



Dubai

Nikkei	27080.76	26237.42	3.25	Ethereum	1303.73	1287.10	1.29	GER 2 yr	1.94	1.92	0.02
Hang Seng	16587.69	16380.11	1.21	COMMODITIES				GER 10 yr	2.35	2.28	0.07
MSCI World	2411.69	2367.69	1.86	Oil WTI \$	86.13	82.48	-4.67	GER 30 yr	2.39	2.29	0.10
MSCI EM \$	854.53	865.34	-1.25	Oil Brent \$	92.03	88.99	-4.18				
MSCI ACWI \$	558.71	550.37	1.51	Gold \$	1648.10	1714.20	-3.86				
FT Worldshw 2500	4782.08	4667.58	2.45								
FT Worldshw 5000	37258.04	36463.20	2.45								

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INTERNATIONAL

Cohesion scheme

# EU ready to freeze aid payments to Warsaw

Wrangle over rule of law as Poland expects €76bn for period up to 2027

**SAM FLEMING AND HENRY FOY**  
BRUSSELS  
**RAPHAEL MINDER** — WARSAW

Brussels is ready to freeze payments of regional aid to Poland because of threats to judicial independence, as the stand-off over rule of law violations hangs over funding lines worth tens of billions of euros to Warsaw. Poland is expected to receive cohesion funding worth €76.5bn from 2021 to 2027.

The move heightens the financial stakes in a long-running legal conflict between Brussels and Poland's ruling Law and Justice party over rule of law

matters. The conflict centres on the subjugation of the judiciary to the executive and how far Warsaw will need to go to loosen its grip on the courts to meet with EU law.

"The cohesion funds are like oxygen... now even more because of the situation in Ukraine," Andrzej Szumowski, a former Polish deputy minister responsible for European integration, said. "Our businesses, non-governmental organisations and our society absolutely need to get some funds."

EU cohesion programmes are viewed by poorer eastern European states as the *quid pro quo* for opening their economies to richer western countries when they join the bloc. Poland has been the biggest beneficiary of the EU's structural funding initiatives. Warsaw is also

trying to persuade the commission to release its first payment under the EU's €800bn Covid-19 recovery fund, a separate disbursement that is also blocked over rule of law violations.

The feuding over EU money has lurched to the top of the domestic agenda in Poland as it prepares for elections next year. Tensions are simmering in the ruling coalition as opposition politicians have accused the government of sacrificing EU money in order to

maintain their curbs on the judiciary. In the latest government reshuffle, Poland this week replaced its minister for EU affairs. Szymon Szymkowski replaced Konrad Szymański, who had been seen in Brussels as a conciliatory figure advising prime minister Mateusz Morawiecki.

The commission has recently signed off on three of Poland's cohesion programmes under the current EU budget. The programmes cover big infrastructure projects and green investments. The two sides are working on finalising others.

Officials confirmed that the majority of the new cohesion funds from the current period are for now inaccessible. Only a slice of pre-financing, paid annually without conditions and worth just

0.5 per cent of the overall amount, has been received. Warsaw is still able to draw down the cohesion funds from the 2014-2020 budget period.

Warsaw has been trying to persuade Brussels that reforms this year to its system for disciplining judges are sufficient to address the commission's rule of law concerns. One Polish official played down any potential effect of delayed disbursement on Warsaw's fiscal situation, saying that payment requests under the new round of cohesion funding would only start to be made next year, by which time the rule of law situation would hopefully be resolved.

However, Szumowski pointed out that the threat of losing access to cohesion funds was a serious problem for his country.

North Africa

# IMF gives preliminary green light to Tunisia for \$1.9bn loan

**HEBA SALEH** — CAIRO

Tunisia has reached a preliminary agreement with the IMF on a \$1.9bn loan designed to help alleviate the North African economy plagued by food and fuel shortages.

The deal, which was announced late on Saturday and is yet to be ratified by the IMF board in December, is expected to open the door to loans from other donors awaiting the reassurances that the heavily indebted country was committed to reforms, which form part of the package.

Before the agreement, some analysts were predicting Tunisia would not be able to meet its debt repayments and would probably default.

This will be the third agreement between Tunisia and the IMF since 2013 and diplomats have warned in recent months that the country has failed to implement previously agreed reforms. These included reducing subsidies, privatising state-owned enterprises and cutting the civil service wage bill, which is seen as one of the highest in the world relative to the size of the economy.

The government has "already taken steps to contain the civil service wage bill and started to gradually phase out generalised wasteful price subsidies", the IMF said on Saturday.

It said the loan would help Tunisia restore fiscal stability, "enhance social protection and promote higher, greener

Russia's targets. Infrastructure

# Ukraine faces cold winter after power plant attacks

Kyiv races to protect energy network after systematic missile and drone strikes

**BEN HALL** — LONDON  
**DEREK BROWER** — PITTSBURGH

Ukraine's engineers are racing to protect the country's power installations after Russian missile and drone strikes last week damaged a third of the electricity network as it heads into winter.

The bombardment of Ukrainian cities, Moscow's retaliation for an attack on a crucial bridge connecting Crimea with the Russian mainland, was the heaviest since Vladimir Putin's full-scale invasion began in February.

Despite the apparently random targeting of some of the strikes, Ukrainian officials say Russia is trying to systematically destroy the country's power and heating plants as the weather gets colder.

Almost a third of Ukraine's electricity infrastructure was damaged by missile, drone or artillery strikes last Monday and Tuesday alone, according to energy minister German Galushenko.

The attacks caused rolling blackouts across swathes of the country including the capital Kyiv and forced heavy industrial consumers, such as steel plants, to scale back production.

Kyiv says that, after losing ground on the battlefield, Russia is trying to terrorise the population and break civilian morale. "Now the occupiers are not capable of opposing us on the battlefield... that is why they resort to this terror," President Volodymyr Zelenskyy said last week.

Zelenskyy pleaded with western leaders to provide more air defence systems and equipment to protect vital infrastructure. Russia is using swarms of Iranian-built kamikaze drones to destroy electricity grid connections.

A big danger for Ukraine is the destruction of Soviet-era centralised heating facilities during sub-zero temperatures which, if not rapidly fixed, could cause pipes across the network to freeze and crack. These plants also require electricity to function.

Just two combined heat and power plants in Kyiv supply 650,000 homes in the capital with heating and hot water.

"Can you imagine if the whole system



Under attack: a Kharkiv power substation destroyed by the Russians. Almost a third of Ukraine's electricity infrastructure was damaged by missile, drone or artillery strikes last week

*Vyacheslav Madyunskyi/Reuters*

froze. That would be a real humanitarian catastrophe," Galushenko told the Financial Times in an interview.

Galushenko said Russia's military had been attacking the electricity system in a methodical way since early last month.

It led him to believe that it was receiving advice from energy experts familiar with the Soviet-era energy system on how to destroy it.

Ukraine's internal security service, the SBU, said last month it had uncovered a group of Russian agents who had been scouting the capital to identify critical infrastructure targets.

Maxim Tymchenko, the head of DTEK, Ukraine largest private power generator, said his company, working with the grid operator, was rushing to put up protective structures around transformers and other grid equipment. These kind of fixed installations are easily damaged by Iranian-supplied Shahed-136 loitering munitions.

