are tax or corporate formation havens, which may afford a degree of secrecy to Russian elites and their proxies".

But this goes much further than merely helping oligarchs stash their gains. Secrecy jurisdictions have been a key tool for Russia to get critical goods — from machine tools to semiconductors. As one expert group put it: their procurement networks consist of "long chains of shell and front companies, often established in low-disclosure jurisdictions or those with strategic [anti-money laundering] deficiencies".

Look at the buying network recently revealed by the FT to be operating from a house in North London. Mykines Corporation LLP, which sent $1.2bn of sensitive goods to Russia, is a UK entity ultimately owned by a pair of British Virgin Islands companies — a secrecy jurisdiction.

Or take Gatik Ship Management: as the FT has reported, it is now one of the top ten biggest oil tanker fleets in the world — and it matters. It emerged from nowhere in the past year and has enabled the newly significant Russia-India energy flows. If it is owned by a Russian oil producer, it may be allowing evasion of the price cap. But it is shrouded in mystery. While Gatik itself is based in India, seemingly a part of Buena Vista Shipping in Mumbai, the vessels are owned via the Marshall Islands — one of the most extreme secrecy jurisdictions. The legal ownership of the assets it uses have been entirely hidden.

This is a common problem with shipping: vast vessels filled with toxic cargoes routinely sail through shallow waters — and no one ever knows who is ultimately responsible. The Iranian and Venezuelan oil trades have long relied on this. The US government knows which ships serve these routes — it is just difficult to work out who to indict.

> The G7 should be less tolerant of companies — and ships — based in countries that do not have proper, open ownership records and effective regulation

The G7 need to start becoming less tolerant of companies — and ships — based in countries that do not have proper, open ownership records and effective regulation. This is not all about beating up small islands: the EU needs to redraft its own rules so that, once again, there is an obligation on all member states to list beneficial owners.

In other jurisdictions, such as the UK, the problem is a lack of enforcement of corporate rules. Regulators — and the police — needed to be given the funding to actually start scrutinising companies and hunt down evasion.

Secrecy jurisdictions are not just about crooks hiding their wealth; they underpin the Russian war machine. The G7 should make them a priority.

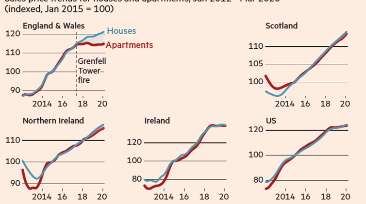
Opinion Data Points

How flats became second-class homes in England

John Burn-Murdoch

Apartments in England and Wales became second-class housing long before the pandemic put a premium on domestic space

Sales price trends for houses and apartments, Jan 2012 - Mar 2020 (indexed, Jan 2015 = 100)



FT analysis of data from Zoopla, Central Statistics Office Ireland and Case-Shiller

If Zoom, Peloton and pet shops were some of the unexpected winners of the early phase of the global pandemic, one of the biggest losers was apartment living. From March 2020 onwards, trends in house and flat prices diverged dramatically as lockdowns and remote working put a premium on domestic space.

So ubiquitous was this sudden sense of mild claustrophobia that it can be hard to remember that, until lockdowns struck, apartments and houses had enjoyed equal status almost everywhere. Their prices had previously moved in virtual lockstep as they climbed steadily upwards through the early 2000s, crashed in 2008, and then resumed their ascent over the decade since.

I say *almost* everywhere because there are two glaring exceptions: England and Wales. Whether you look across the Atlantic, over the Irish Sea or north of the border with Scotland, flats held their own with houses in the years leading up to the pandemic. But in England and Wales, flat prices rose just 0.6 per cent between January 2017 and March 2020, while house prices climbed more than 5 per cent.

The stark contrast with the other UK nations is especially significant, because it helps identify the culprits. Broad economic conditions were similar over this period, and the only significant regulatory change affecting the housing market — an additional 3 per cent stamp duty rate in 2016 for people buying additional dwellings — was UK-wide, and so cannot explain a divergence that happened in only two of the four nations.

Instead, the statistical smoking gun points to two prime suspects. First, England and Wales's deeply dysfunctional leasehold system, which applies to 95 per cent of owner-occupied flats but just 8 per cent of houses. And second, the cladding crisis triggered by the Grenfell Tower fire.

Despite paying hundreds of thousands of pounds to become "homeowners", leaseholders in England and Wales do not fully own their property, are subject to arbitrarily determined service charges whose increases sometimes far exceed inflation, and can spend years tied up in disputes with the property owner over building repairs and maintenance.

By contrast, owners of flats in Scotland and condos in Australia, Canada, and the US are commonholders, meaning they fully own their individual unit and jointly own and manage the larger building, cutting out the middleman and keeping fees in line with maintenance costs. And while leasehold does exist in Ireland and Northern Ireland, in reality their structures are more similar to commonhold, and owners have the right to buy out their ground rent, turning them into freeholders.

The particular plight of leaseholders in England and Wales was highlighted following Grenfell, when a review of safety measures found that hundreds of high-rise blocks in England — housing tens of thousands of leaseholders — had been built using dangerously flammable materials. There were fears that the costs of replacing the cladding would be passed on to leaseholders. The use of aluminium composite cladding on residential blocks — chosen primarily because it was cheaper than safer alternatives — was widespread in England and Wales, but only found in one development in Scotland, a single building in Northern Ireland and none in the Republic.

Taken together, this dysfunctional form of tenure, which privileges developers over residents, and is absent from the rest of the developed world coupled with a build-cheaply-and-charge-exorbitantly approach to high-rise development paint a damning picture of the English approach to dense housing.

In a particularly bitter twist, the pain from leasehold and cladding issues falls disproportionately on first-time buyers, who are more likely to purchase new-build flats as an affordable way to get on to the housing ladder, especially in light of the government's Help to Buy scheme. London house prices have climbed by 17 per cent since 2017, but flat prices in the capital are down 1 per cent over the same period. An analysis earlier this month by The Times found that two-thirds of London new-builds bought using the scheme had lost value.

There may be some light at the end of the tunnel. Labour leader Keir Starmer has pledged to abolish leasehold for new developments, though he has stopped short of ending the system for current leaseholders. But all things considered, it's little wonder that Britons are especially averse to living in high-rise developments.

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Letters

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Time has come to stop investors betting against bank stocks

The comments of JPMorgan chief executive Jamie Dimon, calling on US regulators to look into the behaviour of investors betting against bank stocks, have been derided as self-serving and misguided by commentators (Report, May 12). However he happens to be right — policymakers should move quickly to enact short sale bans on regulated financial institutions.

I have been an investor in banks for 15 years. Unlike Dimon, I would lose out if policymakers heed the advice to ban short selling, as short selling has been an important and profitable part of my investor toolkit. But for me, the benefits of a ban outweigh the costs.

While short selling nearly always provides an important disciplining function within capital markets by exposing bad actors and poor business models, short selling in banks creates its own negative feedback loops.

Indeed, bank equities and bonds are the best examples of George Soros's theory of reflexivity in action. Sharply lower stock prices, triggered by speculative attacks, prompt a loss of depositor and employee confidence, which leads to further deposit outflows. This in turn leads to lower stock prices.

At certain critical levels, regulators have no choice other than to close the relevant banks with considerable gains for short sellers and losses for taxpayers.

Today's global banking system is generally far better capitalised and regulated than the banks of the global financial crisis. Today's speed of information dissemination happens to also be much more rapid. As such, it takes little to trigger bank runs even in otherwise sound institutions. The game has changed and it is all too easy for malicious actors to manipulate the global financial system. While free markets generally work, they don't work here. Policymakers should act accordingly.

Nikhil Mirchandani
New York, NY, US

AI's mobile integration is good news for creatives

Who will reap the most rewards from artificial intelligence's inevitable mobile integration? Richard Waters' article (Report, FT.com, May 16) sheds some light, but fails to fully capture the appetite of the creative industry.

Yes, tailoring AI models to handsets is still at an experimental stage but the "rudimentary apps" mentioned, like photo-editing, should not be underestimated. They will transform the way we work. For one, it will see more people creating and editing fresh images. Mobile users can explore AI-generated image collections, use them in projects, customise the prompt and create new images by entering words and adjusting pixel dimensions.

Much of the success of mobile AI will depend on the ease by which it complements the artistic process. AI should enhance human creativity, rather than replace it.

This is particularly good news for designers and creatives.

Around a third of designers left their jobs in 2021, with burnout and having their best ideas rejected by clients playing a key role.

Generative AI provides such a compelling solution to people in this industry precisely because it champions the human behind the wheel.

Iván de Prado Alonso
Head of AI, Freepik, Málaga, Spain

Letter reveals true motives for debt ceiling stand-off

Matt Jandreau (Letters, May 12) reveals, inadvertently, the true underlying motive of US Republicans trying to make spending cuts a condition for raising the debt ceiling.

He says he is prepared to see discretionary spending collapse altogether should default ensue. Republican House Speaker Kevin McCarthy linked spending cuts to the raising of the debt ceiling in order to persuade extremists in his caucus to vote to raise the debt ceiling. They were keen not to vote to raise it, savouring instead the prospect of default as a cure to what Jandreau calls the "madness" of government spending.

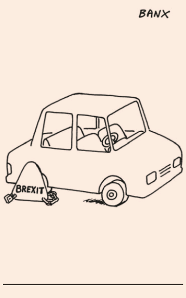
We need to be reminded that the large-scale spending President Joe Biden undertook was largely in service of pandemic relief to the vulnerable, which the UK and EU also undertook. Other spending fulfilled his cherished agenda. Republicans know that the cuts they propose Biden cannot accept as they target the most vulnerable — Medicaid recipients and those in receipt of food stamps, who suffer chronic food insecurity; and the cuts take aim as well at what Biden regards as the chief achievements of the first half of his current term.

The cuts are therefore offered disingenuously, precisely in order to provoke a rejection and a default, which Republicans, following Jandreau's argument, will be happy to blame on Biden and Treasury secretary Janet Yellen.

It should be noted Donald Trump added about a quarter to the current national debt in his four years, while the Republicans gave him a clean debt ceiling increase three times, never asking for spending cuts. The solution for Biden may be simply to invoke the 14th amendment, which prohibits default, in the name of his sworn duty to execute the laws.

If Republicans continue to play chicken with the debt ceiling, the president can simply order Yellen to continue to issue debt.

Emeritus Professor Albion M Urdank
University of California, Los Angeles, US



Ghana's cathedral — design in haste, repent at leisure

Your correspondent informs us that the models for Ghana's as yet unfinished interdenominational Christian National Cathedral of Ghana are to the north, Westminster Abbey, and to the east, Abu Dhabi's Grand Mosque (The Big Read, May 15).

Why are they not gazing westwards? The Ivory Coast, Ghana's next door neighbour, has the (underutilised) Basilica of Our Lady of Peace in the administrative capital Yamoussoukro. This is the largest church in the world according to the Guinness World Records. This grandiose building was the pet project of the then president, the committed Roman Catholic Félix Houphouët-Boigny. Its one piece of architectural modesty is that Pope John Paul II requested the cupola be slightly lower than planned, so as not to surpass the papal one on St Peter's in Rome.

The National Cathedral of Ghana may yet become a noted destination centre to rival others, but the experience of its neighbour suggests there may be future regrets at the cost.

Ciara Malins-Smith
London SW4, UK

What if you call Putin's bluff and he's not bluffing?

Some may accept the assurances of US policymakers that China's security concerns, like Russia's, are unfounded as Raj Parkash's letter argues ("On China, don't elide trade with national security", May 15).

What is more important, however, is what the other side thinks. The Ukraine war is an object lesson in what happens when you call their bluff and they aren't bluffing.

Robert Denham
Oakland, CA, US

No actuary is required for this plastic waste approach

While environmental pollution in all forms is negative — by definition — I wonder if the recent investor calls for action on plastic waste are perhaps focusing on the wrong problem ("Tide turns: Investors call for action on plastic waste", Report, May 5).

May I suggest that asset managers review recent publications such as "Project Drawdown" and "The Circularity Gap" to get a better understanding of where concerted actions can have a more beneficial impact. The organisations responsible use robust data gathering methodology and offer clear, specific and prioritised recommendations.

The single biggest item found in US landfills today is organic waste (food and garden waste), followed by corrugated cardboard. This is according to the US Environmental Protection Agency. Instead of calling for material deselection, asset managers should lead the way in calling for novel public-private partnerships that invest in mini-circular economies around the world where plastic material collection, sorting and recycling is improved. Beyond keeping materials in circulation longer and reducing demand for virgin polymers, these projects would spur job creation and raise tax revenues, especially in areas where appropriate infrastructure is lacking. A virtuous cycle appears possible.

The irony, of course, is that polymeric materials are incredibly efficient and enable greenhouse gas (GHG) emissions reductions by replacing heavier materials and reducing global food spoilage. According to Project Drawdown's calculations, the GHG impact of reducing plastic could avoid between 3.7 and 5 gigatons of CO_2 cumulative emissions by 2050. Reducing food waste, in comparison, could avoid between 88 and 100 gigatons of CO_2 by 2050.

You don't have to be an actuary to see where we can surely get a bigger bang for the buck.

Conor Carlin
President-Elect, Society of Plastics Engineers, Plymouth, MA, US

Ofgem's mission is mutually reinforcing

Chris Skidmore (Opinion, May 8) is right that the UK needs a clear strategy to get to net zero by 2050. But there is no contradiction in Ofgem's mission to build a decarbonised economy; secure energy independence; and protect consumers from volatile gas prices. They are all mutually reinforcing.

That's why we're setting up an independent strategic planning body for the energy system. We've approved an initial £20bn to accelerate wind farm infrastructure — and are now extending it across all power generation.

We're speeding up low-carbon projects plugging into the national grid and clearing stalled projects from the waiting list. And we're creating the dynamic, flexible market needed for the mass adoption of electric storage, transport and heating.

Akshay Kaul
Interim Director, Infrastructure and Security of Supply Group, Ofgem
London E14, UK

It's well to recall why US set up deposit insurance

Your editorial "Protecting deposits in the era of digital bank runs" (May 11) rightly confirms that confidence depends upon the banks that borrow our savings maintaining robust balance sheets at all times.

This produces a worrying knife-edge as losses can destroy asset ratios, with the double whammy: fresh capital is needed but impossible to raise once a bank's reputation is damaged.

The only sound solution is the draconian measure of ensuring that all banks are always small enough to fail.

Your very oldest readers may remember that in 1933 the new US depositor insurance scheme of up to $2,500 was not designed to protect the nation's time deposits and bank balances. No, it was to protect short term customer deposits required when new mortgage advances were about to be made.

So, it was not an act of socialising the risk of loss to customer deposits. Rather, it was a device to protect the property market from freezing up when recession made holding your purchase consideration in a bank, even for a day or two, a toxic risk.

BJC Tyler
London SW11, UK

A short seller's bear necessities

As a "bear" by nature, I am in full agreement with Jim Overdahl ("A ban on short selling is a bad idea as the 2008 crisis showed", Opinion, May 15). Putting it simply, sometimes, bears covering their short positions are the only buyers.

Paul Fellerman
London NW7, UK

Opinion

Failure is not an option when it comes to EU enlargement

Sylvie Kauffmann

Conceived as a peace project in the 20th century, the EU managed to grow, in size and substance, through the end of the cold war to the early years of the 21st century. The going got tough in 2010 with the sovereign debt crisis. For the past decade, the union has gone from one crisis to another, successfully overcoming all of them, including the mother of all EU crises, Brexit. But the challenge now looming, forced by Russia's imperialist aggression, is of another dimension.

Nobody knows what absorbing Ukraine, a country of around 35mn inhabitants devastated by a brutal war, into the EU will look like. It is an unprecedented endeavour which, if carried through, will deeply transform the bloc. This is a pivotal moment for Europe. But what will it pivot to?

Not a single EU leader dares any more to speak out against the prospect of enlargement to accommodate Ukraine and Moldova. It may be for fear of Ukrainian president Volodymyr Zelenskyy's very effective habit of naming and shaming Europe's reluctant warriors. It could be out of admiration for the energy expended by the Kyiv government, pushed by local NGOs, in fulfilling the conditions set by the European Commission as part of the country's EU candidate status.

To Ukrainians, the prospect of joining the EU has become the light at the end of the tunnel — a matter of survival. You do not take this hope away from people bravely fighting a war and defending your values.

This goal was officially endorsed by the EU's 27 member states in June 2022. Ursula von der Leyen, the European Commission's president, has been a driving force in this effort, stating as soon as the war started: "Ukraine is one of us and we want them in the European Union."

But when it comes to the questions of how and when, sensitivities differ from west to east and from north to south. And the scope of the issues raised by the prospect of Ukrainian and Moldovan accession is staggering.

First, how big should the enlargement be? If the EU is serious about opening the door to Ukraine and Moldova, can it leave the countries of the western Balkans lingering in the waiting room?

Enlargement is also about security and eliminating the grey zones between the EU and Nato space and Russia which have proven so fertile for Russian and Chinese influence. Logically, keeping the western Balkans out will make them even more vulnerable. Then will come the question of Georgia — which would raise the number of member states, potentially, from 27 to 36.

> You do not take this hope away from people bravely fighting a war and defending your values

Here comes the hard part. If you liked the confusing, slow-moving, veto-prone 27-member EU, you will love the dysfunctional, chaotic life of a 36-member group.

This is the greatest fear of France and Germany: the dilution of the European project in a disparate group of nations, each of them fighting for its own interests. The goal of the founding member states remains an "ever closer union", and they expect new entrants to contribute to this construction. For the French, the only way to avoid paralysis in an enlarged EU is to reform its governance. German chancellor Olaf Scholz advocates switching from unanimity to majority voting for decisions on foreign policy and tax matters. This would mean the end of rule by consensus. Berlin has rallied Paris and a handful of other capitals around its proposal.

There is "no way in hell the EU will get a consensus to get rid of unanimity", a senior official from a Baltic country tells me. Poland agrees. The showdown will come in October, when the Commission gives its report on Ukraine's implementation of EU recommendations. That will provide the basis on which the member states will decide whether to open accession negotiations with Kyiv.

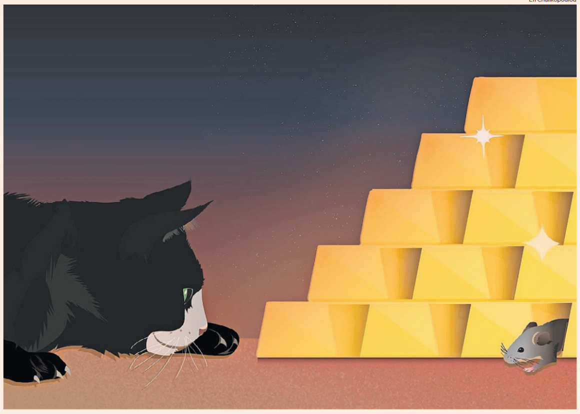
There are many more differences to bridge. The swift reaction from several central European states, notably Poland, over the negative impact of the export of grain from Ukraine on their economy is a taste of things to come: these will be no easy discussions, even with Kyiv's closest supporters. Yet failure is not an option. Not only would it have tragic consequences for Ukraine, it would also deprive Europe of its most formidable strategic tool — accession negotiations.

Meanwhile, one new and striking trend is already clear: Russia's war in Ukraine has given post-communist member states a stronger voice within the EU. To some of their young leaders, the original vision of Europe nurtured by the founding members belongs to another era. They now own the European project as much as the founders do. And they intend to shape it just as much.

The writer is editorial director and a columnist at Le Monde

Why investors are going gaga for gold

Efi Chalikopoulou



FINANCE

Gillian Tett

How can an investor protect themselves against a US government default? Once, that was a crazy question to ask. But today the bizarre has become almost normal in American politics.

And while US president Joe Biden and House Speaker Kevin McCarthy have both indicated they want to cut a deal to raise America's $31tn debt ceiling — and thus avoid a putative default — significant sticking points remain.

So Wall Street analysts are now furtively weighing the protection options as they grapple with this new tail risk.

Some, like those at JPMorgan, argue that "diversification is the best defence" and urge investors to "consider currencies and precious metals like the Japanese yen, the Swiss franc, and gold [and] high quality international equities." That sounds sensible.

However, others are more focused: RBC Capital markets last week suggested that "gold looks like one of the few likely candidates that would bear the burden of resulting market flows" from default anxiety.

And a survey from Bloomberg this week echoes this. Gold is the top safety choice for professional and retail investors, by a long margin, with 52 and 46 per cent, respectively, citing this.

That is followed by Treasuries, selected by 14 and 15 per cent of professional and retail investors (which sounds counter-intuitive until you realise that a default would spark a US recession). Bitcoin lags well behind in third place, followed by the dollar, yen and Swiss franc.

One hopes that this is all simply theoretical. But even if a default is averted, it is worth noting the answers. For one thing, it shows the degree to which eurozone leaders have failed to convince investors that their currency is a viable alternative to the dollar.