"They are using more and more drones for these attacks," Tymchenko said. "They are not very sophisticated

technology. They don't need special missile systems."

Russia has struck hundreds of heating and power facilities since February. But the attacks on infrastructure intensified following Kyiv's counteroffensive in the north-east of the country last month.

On September 11, during a wave of retaliatory strikes at infrastructure, Russian missiles badly damaged a combined heat and power plant in Kharkiv, the second largest such facility in the country. "It is another crime against humanity," Ihor Terekhov, the mayor of Kharkiv, said. "They want people to freeze to death."

In the summer, Ukrainian officials ordered the evacuation of civilians from the east of the country where power and heating plants and the gas network were destroyed in fighting. But until the latest aerial attacks, they appeared confident that they had sufficient gas, coal and power generating capacity for the rest of the country to get through the winter without outages thanks largely to the collapse in industrial demand.

Prime minister Denys Shmyhal said

"It is another crime against humanity. They want people to freeze to death"

peak evening power demand would have to fall by a quarter if the country was to avoid rolling blackouts. The minimum temperature in apartment blocks served by centralised heating facilities will be lowered to 16 degrees.

"Let's not embellish the reality — this winter will be difficult," Smyhal said. "It is desirable that every family has a stock of the necessary basic things: warm clothes, candles, flashlights, batteries. It is important to prepare this in case, as a result of massive missile attacks, the light or heat will disappear."

Ukrainians are girding for a chilly and potentially dark winter, but the Russian strikes have also stiffened their resolve.

Denys, a taxi driver from Kharkiv, said some residents were prepared to live without heat but living without power as well would be very tough. "For sure we can stay a lot. And if everyone turns on an electric radiator it is going to be hard on the system. People are very patriotic. If it helps to win, people will spend the winter without heat."

*Additional reporting by Roman Olearchyk*

and inclusive growth and private-sector led job creation".

Elements of the reform programme include increasing targeted cash transfers to the poor and expanding the social safety net for vulnerable families hit by price rises, the IMF said. The government is also committing to reforming state-owned companies.

This month, long queues of cars formed outside petrol stations as a result of fuel shortages attributed to the rationing of foreign currency by the central bank. Kais Saied, the president who rules by decree and has changed the constitution in the summer to gain extensive powers, has accused speculators and hoarders of stockpiling commodities and manipulating the market to make huge gains.

Until Saied suspended parliament last year, Tunisia was seen as the only example of successful democratic transition to have emerged from the Arab uprisings of 2011. Many Tunisians said then that they backed his move as the democratic experiment had failed to stem economic decline and rising prices.

But the country's economic woes have worsened since, as Russia's invasion of Ukraine placed increased strains on Tunisia's budget by fueling steep rises in food and petrol import prices.

Commodities such as sugar and vegetable oil have been in short supply. Recent video footage that went viral showed customers jostling each other at a supermarket to seize scarce packets of staples.

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Transport

# Crisis looms for German haulage as logistics lifeblood dries up

**GUY CHAZAN** — BERLIN

After suffering months of supply chain chaos, a dearth of drivers and surging fuel prices, Germany's trucking industry is facing a new crisis: a chronic shortage of the liquid that keeps their vehicles on the road.

AdBlue, a mixture of urea and deionised water, is the lifeblood of logistics as it neutralises nitric oxide emissions from

than a year ago — prompting some energy-intensive plants to halt operations even as the government held out the prospect of generous subsidies to bring down costs.

SKW Piesteritz became one of the most high-profile casualties of the surge in gas prices when it shut down completely in August. It later brought one of its two production lines back up to its "minimum level", spokesman Christ-

pandemic, are already expressing concern. It's not just trucks that rely on the solution. "This affects all vehicles on four wheels and weighing more than 3.4 tonnes," said one haulage operator in the southern state of Bavaria. "What'll happen to all the ambulances, fire engines and tractors that also run on diesel?"

Meanwhile SKW is not the only chemical manufacturer that is seeing back-

cols giant BASF has cut ammonia production at its vast Ludwigshafen site in south-western Germany and is buying the compound on the world market instead.

The problems are affecting all industries that consume a lot of energy. Recent official data showed glass and ceramics production declined by 2.8 per cent between July and August, chemicals by 1.1 per cent, while cooking, chem-

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...diesel engines. But stocks are drying up after SKW Piesteritz, a company in the east German town of Wittenberg, which is one of Germany's biggest sources of the solution, halted production to cope with the soaring price of gas. Dirk Engelhardt, head of the BGL, a trade body for the haulage industry, said he is being besieged by anxious companies that are running out of AdBlue. "Lorries can't move without it," he said. "There is going to be such an outcry in the population if supply chains break down and supermarkets empty out." The German economy is now heading for recession, burdened by its worst energy crisis since the second world war. Moscow's decision to cut off gas supplies pushed prices to levels four times higher

...phers Profitlich said, but the second remains offline. "If we'd kept producing we would have been making losses of €100m every month," he said. SKW's shutdown has already had a huge impact on fertiliser stocks to German farms, as well as causing problems for abattoirs, food packers and breweries who rely on the carbon dioxide it produces - a byproduct of ammonia. But the sharp fall-off in its production of AdBlue is predicted to have even bigger economic consequences. Engelhardt said more than 90 per cent of Germany's 800,000 trucks need the solution and consume a total of 2.5-5m litres a day. Supermarket chains, scarred by the shortages of staples seen during the

...production. Norwegian group Yara announced in August it would reduce the capacity of its European ammonia plants by 65 per cent. German chemi-  
...gas by 3.1 per cent, while cooking gas and oil refineries saw output fall by 4.5 per cent. Toilet paper manufacturer Hakle filed for insolvency in September citing the increase in energy and commodity prices. Nor is the situation expected to resolve quickly, despite the recent fall in gas prices from record highs over the summer. The IMF expects the German economy to shrink next year by 0.3 per cent - the worst performance of any large economy bar Russia. Markus Steilemann, head of chemicals lobby group VCI, recently warned that Germany risked turning from an "industrial country" to an "industrial museum".  
*Additional reporting by Harry Dempsey and Olaf Storbeck*



AdBlue neutralises nitric oxide emissions from diesel engines

# insists new UK chancellor

SEBASTIAN PAYNE AND DANIEL THOMAS LONDON

The UK's new chancellor, Jeremy Hunt, has insisted that prime minister Liz Truss is still running the government after reports suggested he was preparing to scrap further parts of her "mini-Budget".

Following Truss's decision to sack her chancellor Kwasi Kwarteng on Friday, senior Conservative MPs believe it is a matter of time before she is replaced as prime minister. Kwarteng has privately told friends he believes Truss will last in her post only a week.

When asked who was leading the government, Hunt told the BBC yesterday that "the prime minister is in charge", adding that Truss could be trusted because "she's changed, she's been willing to do that most difficult thing in politics, which is to change tack".

Investors are nervously waiting to see how the market for UK government debt reacts today to the policy U-turn,

which both reduced the extent of unfunded tax cuts being planned by Truss but also signalled a fundamental weakness in her government that could lead to further upheaval. Goldman Sachs yesterday cut its forecast for UK economic growth and warned that it now expected a more significant recession.