Second, this pattern is a nasty snub to crypto evangelists. After all, bitcoin was created as an alternative to the established dollar-denominated financial order. If most mainstream investors shun it when that established system is threatened with crisis, that does not bode well for bitcoin's future.

But the third, and most interesting, point revolves around gold. A couple of decades ago, investing in this asset seemed bizarrely retro, given that it does not pay a return.

But this month the gold price has been trading close to an all-time high (unadjusted for inflation) of $2,069.40 a troy ounce, after rallying 20 per cent since November, and doubling since 2016.

More importantly, some subtle but striking shifts have recently occurred in its trading pattern. Traditionally, the gold price has been inversely correlated to inflation-linked long term Treasury yields. The reason is that they both can act as an anti-inflation safety hedge — but since bonds offer returns, they typically become more attractive when real yields rise.

However, since early 2022, that relationship has broken down: real yields have climbed, but the gold price has risen too. Why? Analysts at Bridgewater, the US hedge fund, say one big reason is that many central banks have recently been gobbling up gold because they want to diversify their reserves away from the dollar, following western sanctions on Russia after its invasion of Ukraine.

Indeed, data from the World Gold Council published this month shows that central bank purchases hit a record high in the first quarter of this year, after record annual highs in 2022.

> Central banks have been gobbling it up because they want to diversify reserves away from the dollar

And the Council's Louise Street predicts that "central bank buying is likely to remain strong and will be a cornerstone of demand throughout 2023". It is a striking reminder of how frustrated countries like China and Russia feel with the dollar-based order, even if they lack a viable alternative to this right now.

However, Bridgewater thinks that another factor driving the rally is that the past 15 years of quantitative easing and recent high inflation have left central banks and retail investors alike reaching for gold as a store of value.

"There has been a shift from investors primarily evaluating gold as an alternative to other dollar-denominated savings to increasingly evaluating gold as an alternative to the dollar," Bridgwater notes, pointing out that the traditional correlation between the dollar and gold price has also recently broken down.

It is thus little wonder that investors — be they central banks or befuddled consumers — embrace gold as part of a hedging strategy against a US default.

Maybe this pattern will change with a debt deal. Indeed, the gold price has recently dipped slightly on McCarthy's comments. And when America last faced a similar debt ceiling crisis in 2011, the gold price also rose — but then sunk after a deal was made.

However, I suspect that history will not repeat itself so neatly this time, given the concerns about inflation, the weaponisation of the greenback and the fact that America's political dysfunction will not end with any debt ceiling deal.

The key point is that gold is now a good barometer not just of global instability, but of US dysfunction too. In that sense, there is poetic, albeit ghastly, symbolism in the way that Donald Trump, former president and a leading 2024 Republican presidential contender, has embraced the idea of default — from the safety of his own homes, which are (in)famously full of gold furnishings.

gillian.tett@ft.com

Europe needs to 'Frankenstein' its start-up sector

TECHNOLOGY

John Thornhill

At the start of this century, a visiting investor from Mars might well have bet big on Germany emerging as one of the winners of the internet revolution. Crammed with world-leading engineers, industry-friendly bankers and hustling entrepreneurs, the country looked strongly placed to flip its mastery of hardware into software. But it has not turned out that way. As two recent reports make clear, at least one critical cog has been missing when it comes to turning smart start-up ideas into global digital businesses: growth capital.

Germany lags well behind the US, China and the UK in creating tech unicorns, or start-ups valued at more than $1bn. Although the country has many giant pension funds, they only allocate a tiny fraction of their money to venture capital, which provides most of the rocket fuel for start-ups. Across Europe, VC funds invested €77bn last year, far less than the US total of €188bn. But even within Europe, Germany was underweight: as a proportion of GDP, VC investment in the country amounted to just 0.25 per cent last year, compared with 0.33 per cent across Europe and 0.78 per cent in the US.

Does this matter? After all, Germany remains a conspicuously successful economy with a strong manufacturing base and dynamic export sector. Besides, the ability to create fast-growing, but often lossmaking, tech unicorns may hardly be the best metric of economic, let alone societal, success. Many Germans would argue that the Facebooks, Airbnbs, and Ubers of this world externalise problems, eroding communal values and labour rights.

Yet Germany could still create and control a far punchier tech sector by learning from US financial virtues without copying its perceived vices. For reasons of both sovereignty and prosperity, Germany needs to mobilise far more growth capital.

As a report from the Germany Private Equity and Venture Capital Association (BVK) and the Internet Economy Foundation notes, Germany's economic miracle of the 1950s to 1970s was largely fuelled by strong investment in new companies and medium-sized enterprises, the fabled *Mittelstand*. During those years, bank lending to this sector amounted to 4 per cent of GDP. But the comparable figure today is just 1 per cent. Germany is still living off the glories of its past, and is not investing enough in the wonders of tomorrow.

> Germany is still living off the glories of its past, and is not investing enough in the wonders of tomorrow

What is even more galling is that North American investors, which back both US and German VCs, have a higher exposure to German start-ups than the country's own pension funds. That means the centre of gravity for the German economy may increasingly shift across the Atlantic, compromising technological sovereignty. "If you are not represented in the later-stage funding rounds then the governance is exported to where the money comes from," says Klaus Hommels, chair of the VC fund Lakestar.

Take Flix, a Munich-founded start-up that runs an international transport platform. According to an analysis by the VC firm Redstone, US pension funds indirectly own about 12 per cent of Flix, whereas their German counterparts own just 0.3 per cent. In total, Redstone estimates that US pension funds own 10 per cent of Germany's tech unicorns, worth a collective €47bn, compared with 0.2 per cent held by German pension funds. "Until we have a stronger capital base, the fruits of these businesses will be distributed there and not here," says Jeannette zu Fürstenberg, co-founder of the VC firm La Famiglia.

As an investor, zu Fürstenberg says she is excited by a new crop of start-ups, such as Celonis, Personio and Vay, which show that world-class software companies can be built in Germany. But she looks admiringly across the border to France, where the government is successfully mobilising institutional investment for the tech sector. The so-called Tibi initiative has helped create new pools of growth capital. "France is doing an incredible job and there is so much we can learn from them," she says.

Software engineers sometimes talk about "Frankensteining" a problem, meaning they can bring a project to life by stitching together different body parts. Europe has a chance to Frankenstein its start-up sector by combining the inventiveness of Germany (which boasts one-third more patent applications per person than the US), with the vibrancy of the UK's government-incentivised early-stage investment scene, and the growing strength of France's scale-up financing institutions.

The only difference from Mary Shelley's mythical tale is that this Frankenstein "monster" would strengthen, rather than destroy, its creators.

The writer is founder of Sifted, an FT-backed site about European start-ups

South Africa and the limits of having it both ways

WORLD AFFAIRS

David Pilling

South Africa's foreign policy has become a study in inconsistency. One moment it is about to depart the International Criminal Court. The next moment it isn't. Here it is condemning Russia's invasion of Ukraine. There it is accusing the US of having provoked it.

Sometimes South Africa is a democracy with a progressive constitution and a moral clarity in matters of equity and social justice. The next time you look it is throwing in its lot with dictators in the name of a new multipolar world that will break western hegemony.

Even the ruling African National Congress isn't sure what the country's foreign policy is. President Cyril Ramaphosa has just ordered an inquiry to get to the bottom of it. That was prompted by US allegations that it has been shipping arms to Russia. Pretoria is outraged that Washington should have made such a stinging accusation. But it cannot be sure it isn't true.

That the government does not know if arms have been exported to Russia from its own secure naval base near Cape Town is astonishing. (Next thing you know, someone important will discover millions of rand unaccountably stuffed down the back of a couch.) Assuming US intelligence is correct, either South Africa's government is covering up illicit arms sales, or it has lost its grip over the most sensitive parts of the state apparatus. Sadly, either could be true.

The haphazard nature of South Africa's foreign policy owes much to the ANC's misplaced nostalgia for the Soviet Union, which helped finance its liberation struggle against apartheid. Leave aside the fact that the Soviets murdered millions of their own citizens and created an empire of unwilling subjects. The ambiguous stance may also be related to links between Russian oligarchs and the ANC, which have bought a loyalty of another kind.

> The idea that countries in the global south speak with one voice is fantasy

But the disarray speaks to a wider issue: how non-western nations position themselves as the world order fractures.

Developing countries, broadly defined, have massively increased their global clout. In 2000, they made up 43 per cent of global economic output in purchasing power parity terms, according to IMF calculations. By next year, that will have risen to 63 per cent. That marks a profound shift from west to east and, to some extent, from north to south. The institutions forged after the second world war and the assumptions that underscored them simply do not reflect the world as it is today.

Countries that have played second fiddle in the post-1945 world order want change. They see opportunity because they are being courted, commercially and diplomatically, by multiple would-be partners. But the danger is that they may be forced to choose.

The idea that countries in the global south speak with one voice is fantasy. China and India see eye to eye on very little. Africa is split on Ukraine. In some ways, South Africa, an upper-middle-income economy, a democracy and a heavy carbon emitter, has more in common with the global north.

Then there are the limits of ambiguity. South Africa wants it both ways. It has hitched itself to two wagons pulling in opposite ways. It enjoys preferential access to European and US markets. Exports to both underpin its manufacturing base, especially its auto industry.

At the same time it likes being at the table with China, India, Russia and Brazil in Brics. But as the world diverges, South Africa — and others like it — risk being pulled in different directions.

As a sovereign country, South Africa is free to calculate its interests. But privileging ties with Russia, a rogue nation that accounts for 0.2 per cent of its exports, over the US, which accounts for 9 per cent, is an odd way of going about it. China is of course another matter.

Ramaphosa insists South Africa has "not been drawn into a contest between global powers". But it palpably has.

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Lex.

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Walmart: doing the hustle

Big-screen televisions are out. Shoppers have instead tuned into bread and butter. Penny-pinching Americans now pack the food aisles at budget-friendly grocers, cutting back on non-essential purchases as a way to beat back persistently high inflation.

This is good news for Walmart. The US's biggest brick and mortar retailer yesterday raised its full-year sales and profit guidance after it delivered a strong set of first-quarter results.

Like-for-like sales in the US climbed 7.4 per cent during the period, compared with a year earlier. Compare that with Target's flat result and the 4.6 per cent decline reported by Home Depot.

Fuelling the gain was Walmart's massive grocery business, which generated nearly 57 per cent of total US revenues last year. More middle and higher-income shoppers are doing their grocery runs at its stores. At the same time, lower-income consumers snap up more of its private-label food offerings.

Walmart tends to do well when consumer purses are stretched. The stock gained 11 per cent from July 2007 to the end of 2009, while Target and Home Depot both fell 25 per cent. A similar divergence is taking place now.