Gilt markets were hit by a fresh sell-off on Friday afternoon as investors warned that Truss's attempt to reassure investors by scrapping an £18bn corporate tax cut was not enough.

Goldman analysts said the policy U-turn had a "modest impact on government borrowing, worth around £17bn (or 0.7 per cent of gross domestic product) in each year" but pointed to "weaker growth momentum, significantly tighter financial conditions, and higher corporation tax from next April".

Yesterday, Crispin Blunt, Conservative MP for Reigate, said he did not think the prime minister would be able to survive the current crisis.



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## INTERNATIONAL

### Tehran protests

# Four inmates perish in Iran prison blaze

More than 60 hurt in Evin fire amid clash between prisoners and jailers

NAJMEH BOZORGMEHR — TEHRAN

At least four people were killed in a major fire at Iran's notorious Evin prison on Saturday evening after inmates clashed with security forces, while more than 60 others were injured.

IRNA, Iran's official media outlet, quoted an unknown security official as saying a fight broke out in one ward that led to clashes with prison guards.

"Villains and thugs set alight the warehouse of prisoners' clothes, which

caused a fire in Evin prison," the official said. "The situation is under thorough control now and there is tranquility in the prison while firefighters are putting [out] the fire."

The judiciary's news agency added that the four inmates — whose identities were not disclosed — had been convicted of theft and died as a result of smoke inhalation, while four others remained in a critical condition.

The agency said some prisoners who had been charged with "dangerous and violent crimes" had tried in vain to escape the prison, which houses demonstrators arrested during widespread protests and political prisoners.

Videos and pictures in local media

showed fire and smoke rising from the jail. Foreign nationals, including Americans and Europeans, are also held in Evin. At least nine foreigners have been arrested during the protests, authorities have said.

Ned Price, US state department spokesperson, said the Biden administration was following reports "with urgency", adding: "We are in contact with the Swiss as our protecting power. Iran is fully responsible for the safety of our wrongfully detained citizens, who should be released immediately."

The incident comes as the Islamic republic has been struggling with one of the biggest and most long-lasting protests in its 45-year-old history.

The nationwide demonstrations were sparked by the death of Mahsa Amini, a 22-year-old Kurdish woman, on September 16 following her arrest by the morality police for allegedly failing to observe the Islamic code. Many Iranians were outraged and accused security forces of beating her. Iranian authorities insist she was not punished and died because of pre-existing conditions.

Anti-regime protests in the streets and universities continued in Tehran and other cities on Saturday. In the capital, there was tight security around campuses including Tehran University, where students chanted "death to the dictator", witnesses said.

The Revolutionary Guards deployed

its special anti-riot forces outside the university, the first time they have been seen in Tehran. Until now, security operations have been conducted mainly by police as well as plain-clothed guards. Iranian officials have vowed to stamp out the protests, which they blame on the regime's enemies including the US, Israel and Saudi Arabia.

State television has confirmed that more than 40 protesters have died but Amnesty International has said the toll is at least 144, including 25 children.

While the demonstrations seemed to be diminishing in recent days compared with a week ago, analysts warn that further killings could escalate the unrest.

See Big Deal

### Economy

# Japan hopes spending by tourists will offset weaker yen

ERI SUGIURA — TOKYO

Japan's prime minister Fumio Kishida is seizing on an expected surge in spending by international tourists after Covid-19 travel curbs were lifted as an opportunity to emphasise the upsides of a sinking yen.

Economists have estimated foreign tourist spending could exceed the government's annual ¥5tn (\$55bn) target, a level that would help counteract the higher costs of imported food and energy that have widened the trade deficit.

"We need to prepare various measures to maximise the benefits of the weak yen by promoting inbound tourism, reshoring of companies and exports," Kishida said last week.

Changing the gloomy economic narrative surrounding the yen's decline is crucial for Kishida, whose popularity has fallen to an all-time low. A recent poll by Jiji showed a 4.9 percentage point drop in support to 27.4 per cent.

Japan lifted almost all remaining coronavirus travel restrictions on October 11, scrapping visa requirements for individual tourists and an entry cap of 50,000 foreign visitors a day.

Ahead of the ending of restrictions, Kishida went on a whirlwind tour that included celebrating the return of Formula One motor racing to the Suzuka Circuit in central Japan and promoting Wagaifu beef in the south-western prefecture of Kagoshima.

Making one of his first public appearances without wearing a face mask, the prime minister's message was clear: after nearly three years, Japan was finally ready to reopen to the world.

The government ¥5tn target for annual tourist spending is slightly higher than that achieved in 2019 when a record 31.8mm visited Japan.

Yuriko Tanaka, an economist at Goldman Sachs, said inbound consumption could reach an annual ¥6.6tn if Chinese tourists returned to Japan, as she expected in the second quarter of 2023 at the earliest. Such a return would require a big shift in the Chinese government's strict zero-Covid approach, which includes curbs on outward travel. China accounted for about a third of Japan's foreign visitors in 2019.

When overseas spending by Japanese citizens travelling abroad was taken into account, the net gain from international travel would be about ¥4.3tn, Tanaka said.

"This amount is not large enough to fully offset Japan's large goods trade deficit, but it is more than enough to offset the ¥1tn current account deficit that we predict for 2023," she added.

Rino Onodera from Mizuno Research & Technologies said Kishida's ¥5tn inbound spending target would be "quite ambitious" without Chinese tourists. But she added the weak yen had already pushed up per-capita spending.

Before this month's full reopening, Japan's policy on international visitors had caused confusion and turmoil in the travel industry. A partial easing of restrictions in June required individual tourists to be escorted by a guide "from entry to departure".

Economists pointed out that increas-

### Middle East. US ties

# Biden has limited scope to act over Saudi oil cuts

Riyadh seen as vital ally of Washington despite calls for further weapons sales curb

ANDREW ENGLAND — LONDON  
SAMER AL-ATRUSH — DUBAI

As Joe Biden weighs his response to Saudi Arabia's decision to slash oil production, the US president faces mounting calls from Democrats to do the one thing they believe would hurt Riyadh most: freeze arms sales and curb security co-operation with the kingdom.

But if Biden, who warned last week that Saudi Arabia would face consequences without elaborating, decides to go down that avenue, he will have limited room for manoeuvre, say diplomats and analysts.

That is partly because his administration imposed a freeze on "offensive" arms sales to the kingdom last year as a result of Biden's concerns about Riyadh's conduct of its war in Yemen. Defensive arms sales continue.

More broadly, analysts say Saudi Arabia is too important to US interests in the region, including for counter-intelligence and its efforts to contain threats posed by Iran and the Islamic republic's proxies, to be abandoned on the security front.

"It's an understandable reaction, but there are also strong forces and strong rationale for continuing co-operation," said Tom Karako, director of the missile programme at the Center for Strategic and International Studies. "There's a strong and shared interest in maintaining defence and a deterrent [to Iranian threats]."

The Biden administration has delayed a US-Gulf co-operation Council "working group" meeting that was to be held in Riyadh this month, a gathering in which officials discuss military co-operation and regional threats, particularly from Iran. That move was seen as largely symbolic.

Emile Hokayem, a Middle East expert at the International Institute for Strategic Studies, said Washington could display its displeasure by delaying arms sales or supplies, downgrading official representation in security settings and pushing back on Saudi policy in Yemen and other theatres.