Walmart shares are up 24 per cent over the past 12 months, compared with a decline of 3.3 per cent and a 2.5 per cent increase at the two rival big-box stores. At 24 times forward earnings Walmart trades at a premium to its peers.

Might this defensive quality drag down Walmart's shares in an economic recovery? Not necessarily. Walmart has tried to diversify away from low-margin grocery sales. These efforts — which include building a third-party online marketplace and selling digital advertising — have borne some fruit.

Sales from Walmart's global advertising business grew 30 per cent to $2.7bn last year. That looks good given the digital ad market stagnated over the past year. The momentum has continued this year, with sales from the unit up 30 per cent in the first quarter.

Despite its small takings compared with the $572bn in sales Walmart raked in last year, gross profit margins are high — 70-80 per cent.

That easily tops Walmart's group margin of just 23.7 per cent during the first quarter.

The continued growth in these side hustles could help butter the bread of shareholders after those shoppers drift away from Walmart's food aisles.

BT/UK broadband: alt reality

Light travels far faster than sound. That might explain why investors can quickly see through the latest plan by BT Group's Philip Jansen.

BT will shed 55,000 jobs by 2030 or two-fifths of its workers, its chief executive said in yesterday's full-year results. That sounds a big number. But cuts will derive mostly from completion of BT's plans to connect 30mn premises with fibre broadband. Many are not full-time workers.

Most of BT's 30,000 contractors will no longer be needed after completion. Progress is good. Strong demand for faster data meant that almost 400,000 new customers signed up to higher priced fibre services. Average revenue per broadband customer grew 8 per cent as a result. Yet, shareholders might ask why group revenues rose just 1 per cent, especially given that its contracts are inflation linked.

Blame cash-strapped consumers and competition. Other willing suppliers can meet the booming data demand. These factors eroded BT's 21mn broadband customer base by 200,000 last year. That should jump to 400,000 this year, as some fibre customers switch off any redundant analogue services. This transition means fewer staff in BT uniforms. Some 35,000 of the expected job losses will come not just from the lack of new projects but also from the lower maintenance needed on the new fibre network.

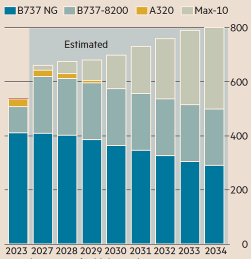
Worse, BT faces competition from "altnets" building out their own fibre. Upstarts such as Hyperoptic, CityFibre and toob have pursued a land grab into BT's copper wire territory. Some will surely fail but their assets are likely to be acquired cheaply by consolidators.

BT already expects to lose about 1.5mn lines by 2028. Double that and ebitda for that year could be 13 per cent lower than currently expected, thinks Numis. Any squeeze on operating cash flow would in turn threaten the dividend. The share price dropped 4 per cent on the day. Judging from that reaction the sound of Jansen's plan did not appeal.

Ryanair: cruise liner

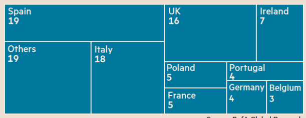
The Irish budget airline has plans to expand its fleet by more than half by 2034 with the purchase of 300 Boeing Max-10 aircraft. Ryanair has spread its capacity throughout Spain, Italy and the UK. Investors have bid up the shares of airlines following the drop in fuel prices.

Ryanair's ever-expanding fleet
Breakdown by aircraft



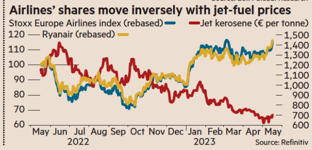
FT graphic Source: BofA Global Research

Ryanair's capacity by country
% 2022



Source: BofA Global Research

Airlines' shares move inversely with jet-fuel prices



Source: Refinitiv

Airline passengers prefer aisle to window seats for ease of movement.

No wonder. If Europe's airline bosses could safely jam more people on their planes, they would. Business is brisk, as easyJet affirmed in its interim report yesterday.

Its low-cost rival Ryanair is not taking this sitting down. This month it announced an order for another 300 Boeing 737 Max-10 aircraft to swell its fleet to 675 planes by 2028 — one of the largest in Europe — a deal worth $40bn. Ryanair is already top-ranked in Europe (and fourth worldwide) for scheduled seats as of September last year. But is it saturating the regional market?

Ryanair says it needs these extra, more fuel-efficient Max-10s. With a fifth more seats than its current mainstay, the Boeing 737 NextGen (about 80 per cent of its fleet), the Max-10 should also burn a fifth less fuel. That thriftiness will matter as Ryanair has expanded its passenger target from 225mn by March 2026 to 300mn seven years later.

At €22 per available seat, jet fuel is expected to eat up 44 per cent of the airline's operating costs, Visible Alpha data says. Ryanair reports full-year results this month. Analysts expect that expense to climb towards €25 per seat in three years. Even so, Ryanair trumps its rivals on overall costs per passenger by no less than a third.

This increased cost efficiency should keep earnings per share bubbling along. However, even at 225mn passengers, Ryanair is already a regional giant. Its €19bn market capitalisation almost equals the combination of its next two largest rivals, Lufthansa and British Airways owner IAG. Even with a large fleet, its capital spending should soon peak. That should result in steady free cash flow of about €2bn.

But the fleet growth could be deceptive. Without obvious acquisition targets, Ryanair could morph into a high-yielding cash machine, thinks Bernstein.

It pays no dividend and has not bought back shares since the pandemic began, but all that could change. Formerly a pushy upstart, Ryanair is evolving comfortably into a middle-aged airline.

Weight-loss drugs: fat chance

Skinny jabs make chunky profits. Fat-busting injections make investors gush like Hollywood celebs. The discovery of effective, long-term drugs for obesity — a condition that afflicts one in eight adults worldwide — could create one of the industry's largest markets.

Research this week suggested that obese patients cost Britain's NHS twice as much as healthy ones.

Sales could reach $100bn globally within 10 years, says Barclays. It reckons most of the gains will be made by the two frontrunners, Denmark's Novo Nordisk and Eli Lilly of the US.

Over the next three years, Novo Nordisk's earnings are set to grow at a compound rate of 25 per cent. That justifies a price-to-forward earnings multiple of 32 times, a 60 per cent premium to the sector.

Yet the drugs' high costs might be a limiting factor. A US watchdog last year suggested that the annual price of Semaglutide (Novo Nordisk's Wegovy) might need to be cut to $7,500-$9,700, roughly half its wholesale cost.

Lifting the Medicare ban in the US on obesity drugs, the subject of heavy lobbying, would prove costly. The cost of treating a tenth of obese over-60s could be almost a fifth of its prescription drug benefit. Insurers are watching closely. In a recent earnings call, UnitedHealth Group of the US called for clarity about benefits.

Much depends on the results of a Novo Nordisk trial, expected in August. Semaglutide needs to reduce heart attack and stroke risks substantially for purse strings to loosen.

Patients may require the drugs indefinitely, an attraction for investors. But that increases the likelihood of side-effects and the chances of the drugs' misuse. Eating disorder charities fear that the drugs may exacerbate problems for some.

That risk alone would not bring litigation. Opioid litigants won big payouts by laying bare unethical business practices. But manufacturers racing to build a huge new market must tread with care.

US housing: room for improvement

The most successful hedge fund of the pandemic era is the US homeowner. Interest rates falling to near-zero and soaring house prices led Americans into a frenzy of mortgage refinancings.

These deals allowed Americans either to slash their monthly payments or withdraw equity from their homes.

Research from the Federal Reserve Bank of New York shows that quarterly refinancing volume soared from about $100bn in 2019 to as much as $700bn during the pandemic. More than $400bn of aggregate equity was extracted, says the Fed, or $82k per cash-out mortgage. Most, however, chose to lower their monthly payments, on average by $220.

For most Americans, the single most valuable component of wealth is their residence, usually purchased with 30-year, fixed-rate mortgages at a 75 per cent loan to value. These refinancing booms occur occasionally, the researchers point out, creating substantial amounts of wealth. Also among the big winners were retailers such as Home Depot, Lowe's and other purveyors of big-ticket goods.

But as the Fed notes, rates have spiked dramatically, with benchmark mortgages going from under 3 per cent to around 7 per cent, a sea change that will continue to make waves in the economy. Closed loan volumes and revenues for industry leader Rocket Companies fell by more than 60 per cent in 2022, year on year. Rocket listed its shares in 2020 at $18 and they have since descended to about $8.

The distributional effects of these swings in interest rates is becoming clearer. Homeowners happy with their present locations are the big winners. Home Depot noted that while 40 per cent of US homes are owned outright, almost all mortgages outstanding have rates of 5 per cent.

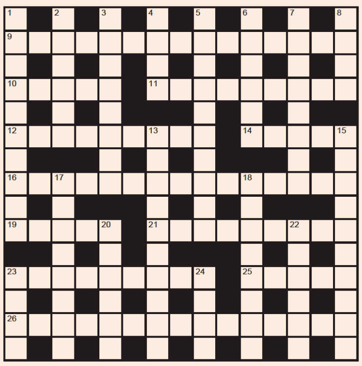
No surprise that data on home sales released yesterday revealed that volume in April was down 23 per cent.

Those keen to join that hedge fund crowd, and buy into the housing market, are stuck out in the cold.

Lex on the web
For notes on today's stories go to **www.ft.com/lex**

CROSSWORD

No 17,419 Set by BUCCANEER



ACROSS

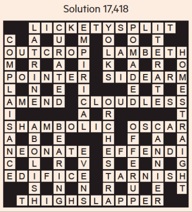
9 Do scolds show this lack of concern for others? (4-11)
10 Republican, yet left-leaning? No way! (5)
11 Subject of lines concluding revolutionary film (9)
12 Varied Disney works caught by mother and daughter (4-5)
14 Start to scent odour? (5)
16 Friends perhaps arrive in suit today, and in pants (9,6)
19 Outer parts of Derby or Leicester? (5)
21 After that time, Hungarian on vacation tours Europe, travelling (9)
23 Imagine pinching cheek softly, being irreverent (9)
25 Silk underwear concealing rear end (5)
26 Flag during tennis game displaying unfair rules (6,9)

DOWN

1 One saving English business, not a skinflint (10)
2 Partners at the table admitting affection for pig (6)
3 Attractive quality maintaining one's appeal primarily? (8)
4 Brandy butter knocked up before 3rd of December (4)
5 A figure stops Ant and Dec performing for those present (10)
6 Politician in party political broadcasts goes off script (2-4)
7 Walk across theme park's main draw (8)
8 Pale American has fling (4)
13 Delicacy isn't included in feasts, having seconds (10)
15 Swimmer very loudly admits dishonesty, to an extent (6,4)
17 Ringing idiot going up and down America (8)
18 Offers too much R&B in funky videos (8)
20 Showing flexibility, what drug dealers do losing yen (6)
22 Be curious about site of carnival in religious building (6)
23 Craze over folk music (4)
24 Period of time that's long up until November? (4)

JOTTER PAD

Solution 17,418



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FT SPECIAL REPORT

G7 Japan

Friday May 19 2023 www.ft.com/reports

Kishida invokes Hiroshima's shadow

Leading nations face pressure on nuclear disarmament, writes *Kana Inagaki*

War zone: Japan's Prime Minister Fumio Kishida visited Kyiv in March, above. The A-Bomb Dome monument in Hiroshima, right
Sergei Chuzavkov/Getty Images

Back in 2016, when Fumio Kishida, then Japan's foreign minister, took his G7 counterparts to the A-Bomb Dome in Hiroshima, he believed "this would be the first step towards the abolishment of nuclear weapons".