"But ultimately the US cannot cut



Saudi army artillery fire shells towards Yemen from a post close to the border. — AFP/Getty Images

ican security interests, and the Saudis are counting on this to tie the US down."

The US state department hinted as much even as it reiterated Biden's pledge to review the relationship with Riyadh after Opec+, an alliance led by Saudi Arabia that includes Russia, last week cut its daily output targets by 2mn barrels.

"We are not going to cast aside any of the important tools that we need to wield to ensure that Iran does not pose a threat to American people, to American interests and to our broader interests in the region," Ned Price, state department spokesman, said last week. But Biden, who has said he will work with Congress

the senate foreign relations committee, called on the administration to "immediately freeze" arms sales and security co-operation. He said he would not "greenlight any co-operation with Riyadh until the kingdom reassesses its position with respect to the war in Ukraine".

Chris Murphy, who is a member of the committee, proposed diverting a shipment of 280 air-to-air missiles meant for Saudi Arabia to Ukraine and moving US Patriot air defence systems in Saudi Arabia to Ukraine.

"These two steps would right-size our relationship with Saudi Arabia AND help Ukraine," he tweeted.

"The US cannot take its eyes off of Iran ... and the Saudis are counting on this to tie the US down"

ity relationship, including improving intelligence-sharing and institutionalising the partnership.

The kingdom, which has for decades looked to the US as its security guarantor, is one of the top buyers of US weaponry. Saudi Arabia's estimated military spending was \$55.6bn in 2021. The kingdom accounted for almost a quarter of American sales during 2017-2021, according to the Stockholm International Peace Research Institute.

But since Biden took office, Riyadh has been frustrated with the US's approach to the security partnership.

Riyadh was infuriated when Biden halted offensive arms sales, while also criticising the 2018 murder of journalist Jamal Khashoggi by Saudi agents.

There were signs of a tentative easing of tensions this year as senior administration officials reiterated Washington's longstanding commitment to defend Saudi Arabia and began assessing that Riyadh was serious about ending its war against Iranian-backed Houthi rebels in Yemen.

Biden also seemed to have been convinced by officials that, for all his moral objections about human rights, it was in US interests to seek Saudi Arabia's co-operation on energy and Middle East policy. Following Russia's invasion of Ukraine, the US sought Riyadh's help to stabilise energy markets. In July, Biden travelled to Saudi Arabia and held talks with Crown Prince Mohammed bin Salman, the kingdom's day-to-day leader.

But Riyadh's gamble to cut oil production set back the chances that Washington will deepen the security relationship. Saudi officials have sought to defend the cut by insisting that it was an economic decision, not political, while reiterating their view of the US as their primary security partner.

Riyadh's dependence on US systems and munitions was thrust into the spotlight this year when it was forced to turn to its Gulf neighbours to replenish its depleted stock of interceptors for its US-made Patriot batteries as Houthi rebels stepped up their attacks on the kingdom.

For all the political tensions, both sides have an interest in keeping the security partnership alive, say analysts.

"Everybody is a little mad at each other at the moment, [but] to some extent they do need each other and there's a little bit of a dance going on,"

counter-terrorism co-operation and cannot take its eyes off of Iran," said Hokayem. "It's too important for Amer-

on his response, also has to consider the scale of anger in his party. Bob Menendez, Democratic chair of

Washington's fury comes after Saudi Arabia had been pushing the Biden administration to strengthen its secu-

said Karako. "I don't think this is going to be the end of the relationship, but we're going to have to work through it."

ing inbound spending was vital while Japan's underlying domestic demand remained weak.

US politics

# Democrats' midterm hopes falter as bleak economic outlook dims summer optimism

LAUREN FEDOR — WASHINGTON

Democrats' prospects in the midterms were looking up for a period this summer. Some Republican candidates were faltering in polls, petrol prices were falling, and the Supreme Court's decision to overturn Roe vs Wade galvanised support for abortion rights.

But with just under a month to go before the crucial vote, there are increasing

signs that Democratic momentum has stalled, handing Republicans a slight edge as they seek to take back control of both the House of Representatives and the Senate.

The latest inflation figures, released last Thursday, showed that the consumer price index's core measure of inflation rose 6.6 per cent on an annual basis last month, its fastest pace in four decades — allowing Republicans to keep hammering Democrats on their stewardship of the economy heading into election day on November 8.

At the same time, opinion polls have shown diminished support for Democratic Senate candidates in several battleground states.

"Both chambers [of Congress] are still in play... but the headwinds are pretty strong," said Matt Bennett, co-founder of the Democratic think-tank Third Way.

An important test for Democrats is the Pennsylvania Senate race, where the brash, hoodie-wearing lieutenant-governor John Fetterman had built up a double-digit poll lead over the summer, despite suffering a stroke that kept him

largely off the campaign trail. However, the RealClearPolitics average now shows the Democrat leading his opponent, the Republican former television personality Mehmet Oz, by just 3.7 points, within the margin of error, following a relentless advertising campaign from Oz accusing the Democrat of being "soft on crime".

Concerns over Fetterman's health were reignited this week by an NBC interview in which he used closed captioning to read the reporter's questions to help him understand them.

In Wisconsin, meanwhile, polls conducted earlier in the summer showed Democratic challenger Mandela Barnes with a healthy lead over divisive Republican incumbent Ron Johnson.

However, the latest surveys in the Midwestern state show Johnson — who has also accused his opponent of being soft on crime — pulling ahead of Barnes in the run-up to election day. A Marquette University Law School survey out this week found 52 per cent of likely voters in Wisconsin said they supported Johnson compared to 46 per cent for Barnes. Just two months ago,

the same poll found Barnes ahead by seven points.

Charles Franklin, who runs the Marquette poll, said that "almost all" of the shift could be attributed to independents lining up behind the Republican — a trend that could be mirrored in other races across the country as a small segment of undecided swing voters make up their minds between now and election day.

Democrats and Republicans agree that control of the Senate is likely to

come down to a handful of pivotal states, including not only Pennsylvania and Wisconsin, but also Georgia — where Democratic incumbent Raphael Warnock remains neck-and-neck in the polls with scandal-ridden Republican challenger Herschel Walker — and Nevada, where Catherine Cortez-Masto, the Democratic senator, has persistently trailed her Republican opponent, Adam Laxalt.

The midterm elections have historically served as a referendum on the incumbent White House and delivered victories for the party out of power.

Joe Biden's approval ratings have notched up in recent months, but still just 42.6 per cent of Americans say they approve of the job the president is doing, according to a FiveThirtyEight average of polls.

Several surveys show lower levels of support when voters were asked how they rated the president's handling of the economy in particular. Analysts warn that as inflation continues to bite, that could hurt Democrats in the final stretch of campaigning.

Democratic candidates for the House and Senate have anchored their campaigns on abortion.

But in recent days, Democrats from across the ideological spectrum have publicly questioned whether the issue will be enough to deliver victories on polling day.

Bernie Sanders, the progressive senator, this week urged fellow Democrats to avoid making abortion rights their "closing argument" to voters.

"In my view, while the abortion issue must remain on the front burner, it would be political malpractice for Democrats to ignore the state of the economy and allow Republican lies and distortions to go unanswered," Sanders wrote in an op-ed in The Guardian.