But, seven years later, as he returns to his family's home city to chair the G7 summit as prime minister, his dream of a world without nuclear weapons appears more distant than ever.

Since last year's invasion of Ukraine, Russian president Vladimir Putin has made repeated threats about using nuclear weapons, while the growing arsenals of China and North Korea have underscored the continuing need for the US nuclear umbrella that helps to protect its allies including Japan.

"I do feel that the path towards a world without nuclear weapons has become even tougher than before," Kishida admitted in a group interview last month. But he added that it was Japan's responsibility as the only country to have ever suffered atomic bombings to "continue raising the banner of our ideals" to achieve the goal of nuclear abolishment.

However, with Kishida's family roots in Hiroshima, where, on August 6 1945, at least 80,000 people died when the US became the first and only country to launch a nuclear attack, disarmament remains at the heart of his political career. Consequently, the topic is expected to feature prominently as leaders of the world's most advanced economies gather this weekend.

The G7 countries — among which the US, France and the UK have nuclear arms — have already come under criticism after a meeting of foreign ministers last month failed to present new steps to eliminate nuclear weapons. Whether the main summit can deliver more concrete ideas will be closely watched, including by those in the host city of Hiroshima.

"We hope that [the G7] will be able to firmly outline a direction for the ultimate goal towards a world without nuclear weapons that does not rely on deterrence," says Kazumi Matsui, mayor of Hiroshima city.

> 'I do feel that the path towards a world without nuclear weapons has become even tougher'

But the summit comes as G7 members are divided on a host of other key issues, ranging from tougher sanctions against Russia, to the US-China dispute, climate strategy, economic coercion, dealings with the Global South, and the rapid development of artificial intelligence.

And for Kishida, the stakes are high — both at home and internationally.

Continued on page 5

Inside

Gideon Rachman
The G7's renewal marks a new era of superpower rivalry
Page 3

Comment
Fumio Kishida
'Russia's aggression against Ukraine is not only a matter of European security'
Page 2

Unity trumps size
Once derided, the summit has risen in importance as the G20 was hobbled by division
Page 2

De-risking not decoupling
Member states try to strike cautious balance on China
Page 3

Climate wrangling
Japan seeks 'realistic' carbon targets, but critics dismiss argument as self-serving
Page 5

Bloc's relevance cemented by G20's dysfunction

Economy

The group is setting the tone on security, energy and the war in Ukraine, writes *Chris Giles*

Towards the end of the acute phase of the global financial crisis in 2009, the Group of Seven appeared dead as an economic and political bloc. Representing only 35 per cent of the global economy, the then IMF head joked it was the "late G7".

The plan was for France to perform the coup de grâce when it chaired the G7 and G20 in 2011. From that point on, the G20 would be the "premier forum for international economic co-operation" and decisions of global importance would no longer be taken by a small and unrepresentative club of just seven industrial countries.

The plan never materialised. Through the 2010s, G7 finance ministers of the US, Japan, Germany, France, UK, Italy and Canada met regularly with little consequence. National leaders met at a G8 level until 2014, when Russia was expelled for its annexation of Crimea, part of Ukraine's sovereign territory. When Donald Trump was US president, the summits were occasionally spectacular failures. In 2018, he left early, refused to sign up to a communique praising the "rules-based" system of global trade and called the host, Canadian prime minister Justin Trudeau, "dishonest and weak".

But the 2020s have been different. President Joe Biden's administration has taken a shine to the G7 — not as the forum to thrash out global solutions, given it now represents only 30 per cent of global GDP — but as a body of like-minded advanced economies that are able to agree a united front. And this reappraisal has come at a time when the G20's relevance in economic affairs has dwindled, with the body, including China, Russia and the US, unable to agree on much of substance.

Professor Eswar Prasad at Cornell University says: "In a rapidly fragmenting geopolitical order, the G7 represents a largely unified but now far from dominant block of countries with similar economic and political values".

"Ironically, the dysfunctionality of the G20 and the open rancour among its members have led to the G7 regaining some of its relevance."

The first indication of the renewed relevance of the G7 came early in the Biden presidency when his Treasury secretary, Janet Yellen, decided to cede some ground in some parts of international tax negotiations in order to achieve a US prize of a global minimum corporate tax rate.

She came to London to a G7 finance ministers' meeting in June 2021 with a proposal to stop a race to the bottom of global corporate tax rates alongside a radical move to allow all countries to collect some tax from foreign multinationals doing business in their countries. Securing what all sides said was a "historic agreement", the G7's actions proved to be the catalyst for a later global agreement among 136 countries.

In 2022, the G7 cemented its newfound relevance for western nations by acting as the forum to calibrate and set sanctions on Russia following its invasion of Ukraine. By September, the bloc had agreed a price cap on Russian oil — aiming to allow the oil to flow and to keep global prices down, while depriving Moscow of significant revenues from fuel.

This was imposed in December last year at a price of $60 a barrel with subsequent caps on petrol, diesel and other fuel oils effective from February this year. In an assessment of the sanctions, Elina Ribakova, senior fellow at the Peterson Institute of International Economics, says that the G7's actions, seeking to limit flows of money to Russia from oil exports, were "a smart thing to do" although there were huge incentives for Russia and shipping companies to seek to circumvent the price cap.

Noting the lack of officials or procedures to enforce the cap, Ribakova adds, "it's novel, but the G7 is trying to implement economic statecraft without an institutional set-up," suggesting the cap was likely to get increasingly leaky. Those concerns, however, did not invalidate the overall effect of the G7 and EU's sanctions, she says. Other measures and sanctions would intensify the squeeze on Moscow's finances: "Russia's economic challenges will only worsen as the war continues with no end in sight".

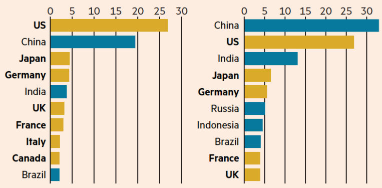
John Kirton, director of the G7 research group at Toronto university, says these actions and others showed that the G7 was able to produce robust conclusions to summits that were useful for the world at a time when "the G20 is missing in action".

"This year, what we've seen so far, empirically, is that the G7 is on the road back to life on everything — on macroeconomics, security, Russia's war in Ukraine and energy," Kirton says, adding that his group's research showed that member states generally implemented and complied with agreements struck at G7 summits.

The Hiroshima summit will take the G7 into a further new area for 2023, though. In finance ministers' meetings so far this year, the ministers have focused on building economic resilience and security, trying to define a world of "de-risking" from China — reducing dependencies on critical elements of supply chains, rather than "decoupling" and casting the country into the economic wilderness.

The finance ministers concluded in April that, "in this endeavour, we will stand firm to protect our shared values, while preserving economic efficiency by upholding the free, fair and rules-based multilateral system and international co-operation". That will be a considerable challenge in 2023.

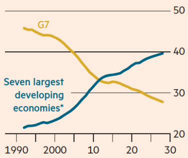
The G7 are in the top 10 countries ranked by GDP – but not when adjusted for differing price levels between countries



IMF forecast for 2023; * Purchasing power parity
Source: IMF

Larger developing nations now form a much greater share of the world economy than the G7

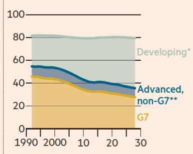
Share of global GDP at PPP (%), with forecast to 2028



* Brazil, China, India, Indonesia, Mexico, Russia, Turkey

G20 is a more representative forum, accounting for four-fifths of global GDP

G20 share of global GDP at PPP (%), with forecast to 2028



* Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, S Africa, Turkey, rest of non-G7 EU
** Australia, S Korea, most of non-G7 EU

The G7 meeting in 2018 (left) ended in acrimony but by 2022 it had revived in importance
Jesco Denzel/Bundesregierung; Henry Nicholls/Getty Images

Under Japan's presidency, the G7 will defend the rule of law

OPINION

Fumio Kishida

When I visited Ukraine in March and met President Zelenskyy, I expressed to him my commitment to maintaining the unwavering unity of the G7 for strict sanctions against Russia and our robust support for his country. At my invitation, he will participate in discussions at the G7 summit in Hiroshima this weekend.

Japan has pledged $7.6bn in assistance for Ukraine. Some people might wonder why a geographically distant country is so committed. This is because Russia's aggression against Ukraine is not only a matter of European security, but also a challenge to the free and open international order based on the rule of law. Today's Ukraine may be tomorrow's east Asia. We are determined to uphold the rule of law, firmly rejecting the rule of force.

The world faces a complex set of crises today, including climate change, the pandemic and geopolitical crises. At the G7 summit, I and my counterparts will discuss regional situations such as Ukraine and the Indo-Pacific, including east Asia, notably China and North Korea. We will also discuss the global economy, including food and energy security; economic resilience and economic security; nuclear disarmament and non-proliferation; digital technologies; and global issues such as climate change, health and development.

As a holder of the G7 presidency, Japan would like to take the lead in responding to these multiple crises. While each member's interests may vary in addressing these challenges, the G7 is determined to respond in a united manner to any challenge to the existing international order based on the rule of law that we depend on, wherever it occurs. This unwavering determination is the most important message of this G7 Hiroshima Summit.

The Indo-Pacific region is expected to be the centre of gravity for the international community in the future, with the promise of the most dynamic economic growth and innovation. That said, it also faces emerging challenges that affect the international community as a whole, including unilateral attempts to change the status quo by force, non-market practices and economic coercion, as well as the issue of how economic growth can be compatible with climate change.

In March this year, the UK announced the Integrated Review Refresh of its security, defence, development and foreign policies, and its accession negotiations on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership reached substantial conclusion. By demonstrating its commitment to the Indo-Pacific region, the UK shows that it fully recognises that peace and prosperity there are in its own interests. This permanent engagement with this region is strategically and geopolitically astute. It is encouraging that the UK is looking decades into the future and making its investments from a long-term perspective.