His comments were echoed by James Carville, the centrist Democratic strategist, who told the Associated Press: "A lot of these consultants think if all we do is run abortion [advertising] spots that will win for us. I don't think so. It's a good issue. But if you just sit there and they're pummeling you on crime and pummeling you on the cost of living, you've got to be more aggressive than just yelling abortion every other word."

### Businesses For Sale

Opportunity to acquire a long-standing UK based pension administration services business for SIPP and ISA related products.

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- Investments
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- Total annual revenues 2021 - c.£2.1m
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Indicative offers requested by 9 November 2022, with fully funded offers requested by 16 November 2022. Further information provided subject to Non-Disclosure Agreement.

Contact: Adam Stephens adam.stephens@evolveym.com Both Quora both.quora@evolveym.com

Monday 17 October 2022

FINANCIAL TIMES

5

Chips and cracks China's tech hardware groups feel the impact of US export controls as stockpiles dwindle COMPANIES

# Companies & Markets

## Credit Suisse set to offload some domestic bank assets

- Tough round of job cuts also plotted
- Effort to close \$4.5bn capital hole

OWEN WALKER — LONDON

Credit Suisse is preparing to sell parts of its Swiss domestic bank as it attempts to close a capital hole of around SF4.5bn (\$4.4bn), according to people briefed on the discussions.

With less than two weeks until the lender is due to present plans for a radical strategic revamp, executives are also in the final stages of plotting a heavy round of job cuts, which could affect up to 6,000 of the group's 50,000 global employees.

Ulrich Körner was installed as Credit Suisse chief executive over the summer

Körner was installed with a mandate to find cost savings following scandals that have hurt the stock

with a mandate to strip back the beleaguered Swiss lender's accident-prone investment bank and find SF1.5bn of cost savings, following a succession of scandals that have seen the group's share price hit record lows.

Although most attention so far has focused on disposals from the Swiss lender's investment bank — with executives confident of selling all or part of the profitable securitised products business — the board has also turned its attention to raising funds by selling non-core parts of its domestic business, known as the Swiss Universal Bank.

While the main domestic operation — which offers a range of corporate, private and retail banking services in Switzerland — will remain intact, the company is negotiating the sale of several subsidiaries and stakes in other businesses.

The parts that have been considered for sale include: a stake in the SIX Group, which runs the Zurich stock

exchange; an 8.6 per cent holding in Allfunds, a listed Spanish investment company; two specialist Swiss banks, Pfandbriefbank and Bank-Now; and Swisscard, a joint venture with American Express.

Credit Suisse has held a stake in Allfunds since 2019 and the business listed last year with a market capitalisation of €7.2bn.

Since then, its shares have fallen by half, meaning Credit Suisse's 8.6 per cent stake is worth around SF374mn. The bank is also trying to sell the Savoy, which faces the bank's headquarters in Paradeplatz, Zurich. The hotel could be worth SF750mn, according to people within the bank.

The board has ruled out disposals from Credit Suisse's asset management and private banking businesses, according to people with knowledge of the plans, although it will continue to exit small, unprofitable markets.

Analysts have debated the size of the capital hole that will result from the changes the bank is pushing through, with Goldman Sachs this week putting the figure at SF78bn.

But the bank's board is confident that it will be about SF4.5bn-SF4.5bn, after taking restructuring and legal costs into account, according to people familiar with the plans.

The bank's board and executive team have been assessing each part of the business on three main criteria: profitability, capital needs, and importance to the wealth management business.

The New York-based securitised products business has been assessed as requiring too much capital and having little overlap with the wealth business. The unit's profitability has made it an easier business to sell.

Credit Suisse declined to comment, saying it would provide a full update on the strategic plan on October 27. Additional reporting by Laura Noonan

## Fine tuning ITV considers selling stake in studio to help boost lacklustre share price



The winners with the host of the ITV game show 'Love Island' in Majorca this summer — Matt Frosell/ITV/Shutterstock

ALEX BARKER — LONDON

ITV is reviewing the future of its production arm ITV Studios, including whether to sell a stake in the maker of *Love Island* and *Bodyguard* to help lift the broadcaster's depressed share price.

The London-based company has recently fielded expressions of interest in Studios in what remains a relatively buoyant market for production assets, according to people familiar with the discussions.

Even before the approaches, chief executive Carolyn McCall had been weighing options for the Studios business, which analysts and executives estimate may be worth more than the £2.5bn market capitalisation of its parent ITV, which is the UK's biggest commercial broadcaster.

One person who had discussed a Studios sale with McCall said she was "totally fed up" with the stock market

overlooking the business and "open to doing something". An ITV insider said that a sale probably remained unlikely because of longstanding resistance to breaking the group's integrated broadcaster-producer model, but added that the gap in valuations made the option "impossible to ignore".

Studios, which acts as a holding group for about 60 independent labels across 13 countries, is one of the largest producers of scripted and unscripted shows in Europe. ITV continues to look for acquisitions and bought a controlling stake in Pilmsoll Productions, the natural history programme maker behind *A Year on Planet Earth*, for £103.5mn in June.

The fall in ITV's share price since 2015, which has wiped more than three-quarters off its market value, has revived the appeal of a transaction that might help to reset market expectations of the broadcaster's

potential. McCall acknowledged in July that she was looking for ways to bring ITV out of the shadow of its legacy broadcast business.

"I really don't think we're recognised not only for the value of the Studios business, but actually how much cash the broadcast business throws off," she said.

Studios' operating margin of 13 per cent in the six months to June is significantly ahead of industry peers. Analysts at Citi this summer estimated Studios could be worth about £3bn, based on comparable valuations of production businesses.

ITV Studios reported revenues of £1.8bn last year and adjusted earnings before interest, tax and amortisation of £215mn, which is expected to rise to £246mn in 2022. Only around a third of its sales are commissioned by ITV and most of its revenue is now generated outside the UK.

## Bain and JIP consortiums lead race to buy Toshiba

KANA INAGAKI, LEO LEWIS AND ERI SUGIURA — TOKYO

The field of bidders vying to buy Toshiba in what would be Japan's biggest ever buyout has narrowed to two frontrunners, one consortium led by US private equity group Bain Capital and another spearheaded by a Japanese domestic fund, according to three people familiar with the matter.

The sale of the 146-year-old industrial conglomerate has been subject to an extensive due diligence process in a round of bids that began in the spring and is expected to last through November. A deal for Toshiba could value one of Japan's best known companies at as much as \$22bn.

Private equity group Japan Industrial Partners, which has previously acquired assets from Sony and Olympus, has been given a preferred status in the second round of bidding but has not signed an exclusivity agreement, two of the people said.

Alongside the groups led by Bain and JIP, US private equity group Brookfield and European buyout firm CVC also made it to the second round.

Toshiba has evolved into a sprawling collection of subsidiaries and non-core assets, some of which have been listed separately, but many of which remain as potential targets for future sell-offs.

The progression of the sale process has given the second-round bidders an unprecedented level of access to one of Japan's most complex business groups.

JIP is in talks with an array of Japanese companies including Chubu Electric and financial services group Orix, as well as private equity groups.

JIP declined to comment. Orix said it was considering an investment in Toshiba but added that no decision has been reached.

Chubu Electric said it signed a non-disclosure agreement with Toshiba and another investment fund it declined to name.

JIP had initially partnered with Japan Investment Corp, an investment fund backed by the Japanese government, in the first round of bidding. But the two have since parted ways, with JIC now in talks with Bain Capital, which had been considered the frontrunner in the bidding battle.

JC and Bain declined to comment. In a statement, Toshiba declined to comment on the bidders, saying it could "undermine fair process".

Mining. Rare metals

# China and Russia vie for Bolivia's lithium

**Country with biggest reserves is fielding bids to help extract the critical battery material**

THOMAS GRAHAM — LA PAZ

As a global race for supplies of lithium heats up, companies from China and Russia are dominating the competition to unlock the vast potential of Bolivia, the country with the world's biggest resource of the critical metal for electric vehicle batteries.

Four Chinese and one Russian group are on the shortlist as Bolivia's leftwing government nears a decision on a possible partner for state lithium company Yacimientos de Litio Bolivianos, with the kind of collaboration to be determined. One US group is the only western company still in contention.

The successful bidder will face a challenge in extracting Bolivia's deposits but the prize is worth it. The country has the world's biggest reserves, according to the US Geological Survey, but is the missing member of Latin America's "lithium triangle", where Chile and Argentina have done more to develop their resources. As prices surge, Bolivia is a tempting target.

"China is dominating this strategic sector [and] Bolivia is right in the middle of this global competition," said Benjamin Gedian of US think-tank the Wilson Center.

The shortlisted companies include four from China: Xinjiang TBEA Group; Fuson Eneritech; Brup, a subsidiary of world's largest car battery maker, CATL, with China Molybdenum; and CITIC Guoan Group with the China Railway International Group. Lilac Solu-

tions, a US company backed by Bill Gates's Breakthrough Energy Ventures, and Uranium One Group, a subsidiary of Russia's state nuclear company Rosatom, complete the list.

YLB will make its choice towards the end of the year. EnergyX, another US firm that set up a pilot lab in the country, met officials and promised health and education spending, was disqualified on a technicality in June.

"We all thought EnergyX had practically won already," said Héctor Córdova, former president of Címbol, Bolivia's state mining company. "But it didn't turn out that way."

The backdrop of global tensions has been heightened by the war in Ukraine. The Movimiento al Socialismo party government is aligned with China and Russia and has refused to condemn Moscow over its invasion of Ukraine. Relations between the US and Bolivia have been hostile almost since the MAS came to power in 2006.

"The six left, I think there's a lot of political pressure to have them there," said Daniel Jiménez, a partner at iLMarkets, a consulting firm, who worked at Chilean lithium miner SQM for 28 years.

Initial triumph in the contest does not guarantee success, given the challenge in extracting Bolivia's lithium. The metal is found in the salt flats of South America and the most common extraction method, used in Chile and Argentina, involves pumping the brine into ponds and processing the lithium salts that crystallise after evaporation.

Bolivia has pursued this method but it is less well suited to its salt flats, which have low concentrations of lithium, lots of impurities and an annual rainy season lasting several months.

Mismanagement and political turmoil have also hampered production. The state has already invested more than \$800m in a grid of ponds and an unfinished plant that it says will start producing 15,000 tonnes of lithium carbonate a year in 2023. It is several years behind schedule.

The arrival of the latest MAS government in 2020 heralded a change, with YLB calling for proposals from foreign companies to develop new direct lithium extraction technologies that can pull lithium straight from brine.

This could reduce production time, use less water and reduce dependency

on appropriate weather — but is still in its infancy. There are only five cases of DLE being used at commercial scale, one in Argentina and four in China, and the fact that DLE works in one is no guarantee it will work in another.

Neither Lilac nor Rosatom have commercial experience using DLE.

With the Chinese companies it is hard to know for certain, said Alex Grant, principal at Jade Cove Partners, a company tracking DLE technologies around the world. "China is such a black box," said Grant, who co-founded Lilac but has since left. No Chinese groups responded to a request for comment.

It is unclear what form of deal Bolivia will do. Carlos Ramos, executive president of YLB, responded to written questions saying that any eventual contract would "respect our laws and seek the maximum benefit for the Bolivian people". He declined to give more details about the selection process, citing confidentiality agreements.

Gene Morgan, chief executive of Zelandez, a brinefield services provider, said Russia was "very motivated" to establish its own lithium supply following its invasion of Ukraine and subsequent western sanctions. Meanwhile, China is among Bolivia's biggest trading partners, and Chinese banks and companies have financed much infrastructure in the country.

Prices of lithium carbonate used in electric car batteries have soared to 10 times their level at the start of 2021 at \$67,700 per tonne, according to Benchmark Mineral Intelligence. The Bolivian government anticipates producing 25,000 tonnes of lithium carbonate a year with DLE by 2025 — a target most independent analysts deem impossible.

Additional reporting by Harry Dempsey



Leaders in La Paz are nearing a decision on a partner for Yacimientos de Litio Bolivianos, with one US operator being the only western business still in contention  
Gaston Brito Mestech/Getty

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## COMPANIES & MARKETS

# Greensill creditors focus on insurance test case

Investors pin their hopes on Australian court in struggle to recoup billions from collapsed supply chain financier

IAN SMITH — LONDON  
NIC FIELDS — SYDNEY

Four years ago, Greg Brereton, an underwriter at a little-known Sydney insurance firm, exchanged emails with Lex Greensill, the founder of a specialist lending business that was flying high.

After requesting agreement on £23m of insurance cover for loans to a waste plant operator based outside Hull, Greensill wrote: "Thank you, Greg, for your confirmation that the below is in order." Five minutes later, Brereton replied: "Lex as discussed I can confirm."

The brief interaction, included in court filings, is a glimpse of a critical relationship between the financier and the insurance executive whose firm, the Bond & Credit Co, eventually provided \$10bn of coverage against the risk of default on Greensill Capital's supply chain lending — with the financial risk held by the big global insurance and reinsurance firms sitting behind BCC.

**'To the extent that the insurance is found to be invalid, this will inevitably lead to even further delay'**

When Brereton was fired and a probe launched into his dealings with the lender, Greensill failed to find insurance elsewhere and collapsed, leading to a financial and political scandal.

That also left an urgent question for Greensill creditors struggling to recoup billions of dollars of client money: would the existing patchwork of insurance contracts pay out?

Just days after Greensill filed for administration in March 2021, BCC's parent company, Japanese insurance group Tokio Marine, said it was questioning the validity of the insurance cover following regulatory investigations. In April this year, it said it had concluded that the insurance policies had been void from the start because "matters material to the underwriting of the policies were fraudulently misrepresented to BCC by Greensill".

Credit Suisse, which had \$10bn of funds linked to Greensill loans, fired back that the insurance policies were "valid and that the insurers' claims are unfounded". But in August, the bank



Lex Greensill's specialist lending business failed to find coverage and collapsed, leading to a financial and political scandal. It left Credit Suisse exposed to losses on funds linked to Greensill loans — FT mortgage/Shutterstock

told its clients that it expected insurers to challenge the validity of "most... perhaps all" of its 18 separate insurance claims, which amount to \$2.2bn of exposure.