'Irresponsible nuclear rhetoric, including threats . . . such as those made by Russia, is never acceptable'

This is not merely in terms of securing its economic interests such as trade, or safeguarding supply chains for semiconductors and critical resources. International co-operation on global issues, which support the national interests of the UK and Europe as a whole, require efforts that transcend regional boundaries.

At the same time, addressing the challenges that the world is facing today requires the efforts of the entire international community, including the so-called Global South. As the G7, we would like to strengthen our outreach. That is why I recently visited Egypt, Ghana, Kenya and Mozambique, and have invited Australia, Brazil, Comoros, the Cook Islands, India, Indonesia, the Republic of Korea, and Vietnam to the Hiroshima Summit for discussions.

Whether it is about the situation in Ukraine or climate change, it is important to let the so-called Global South decide to deepen co-operation with the G7 by choice, not by imposition, if we are to gain co-operation from the entire international community. The key is that the international community, including the G7, firmly responds with unity to situations like Ukraine wherever they occur. Moreover, it is also important that the G7 shows solidarity with, and helps to shoulder the burden of, vulnerable countries.

From this perspective, I presented a new plan for a Free and Open Indo-Pacific when I visited India in March. I announced support for the growth and economic resilience of the Indo-Pacific countries through establishing a free and fair economic order, strengthening connectivity, including through infrastructure development, and ensuring maritime peace and stability. Through dialogue with other countries, we hope to lead the international community away from fragmentation and towards co-operation.

The G7 Summit that is to be held in Hiroshima has special significance. For 77 years since the atomic bombings of Hiroshima and Nagasaki, humanity has not used nuclear weapons. We must never neglect this historic achievement.

Nuclear weapons must never be used again, and irresponsible nuclear rhetoric, including threats of nuclear weapons such as those made by Russia, is never acceptable. There is no better place than Hiroshima to send the message of moving towards "a world without nuclear weapons". I look forward to deepening discussions with the G7 leaders to promote realistic and practical efforts in this regard.

It is critical that the G7 takes the initiative when the world faces a complex set of crises. Japan is determined to exercise leadership while it holds the G7 Presidency, and co-operation from each member of the G7 is indispensable.

The writer is prime minister of Japan

‘De-risking’ China links takes precedence over ‘decoupling’

Economic security

America, Europe and Japan try to strike a cautious balance, writes *Kana Inagaki*

In the months leading up to the G7 summit in Hiroshima, the US, EU and Japan cautiously united behind a policy towards China that rules out a full decoupling of trade between them — as the world's most advanced nations — and Asia's largest economy.

But how the G7 will strike the right balance between national security and economic interests remains a challenge that is likely to weigh heavily during the summit meeting. The gathering will also be joined by leaders of developing countries including India, Indonesia, Vietnam, Brazil and the Indian Ocean island-nation of the Comoros.

“What Japan intends to do, rather than decoupling from China, is to strategically identify areas where collaboration is possible and areas where risks should be avoided,” said Yoshimasa Hayashi, Japan's foreign minister, in a written interview with the Financial Times. “The Japanese government will continue to encourage co-operation in the economic field in a manner that contributes to the national interest of Japan as a whole.”

This so-called de-risking strategy is an approach first put forward by European Commission president Ursula von der Leyen in March, when she called for “new defensive tools” for sectors such as quantum computing and artificial intelligence. Since then, UK and Japanese officials have started adopting that same phrase, while the US is emphasising that its China policy is focused on “de-risking”.

At the summit, in addition to tackling Beijing's military ambitions and the risk of a conflict over Taiwan, prime minister Fumio Kishida will aim to project G7 unity in addressing economic security, generally. But a pillar of that initiative involves how the member countries can collectively deter other nations — notably China — from using economic pressure to try to force individual governments into political concessions.

“All of the G7 countries do not have a hardline approach on China but they can agree on where they need to protect themselves against China and the newest element [to that debate] is how they need to respond against economic coercion,” says Ryo Sahashi, associate professor of international politics at the University of Tokyo.

Hot chips: nations agree on the need to protect critical technologies — Sipa USA

Sahashi says it is unlikely that the G7 members would agree on new economic security tools, such as export controls or an anti-coercion instrument, at the Hiroshima summit, but he adds that “maintaining the momentum” to work together on this issue would still be important.

The US, the EU and Japan agree on the importance of economic security and the need for the so-called “like-minded countries” to collaborate to protect critical technologies, intellectual property, and supply chains.

However, the approach taken by each country has been different, influenced largely by the extent of its reliance on the Chinese economy.

The Biden administration has pursued the most aggressive path to decoupling China from the US in cutting-edge technologies, while Europe and Japan have taken a more selective approach given the deep ties and intricate supply chains they have established in China.

Tokyo also feels more vulnerable to Beijing's retaliation if the G7 pushes too far, having experienced a cut-off of rare earth mineral supplies in 2010 and the arrest of 17 of its nationals in China since the country passed a counter-espionage law in 2014. China has already criticised the G7's focus on economic coercion, saying that it was the victim of economic bullying by the US.

“China knows very well that Europe tends to see the economy before national security in their relations with China, so China is likely to attempt to split Europe using its economic strength,” suggests Nobukatsu Kanehara, former assistant chief cabinet secretary during the administration of late prime minister Shinzo Abe.

“In Japan's case, Taiwan is right in front of their eyes so Japan feels decoupling of cutting-edge semiconductor technology is inevitable, but it still needs to find a balance since full decoupling is impossible,” he explains.

The US last year introduced sweeping export controls that would severely complicate efforts by Chinese companies to develop cutting-edge technologies with military applications. Washington is now seeking the support of its allies as it finalises a new outbound investment-screening mechanism aimed at China.

Brussels is also examining the creation of its own mechanism for scrutinising overseas investment by EU companies in a small range of sensitive technologies that could enhance rivals' military capabilities. But officials are unlikely to agree to “a shared mechanism” with the US.

Meanwhile, Japan has unveiled curbs on the export of 23 kinds of technology as part of a deal reached with the US and the Netherlands in March. In both Europe and Japan, though, the measures are not targeted against a single country.

Rahm Emanuel, the US ambassador to Tokyo, has argued that a response to Beijing's economic coercion needs to “be collective and must be led by the United States”, but Tokyo still prefers to use the World Trade Organization as a mechanism to resolve disputes.

“The difficulty about economic security is that countries are both collaborators and rivals,” observes Kazuto Suzuki, professor at the University of Tokyo. “If US companies suffer, it's an opportunity for Germany, France and Japan. That is why the thinking of the US, EU and Japan will be different and it will be difficult to reach a consensus on how aggressively they will use export controls against China.”

G7's renewal marks a new era defined by superpower rivalry

OPINION

Gideon Rachman

Ken Ishii/Reuters

‘The steering committee of the free world” is how Jake Sullivan, President Biden's national security adviser, describes the G7.

And that description underlines the importance of the G7 summit that will take place in Hiroshima. The Ukraine war is still raging and may be reaching a crucial stage. Meanwhile, tensions continue to rise between China and the US. America is keen to co-ordinate with its democratic allies — such as Japan, the conference host — on both issues.

All summit communiqués strive to give an impression of unity and firmness. But commentators will be examining the text from this G7 summit (and the closing press conferences) particularly closely. Comments made by the French president, Emmanuel Macron, after his recent visit to China suggested that he, at least, felt that the fate of Taiwan is not a core concern for Europe. This comment jarred in Washington and in much of Europe. It also alarmed the Japanese government, which is keen to see more European involvement in East Asian security issues.

So it will be important to see if the G7 can muster a convincing display of unity on both China and Russia. Observers will also want to see if that unity extends beyond rhetoric into new and concrete initiatives — for example, on the securing of critical minerals or the “friendshoring” of supply chains.

Sullivan's phrase — “the steering committee of the free world” — tells its own story about the strategic thinking underpinning the summit. The use of the phrase “free world” is redolent of the cold war and accurately conveys the mood in Washington. As in the cold war, the US is rallying democratic allies in Europe and Asia for a generational struggle against adversaries that are familiar from the first cold war: Russia and China.

The difference is that, this time, the order of precedence is clearly reversed. In the period from 1945-89, it was the Soviet Union that was America's main adversary. This time, despite the Russian invasion of Ukraine, there is little doubt that China is seen as the more serious long-term rival by the US.

The American emphasis on the G7 — as opposed to the broader-based G20, which will have its own summit in Delhi in September — is also telling. It marks the transition from a period of world affairs dominated by economics and globalisation to a new era, in which politics and strategic rivalries set the tone.

The G20 came into its own in 2008. After the global financial crisis, it became apparent that the old G7 — of the US, Japan, France, Germany, Italy, Canada and the UK — was too narrow a grouping to stabilise the world economy. The growth of new centres of economic power — in particular China and India — made it imperative to involve a broader group of countries.

At the G20 summit in Pittsburgh in 2009, which I attended, the corridor chat was that the G7 was swiftly losing relevance — and might never meet again. But Russia's full-scale invasion of Ukraine in 2022 — combined with China's increasingly assertive foreign policy and growing domestic authoritarianism — has made the US and some of its allies increasingly sceptical of the usefulness of the G20. Russia and China are both members of the G20. And other key players — such as Brazil, India and South Africa — have remained studiously neutral over Ukraine.

As a result, a revived G7 looked like a more useful and focused grouping to deal with an era of renewed superpower rivalry. One senior European diplomat says the G7 is now “the workhorse of western co-operation” — with a shared focus on defending a “free and open international order”. In an effort to give the organisation a wider global influence, there will also be several guests at this year's G7 summit — representing the African Union, India, Australia, South Korea, Brazil, Vietnam and the Pacific Islands.

The location of this year's G7 summit is significant. Of all the G7 nations, Japan is probably the closest to the US in its perception of a threat from China. Geographical proximity, a festering territorial dispute with Beijing and the bitter legacy of history, makes Japan inclined to take the potential threat from China very seriously. Tokyo has also recently announced a major increase in defence spending.

But Japan also has its own distinctive pacifist tradition — derived from the horrors of the second world war. The fact that the summit will be held in Hiroshima — the site of the first ever use of an atomic bomb and the home constituency of Fumio Kishida, the Japanese prime minister — will be used to highlight a strong anti-nuclear and anti-war message. Combining this with a hawkish message of deterrence towards China will tax the skills of the assembled diplomats.

The Japanese hosts will have to walk a similar tightrope on economic issues — which were the core concern of the original G7 summits in the 1970s. The idea of an economic decoupling with China alarms many in the Japanese business community — for whom China remains a crucial and growing market. The German establishment has similar reservations.

> As in the cold war, the US is rallying democratic allies in Europe and Asia for a generational struggle

In an effort to forge a common approach, the US and the EU have begun to use similar language — with an emphasis on “de-risking” business with China, rather than outright decoupling.

Yet this linguistic change only goes so far. Defining the risk of doing business with China — and working out sensible hedges against those risks — will be a core concern for the G7 summit.

West claims success with price cap that keeps Russian oil flowing

Energy

Coalition believes it has succeeded in hitting Kremlin revenues, writes *Tom Wilson*

When G7 leaders prepared to implement a price cap on Russian oil last summer, some industry veterans cast doubt on whether the complex system would work. A year later, western officials believe they have largely been proven right: the Kremlin's revenues are down but its oil is still flowing.

The price cap on Russian crude and refined petroleum products was engineered by the US in response to a planned EU ban on European companies providing shipping, or other maritime services, to Russian oil cargoes.

By permitting those companies to continue to service Russian cargoes if the oil is sold at a discount, Washington hoped to curtail the Kremlin's revenue while ensuring Russian exports continued — to protect a global economy struggling with high energy costs.

US officials felt they had “silenced the sceptics” by keeping Russian oil flowing, says Helima Croft, a former CIA analyst and now head of commodities research at RBC Capital Markets.

“If we had never had the services ban, we never would have had price caps,” Croft explains. “The goal was to keep the molecules on the market.”

Russian oil exports in April reached 8.3mn barrels a day, the highest since April 2020, driven in large part by China and India, which imported, respectively, 2.1mn b/d and 2mn b/d of Russian crude, according the International Energy Agency (IEA).

At the same time, Russian monthly oil export revenues are down 27 per cent year on year at $15bn, according to the IEA's estimates. In response, last month, Russian president Vladimir Putin changed how the Kremlin taxes its oil companies, switching to a levy based on the price of Brent crude minus a fixed discount, rather than the much

Russia's oil export revenues are down 27% year on year, the IEA estimates

lower price of Urals — the country's main crude export blend.

A member of the G7-led coalition described the Russian tax move to the FT as “prima facie evidence” that the country's revenue was suffering due to the cap.

However, the full story of the cap's impact is more complicated. The western restrictions were supposed to reduce Russian revenues by limiting the price buyers could pay for Russian crude and diesel to $60 and $100 a barrel, respectively. Indeed, in January, the first full month of restrictions on Russian crude, the average quoted price of Urals fell to $49/b, significantly below both the cap and the average price of international benchmark Brent, which was $82/b.

However, traders say that the discount for Russian crude that widened in December and January was a reflection of new non-western buyers using the G7 restrictions to push prices down, rather than of western buyers complying with the cap. Now that Russia has formalised more ways to get its oil to new customers without using European shipping, or insurance that must comply with the caps, prices for Russian crude have started to recover.

The IEA calculated last month that the weighted average price for Russian crude exports had risen above the $60/b price cap in April, with one crude sold in Russia's far east, known as ESPO-blend, selling for as much as $74/b.

In this way, some critics say the sanctions and associated price cap simply pushed the bulk of Russian oil trading into the shadows: moving it from well-known global trading and shipping companies to new, lesser known, less experienced operators. In response, the US Treasury last month issued an alert, warning about the possible evasion of the price cap on Russian oil, particularly involving exports of ESPO-blend.

“Some symbolic targeted prosecutions” to serve as a “warning” to any US or European companies involved in such trade are a possibility, says Croft.

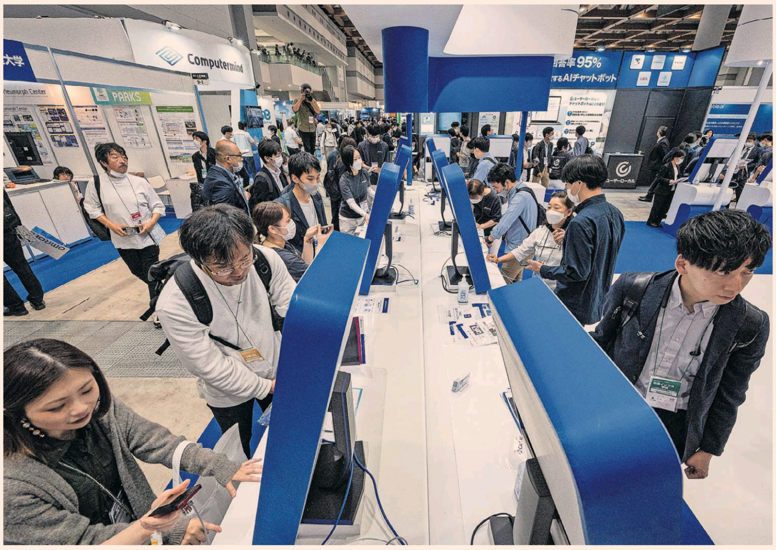
Still, any major change to the price cap mechanism is unlikely, she adds. “I don't hear, at least in Washington, a lot of hand wringing about the cash that Putin is making in oil,” she says. “I think they point to volumes and say we staved off an energy crisis with this policy.”

The price of Brent has fallen about 10 per cent since the crude price cap was introduced on December 5. Jorge León, senior vice-president at energy analysts Rystad, says the G7 is unlikely to lower the price cap to match that drop. “They could lower the price cap more but, the more you reduce it, the more likely it is that you could see an unintended reaction from Russia — shutting production, for example, that would send the price much higher,” he says. “It is a fine calculation [for the G7].”

An alternative could be to target refiners in countries such as India, which are processing large volumes of discounted Russian crude into fuels, some of which are then shipped back to Europe. But, while some EU officials have expressed concern over Europe's continued purchases of such products, any action to block imports would risk disrupting Russian exports and driving up prices, says Amrita Sen, director of research at consultants Energy Aspects. “So far, the sanctions have been designed to keep the oil flowing and they haven't really been designed to ‘hurt’ Russia,” she says.

AI will test faith in democracy, Tokyo warns

Interview Taro Kono
Japan's digital minister says elections could be targeted by 'malicious elements', writes *Leo Lewis*


Visitors to a Tokyo trade show in March try out an AI powered customer service chatbot developed by Tomorrow Net — Richard A Brooks/AFP/Getty Images

Democratic governments in the US, UK and Japan will soon face a series of pivotal showdowns pitting the trust of the general public against the potentially "very disruptive" powers of generative artificial intelligence, Japan's digital minister has warned.

In an interview with the Financial Times ahead of the G7 leaders' meeting in Hiroshima, Taro Kono cautions that forthcoming general elections in Britain and Japan, as well as the US presidential race next year, could become ripe targets for "malicious elements" empowered with AI.

US voters, he says, have already experienced disinformation campaigns during presidential elections, but those were primarily carried out by human beings. "If the same thing can be done by AI, the sheer volume would be humongous," says Kono.

"All governments need to consider how we can keep the trust of the people towards democracy . . . all democratic governments now feel an urgency in dealing with AI, so that's why, at the G7, it is on everyone's mind," he explains, noting that the subject had been discussed extensively during preparations for the various leadership summits taking place this year.

Japan's leadership of the G7, says Kono, has coincided not only with the release of the AI chatbot ChatGPT last November, but with a tectonic shift in the conversations surrounding technology. He suggests that, at the January meeting of the World Economic Forum in Davos this year, it was striking how the term "Web 3.0" — once a favourite catch-all for discussions around disruptive technology — completely vanished.

Instead, he says, everyone was talking about AI because suddenly ChatGPT had created something tangible where, previously, the conversation had been more theoretical. People could use ChatGPT, he says, and directly feel the power of what AI can do. "You can see what to expect in the future," he says.

But, in parallel with the grand tech-related questions raised by advances in AI, the G7 will be having a number of more immediately practical discussions, too. In particular, Japan has pushed hard to include a discussion on cross-border data flow — a subject on which the US and Europe are sharply divided in their approach to regulation, and where Kono believes Japan has been able to provide a bridging function.

While international bodies such as the World Trade Organization and Financial Stability Board exist to monitor their respective policy areas, no such body exists to oversee the global flow of data, despite its now crucial importance to the modern economy.

At Davos, in 2019, Japan's late prime minister Shinzo Abe proposed the idea of an international order described as Data Free Flow with Trust (DFFT),

'Democratic governments now feel an urgency in dealing with AI . . . at the G7, it is on everyone's mind'

which aimed to reconcile economic and privacy considerations. At this year's gathering of digital ministers in Gunma, the G7 endorsed the establishment of a non-binding institutional framework — potentially housed at the OECD — that industry groups say would serve as a first step towards global data governance.

But the problem that the scheme quickly encountered was the highly fragmented patchwork of regulatory regimes. Europe's legislation, which came into effect in 2018, is at the toughest end of the regulatory scale. By contrast, the US, says Kono, "is the wild, wild west, where anything goes". Japan, he says, is probably closer to the US position, and would instinctively tend to wait for emerging technology to develop by some distance before working out whether it needed regulation.

"So it is quite difficult to get convergence," says Kono. "I mean, we're not going to have one set of rules concerning data transfer globally in a very short time." Still, while it is important to see how far apart everyone is, he also believes that it is worth stressing the need for increasing "interoperability" on the issue.

The final communique of the G7 is expected to include agreement on the principle that, while the cross-border flow of data and information is positive for productivity and innovation, it raises significant challenges related to privacy, protection of intellectual property rights and security.

According to people familiar with the document, the draft of the communique states the G7 nations' intention to operationalise the concept of DFFT, with a view to gaining more widespread support for the principle and greater convergence between existing regulatory approaches.

Japan's attempt to take a leadership role on this issue of data flow coincides with a period in which the country is struggling to secure a reputation on all things digital. Kono — an experienced former foreign minister and leadership challenger — became Japan's minister for digital affairs in August 2022. He inherited, with enthusiasm, a project to drag Japan's paper-based bureaucracy into the digital age but has continued to encounter powerful resistance.

The mismatch between Japan's economic strength and its digital prowess can be striking. As foreign minister, Kono was used to making offers of assistance to his counterparts from around the world.

"I would tell them that, if there was anything Japan can do, we are happy to give you assistance. But ever since I became digital minister, it's my counterpart offering anything they can do to help Japan's digitisation. Everyone knows we are lagging behind," he says.

Climate Tokyo says Asia's circumstances require a different speed of energy transition — but critics dismiss its argument as self-serving, writes *Kana Inagaki*

Japan pushes for 'realistic' approach to hitting net zero

An ammonia-fired power plant in Hekinan. Production of the fuel currently relies on fossil fuels and is not yet commercially viable Yuka Obayashi/Reuters

Four weeks before Russia's invasion of Ukraine, in February 2022, Japan proposed an initiative that it hoped would bring Asian countries together to tackle climate goals without sacrificing economic growth.