Greensill creditors are now turning their attention to proceedings in Australia's federal court where a series of insurance claims by Credit Suisse and other creditors have been brought together into what is widely regarded as a test case for the billions of dollars of Greensill coverage. Pre-trial hearings are due to begin next month.

"To the extent that the insurance is found to be invalid, this will inevitably

lead to even further delay and uncertainty surrounding repayments," said Natasha Harrison, managing partner of law firm Pallas, which is representing some Credit Suisse investors.

One Credit Suisse investor following the case said they took it as a bad sign for the strength of the insurance cover when, early in the scandal, the Swiss bank identified three particular Greensill borrowers — Sanjeev Gupta's GFG Alliance, construction company Kattera and mining group Bluestone — where it could struggle to recover funds.

"In my head I was wondering, why are they doing this if the insurance is solid?" said the person.

A person familiar with the bank's view said the identification of "focus areas" was driven by the size and complexity of the coverage, rather than the

### Protection system Lenders sheltered from non-payment of debts

Credit insurance, or trade credit insurance, covers a company against non-payment by a debtor. If they do not pay, the insurer does. Where banks and other institutions lend money to companies against their trading activity, the insurance covers the lender — or their investors — against non-payment. In the case of Credit Suisse, loans extended by Greensill Capital were packaged up into "notes" sold to wealthy clients. The insurance was there to protect these end investors against loan defaults.

that offers cover on behalf of insurers within set parameters. For example, LAL said it did not have permission to underwrite policies outside Australia on its behalf.

It also argues that, following a disagreement in 2017 over proposed policy wordings, Greensill should have been aware that LAL and its reinsurer Scor "did not approve of the wording and structure" of its central insurance contract.

BCC makes the case that it was "induced to enter into the relevant insurance instruments by reason of non-disclosures and misrepresentations" from Greensill.

In documents prepared for the legal proceedings, it cites a receivables lending programme agreed between Greensill and Bluestone, a coal mining business owned by the family of West Virginia governor Jim Justice.

BCC alleges that Greensill selected Bluestone customers for the pro-

**'What Credit Suisse should be doing is repaying its clients now and recouping any losses subsequently'**

gramme "based on their perceived attractiveness to an insurer (including their credit rating) and not by reference to the likelihood that they would actually purchase goods and services and generate actual receivables".

It contrasts this with representations it said Greensill made to Brereton in late 2018 that funds advanced would be based on invoices issued by Bluestone or "the value of bona fide purchase orders or firm commitments that Bluestone had received".

Elsewhere, the insurer argues that when Greensill was seeking insurance coverage for lending to Catfoss Renewables — the Hull-based waste plant operator — it did not disclose that "the facility had already been drawn down and the majority of the funds used to make payments to directors of Catfoss". It also did not disclose that Greensill had acquired an option to purchase a 25 per cent stake in Catfoss, according to the filing.

A person familiar with Lex Greensill's view accused Tokio Marine of "trying to wriggle out of obligations that were validly paid with them" and highlighted the premiums paid for the coverage.

Further pleadings and disclosure are to come, but one key aspect of the case

Legal Notices



Economists expect core inflation to have climbed to 6.4 per cent in September from 6.3 per cent in the previous month when it was the highest since 1992.

"We expect evidence of continued inflationary momentum, especially given the weakness of sterling over September," said Ellie Henderson, economist at Investec.

This is because a weak pound pushes up imported costs, particularly food, which tends to react quickly to changes in the exchange rate.

The government's cap on household energy bills for the next two years is expected to keep a lid on inflation over the coming months. However, price pressures are expected to remain high for longer due to loose fiscal policy.

Last week the International Monetary Fund said that high levels of inflation would persist longer in Britain than in almost all other advanced economies.

The fund forecast that UK inflation would remain at 6.5 per cent by the end of 2023, the most elevated of any other G7 country. Valentina Romel

Will Ankara cut rates again?

Many central banks have been aggressively raising interest rates this year in a bid to tackle inflation.

Turkey, never afraid to be an outlier,



Consensus forecasts point to a rebound in China's GDP, with growth at 3.4 per cent for the third quarter, but analysts highlight risks posed by resurgent lockdowns

STAFF/GETTY IMAGES

has been doing the opposite. To the astonishment of economists, the Turkish central bank is expected to cut borrowing costs for the third month, running on Thursday despite official inflation that topped 83 per cent in September.

President Recep Tayyip Erdoğan, infamous for rejecting the established economic principle that raising interest rates curbs inflation, has said repeatedly that he wants the bank's benchmark funding rate to come down to single digits by the end of the year.

Speaking last week, he said: "As long as this brother of yours is in this position, interest rates will continue to come down with every passing day, week and month."

Analysts believe that the Turkish president, who effectively controls the central bank, should be taken at his word.

"We expect another 100-basis-point rate cut," said Enver Erkan, chief economist at Tera Securities in Istanbul — a move that would bring the policy rate down from 12 per cent to 11 per cent.

He expects the bank to reach

Erdoğan's single-digit target by the end of the year.

Like other analysts, Erkan warns that the policy is not sustainable. It risks putting renewed pressure on the lira, which is already down almost 30 per cent against the dollar this year, and stoking inflation.

But Erdoğan is focused on growth as he gears up for elections scheduled for June 2023.

Erver said: "Despite the risks and the lack of sustainability, we expect these kinds of policies to continue." Laura Pitel

Did China's GDP rebound in the third quarter?

Chinese gross domestic product grew just 0.4 per cent in the second quarter of the year, surprising analysts to the downside, as the full effects of the country's economically throttling zero-Covid policy exceeded expectations.

Since then, a number of banks, including UBS, ANZ, HSBC, Barclays and Nomura, have downgraded their full-year forecasts for the second-largest economy.

The World Bank projects that growth

Economists polled by Reuters expect the UK's consumer price index to rise to 10% for the year to September

in the rest of Asia will outpace that of China for the first time since 1990.

The medium-term pressures weighing on the Chinese economy — weak consumer demand and uncertain business prospects in the face of repeated lockdowns — have not eased significantly over the past few months.

A closely watched gauge of manufacturing sector activity, meanwhile, saw a further contraction in activity in September.

While consensus forecasts point to a rebound in GDP, with growth at 3.4 per cent for the third quarter, analysts highlight risks posed by resurgent lockdowns over the past few weeks.

"We expect September activity data to either moderate or remain broadly flat", analysts at Barclays said in a research note, adding that their forecast was for growth of 2.5 per cent.

"Specifically, we expect retail sales growth to slow to 2.5 per cent year on year in September as intensified Covid lockdowns damped destination-sensitive consumption [eg catering] and auto sales volume moderated."

William Langley

Technology. Sino-US tensions

China's chip darling knocked by Washington's export controls

Experts say it is unclear how national champion YMTMC can sustain its rapid advances

QIANQI LIU AND ELEANOR OLCOTT

HONG KONG

DEMETRI SEVASTOPULO — WASHINGTON

Yangtze Memory Technologies Corp, the Chinese memory chip producer, has been stockpiling foreign equipment for months in anticipation of US export restrictions.