Then, when the war upended energy markets and forced Germany and other European Union nations to reactivate their mothballed coal plants, officials in Tokyo quietly became more bullish about a regional effort to address global warming.

"For Asia, we need to have as many options as possible on energy for their stable supply," argued prime minister Fumio Kishida in March, as Japan hosted the first ministerial meeting with Australia and south-east Asian countries on the climate initiative, known as Asia Zero Emission Community. "That is why it is crucial to advance a realistic path for energy transition."

The thrust of Tokyo's argument is that Asia — which accounts for roughly half of global carbon emissions and is home to the world's youngest generation of coal power plants — faces environmental challenges that are distinct from those of Europe or North America, and therefore the pace of its transition to meet climate targets should be different, as well.

This position, according to some Japanese officials, was reinforced after the Ukraine crisis sparked a global debate about how quickly countries should shift to cleaner forms of energy. Germany, for example, has temporarily restarted coal power plants and held discussions with Senegal about fossil fuel exploration.

Asia's claim to be in a "unique situation" is based on the fact that its economies are at an earlier stage of development than those in the west, and that its fossil fuel infrastructure is closer to the start than the end of its life, compared with the US and Europe. And it is shaping Japan's stance on climate discussions as global leaders head into the G7 summit. But it is already proving divisive at a time when the world's most advanced economies are having to respond to criticisms that they are backtracking on their climate targets following Russia's invasion of Ukraine.

Critics say that Tokyo's attempt to shape energy transition efforts in Asia appears self-serving, and is simply an extension of its previous argument that Japan should be treated differently because of the circumstances caused by the 2011 tsunami and nuclear disaster. That forced the country to increase its reliance on coal, natural gas and oil.

Energy and environment ministers of the G7 countries have now pledged to accelerate their shift to renewable energy. Member nations also committed "to achieving a fully or predominantly decarbonised power sector by 2035", but once again failed to set a firm timeline to exit from coal amid continuing opposition from host nation Japan.

"In the G7 meeting, we acknowledged that different countries around the world have various economic and energy situations, and the path to carbon neutrality by 2050 should be diverse," said Yasutoshi Nishimura, Japan's minister of economy, trade and industry, after the ministerial meeting in the northern city of Sapporo, in April.

In fact, fraught negotiations ahead of the Sapporo meeting exposed sharp divisions within the G7, with the UK, France and Canada pushing back against Japan's promotion of ammonia as a low-carbon energy source alongside gas or coal to reduce emissions from existing fossil fuel infrastructure.

Although ammonia, itself, is not a greenhouse gas, its production relies heavily on fossil fuels and is not yet commercially viable.

However, the promotion of ammonia and hydrogen as emission reduction tools is a pillar of Kishida's $1.1tn climate strategy, known as GX, which officials want to feature heavily when Japan chairs the G7 summit this weekend. These are also technologies Japan wants to sell to countries in the Global South to help them replace coal at existing power plants with ammonia.

Environmental groups are still hoping that the G7 will take bolder steps, though, rather than letting Japan push for its domestic agenda. They want a commitment to the targets in the Paris agreement, which says countries will seek to limit global temperature rises to less than 2C, and ideally to 1.5C.

"At the minimum, I hope they will not backslide on the pledges made at the ministerial level," says Kimiko Hirata, executive director and founder of Climate Integrate, a non-profit group.

> G7 nations failed to set a firm timeline to exit from coal last month amid strong opposition from Japan

Following the Sapporo meeting, people with knowledge of the discussions said Germany was insisting on wording in the final communiqué that supported public investment in the gas sector — drawing opposition from other member states who said that was incompatible with climate goals.

Hirata says she is paying attention to whether the G7 will be able to remove the word "predominantly" from its commitment to a decarbonised power sector by 2035, which would eliminate the possibility of continued use of fossil fuel-fired power.

"It's extremely important for the G7 leaders to go one step further to reach an ambitious agreement in order to advance discussions with developing countries at the upcoming G20 summit and COP28 [climate summit in the UAE]," she argues.

Kishida invokes Hiroshima's shadow

The war in Ukraine is high on the summit's agenda — Carlos Barria/Reuters

Continued from page 1

Since Russia launched its full-scale invasion of Ukraine in February 2022, the Japanese prime minister has repeatedly warned that it "might be east Asia tomorrow". He has ended Tokyo's decade-long courtship of Moscow and rolled out tough sanctions, while pushing through a significant rise in defence spending. In March, he made a surprise trip to Kyiv — the last G7 leader to do so, but a very rare example of a Japanese leader visiting a war zone.

Analysts say the G7 summit will now demonstrate whether Kishida has been successful in underscoring the risk of a potential conflict in Taiwan, and in laying the groundwork for a unified response if China follows through on its threat to take it by force.

"Any unilateral attempt to change the status quo by force must not be tolerated anywhere in the world. In addition, security in Europe and security in the Indo-Pacific are inseparable," Yoshimasa Hayashi, Japan's foreign minister, said in a written interview with the Financial Times. "At the G7 Hiroshima summit, we intend to ... demonstrate G7's determination to uphold the free and open international order based on the rule of law."

Concerns had emerged over Europe's stance on the issue after French president Emmanuel Macron, while on a trip to China last month, warned Europe should not get "caught up in crises that are not ours".

Following an international backlash, Macron has since explained that he supported the status quo over Taiwan and wanted Europe to present a united front against China.

Nevertheless, the escalating dispute between the US and China has left many economies — including Germany and Japan — wrestling to work out a strategy that allows them to straddle both markets, even as concerns mount about Beijing's military ambitions.

> 'China's support for Russia in the war has driven a significant shift in European threat perceptions'

As a result, many G7 members are reluctant to name China at the summit in the context economic coercion — even as they discuss economic security measures such as strengthening supply chains to reduce reliance on Beijing.

Beyond the international consequences, a successful outcome for the G7 meeting would be likely to increase the chances of Kishida calling a snap election as early as the summer, to solidify his leadership. His term as head of the ruling Liberal Democratic party runs until September 2024.

While the prime minister has struggled to make his mark on domestic economic policies, his approval rating has improved in recent months on the back of his foreign policy successes including a rapprochement with South Korea.

With the world even more deeply divided following the global energy and food crisis sparked by the war in Ukraine, Kishida's diplomatic skills will be tested. "China's support for Russia in the war has driven a significant shift in European threat perceptions, and a re-evaluation of relations with Beijing, but there is still something of a gap," says Christopher Johnstone, Japan chair at the CSIS think-tank and a former Pentagon official. "A key measure of success for Kishida at the G7 will be whether the leaders are able to deliver a strong and unified message on China, including related to Taiwan and economic coercion."

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G7: JAPAN

From Hiroshima to the World
Signaling the Unwavering Commitment to Peace

The G7 Hiroshima Summit 2023 finally begins today. As the culmination of the Ministerial Meetings that have been taking place in various parts of Japan, it is significant that the common will of G7 will be transmitted to the world from Hiroshima, a city that aspires to be the International City of Peace and Culture. To mark the start of the summit, we share the messages from Hidehiko Yuzaki, Governor of Hiroshima Prefecture, and Ken Shibusawa, Chief Executive Officer of Shibusawa and Company, Inc., as well as the comments of two businesses based in Hiroshima that operate globally.

Ken Shibusawa
Chairman, Commons Asset Management, Inc.

Prior to convening the Hiroshima G7 Summit, Prime Minister Kishida made state visits to India in mid-March and Africa (Egypt, Ghana, Kenya, and Mozambique) in early May.

The beliefs of the President of the Summit this year seem clear. Issues concerning the so-called Global South are important agenda items for the G7 leadership.

Yet during the G7 Foreign Minister Meeting held in April, some members expressed concern about using the phrase "Global South," apparently because they believed it sounded condescending. This is perplexing.

Yes, the definition is vague, but India hosted the Voice of Global South Summit in January, so it is a widely recognized phrase. Is the objection to using the phrase "Global South" a concern in disguise about precisely that unified voice, and hence a move to divide by a more definitive definition?

In mid-April, I had the honor of presenting the final recommendation of the Committee Regarding Impact Investment and Global Health directly to Prime Minister Kishida. Global health is about inclusivity and improving the lives of the many people living primarily in the Global South, and I believe Japan should declare that the G7 have the collective responsibility to commit to this form of human capital investment.

Hidehiko Yuzaki
Governor of Hiroshima Prefecture,
Chairman of the Citizens Council for the Hiroshima Summit

Today, May 19, 2023, marks the first day of the three-day G7 Hiroshima Summit. I would like to extend a warm welcome to all the national leaders and other attendees who have arrived in Hiroshima for the summit.

After experiencing the total destruction of the first atomic bombing in history, Hiroshima achieved a startling rebirth. Today, it has two messages for humanity: the misery of war, and the flourishing brought by peace.

For the world's political leaders to gather in Hiroshima amid the present challenging international circumstances and discuss the future of our world is highly meaningful, and I intend to make full use of this opportunity to bring the twin messages of Hiroshima to the world.

It is also my hope that the Hiroshima Summit will help bring global attention to Hiroshima's many charms, which include industry, nature, food, and culture. As well as sharing these charms with the world, we will welcome summit attendees with authentic Hiroshima hospitality or omotenashi, creating more Hiroshima fans not just inside Japan but around the world and resulting in more people visiting or choosing Hiroshima in the future.

I hope you will visit Hiroshima after the summit is over. We eagerly await your arrival.

Founded in Hiroshima as a dispensing pharmacy in 1874, Fumakilla Limited manufactures everyday products with a focus on insecticides. Based on rigorous research in fundamental science, we continue to pursue groundbreaking performance and technologies in our manufacturing. We have launched several world-first products, including the electric mosquito destroyer Vape. Fumakilla now has subsidiaries in Asia, Latin America, and Europe, and supplies insecticides to meet the needs of customers around the world. Through these products we will continue to help people live securely and comfortably.

FUMAKILLA

It began in post-war Hiroshima. Dreambed traces its roots to post-war social service. Our founder, who had fortunately escaped death in Hiroshima at the end of World War Two, strived to help people restore normality. He was asked to repair mattresses used in occupation forces' quarters. Wanting to make such comfortable mattresses available in Japan too, he started our bed-making business.

To realize our fundamental ideal of bringing comfort and beauty to the lives of everyone who dreams, we have always anticipated customers' needs and continue to create new spaces and environments to fulfill them.

dream bed

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