Four YMTMC employees said the company had been preparing for Washington to impose export controls, as US lawmakers urged the Biden administration to punish the state-backed company for allegedly helping the Chinese military and violating trade restrictions by supplying chips to Huawei, the Chinese telecoms company.

Those concerns materialised on Friday when the US unveiled tough export controls targeting the Chinese chip industry, including YMTMC, suggesting the Wuhan-based company could con-

front more trouble. YMTMC has in recent years emerged as a national champion in China's drive to build a domestic chip industry and President Xi Jinping visited its facilities in 2018 to show support. It boasts Rmb22.0bn (\$3.6bn) in funding with financial help from Hubei province and a national fund.

The new US restrictions hit YMTMC by banning the supply of certain US technology needed to produce advanced NAND memory chips.

Industry experts said it was unclear how YMTMC could sustain its rapid advances. Highlighting the impact of the restrictions, KLA Corp, Lam Research and Applied Materials — three top US semiconductor toolmakers — have halted sales and services to YMTMC, according to three YMTMC employees.

In another move on Friday that got less attention but could prove even more painful for YMTMC, Washington put the chipmaker on its "unverified list". The registry includes entities for which the US has not been able to conduct checks to verify that American technology is being used for legitimately and not, for example, being diverted for

military use. At the same time, the US government implemented a new policy under which addition to the unverified list starts the clock on a 60-day deadline for the end-user checks to be completed. If they are not, the company is highly likely to be added to the "entity list", which would effectively prevent US companies from providing YMTMC with technology for its less advanced chips.

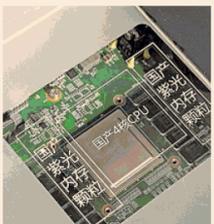
"Being added to the unverified list used to be a nuisance. Now it should be terrifying," said Gregory Allen, a technology expert at Washington-based think-tank CSIS.

Kit Conklin, a former US intelligence official and China expert at the Atlantic Council, estimated the chances of YMTMC being added to the "entity list" at 99 per cent. "Over the next few years, the Chinese commerce ministry has stonewalled the US commerce department by not allowing end-user checks to take place. It would be a significant policy change by Beijing if they decided to play ball," said Conklin.

Aside from the possibility of being added to the entity list, YMTMC faces other serious difficulties.

"YMTMC can still operate and deliver chips as they have stocked up materials and components," said Brady Wang, an analyst at research group Counterpoint. "It would be difficult for them to expand production as the new equipment is not available."

One employee said YMTMC had enough stock of materials such as wafers and components for equipment repairs to



Yangtze River Technology Co has been put on the US 'unverified list'

last year. But that would only be if "there aren't any huge issues that can only be fixed by tech staff from foreign companies".

YMTMC did not respond to a request for comment.

As YMTMC has won global market share, it has come under scrutiny in Washington over concerns that it will use Chinese government subsidies to sell chips below market price, putting pressure on non-Chinese rivals such as Micron Technology in the US.

YMTMC has been careful not to divulge many details about its technological advances.

But one innovation it has pioneered is the use of "Xtacking" technology, which simplifies the manufacturing process for advanced memory chips, giving YMTMC a path into the NAND chip market dominated by Samsung and Micron.

YMTMC's market share of global NAND production grew from 1 per cent in 2020 to 5 per cent in 2021, according to France-based research company Yole Development.

While its market segment is relatively small, YMTMC has been courting high-

profile clients. Apple told the Financial Times last month that it was considering using YMTMC chips in some smart-phones.

Apple did not respond to a request for comment about whether it was revising its plans in the wake of the new export controls.

Industry insiders said that along with the restrictions, YMTMC's heavy reliance on government support complicated its path to profitability.

"YMTMC has been making losses and relies heavily on government funding for research and production expansion," said one Shanghai-based analyst. "The government wants YMTMC to seize more market share and make technology breakthroughs, albeit straggling to profit."

The chipmaker also has limited options to respond to Washington.

"The US government is attempting to put YMTMC's most advanced NAND production facilities out of business," said Allen of CSIS in a report this week. "It will be especially difficult for Chinese companies to evade these equipment export controls."

MARKET DATA

WORLD MARKETS AT A GLANCE



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



Table with columns for Country, Index, Latest, and Previous values for various global markets including Australia, Brazil, Canada, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Philippines, Singapore, South Africa, South Korea, Spain, Sri Lanka, Switzerland, Taiwan, Thailand, Turkey, UK, USA, Vietnam, and Venezuela.

STOCK MARKET: BIGGEST MOVERS

Table showing the biggest movers in the stock market, categorized by region (AMERICA, EUROPE, ASIA, UK MARKET WINNERS AND LOSERS) with columns for stock, price, and % change.





Table with columns: Company, Price, Change, High, Low, Volume, etc. Includes companies like Google, Amazon, Microsoft, etc.

Table with columns: Company, Price, Change, High, Low, Volume, etc. Includes companies like Tesla, Apple, Facebook, etc.

Table with columns: Company, Price, Change, High, Low, Volume, etc. Includes companies like Netflix, Amazon, etc.

Table with columns: Company, Price, Change, High, Low, Volume, etc. Includes companies like Microsoft, Amazon, etc.

Table with columns: Company, Price, Change, High, Low, Volume, etc. Includes companies like Microsoft, Amazon, etc.

FT 500: TOP 20

Table listing top 20 FT 500 companies with columns: Company, Price, Change, High, Low, Volume, etc.

FT 500: BOTTOM 20

Table listing bottom 20 FT 500 companies with columns: Company, Price, Change, High, Low, Volume, etc.

BONDS: HIGH YIELD & EMERGING MARKET

Table listing high yield and emerging market bonds with columns: Issuer, Price, Change, High, Low, Volume, etc.

BONDS: GLOBAL INVESTMENT GRADE

Table listing global investment grade bonds with columns: Issuer, Price, Change, High, Low, Volume, etc.

INTEREST RATES: OFFICIAL

Table listing official interest rates for various countries and currencies.

BOND INDICES

Table listing bond indices with columns: Index, Price, Change, High, Low, Volume, etc.

BONDS: INDEX-LINKED

Table listing index-linked bonds with columns: Issuer, Price, Change, High, Low, Volume, etc.

BONDS: BENCHMARK GOVERNMENT

Table listing benchmark government bonds with columns: Issuer, Price, Change, High, Low, Volume, etc.

GILTS: UK CASH MARKET

Table listing UK cash market gilts with columns: Issuer, Price, Change, High, Low, Volume, etc.

INTEREST RATES: MARKET

Table listing market interest rates for various currencies and maturities.

MARKET INDEXES

Table listing market indices with columns: Index, Price, Change, High, Low, Volume, etc.

BONDS: TEN YEAR GOV SPREADS

Table listing ten-year government spreads with columns: Country, Spread, etc.

BONDS: VOLATILITY INDICES

Table listing volatility indices with columns: Index, Price, Change, High, Low, Volume, etc.

GILTS: UK FTSE ACTUARIES INDICES

Table listing UK FTSE actuaries indices with columns: Index, Price, Change, High, Low, Volume, etc.

COMMODITIES

Table listing commodity prices for various goods like oil, gold, etc.

PHYSICS TIMES (PM London Fix)

Table listing physics times (PM London Fix) for various commodities.

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PHYSICS TIMES (PM London Fix)

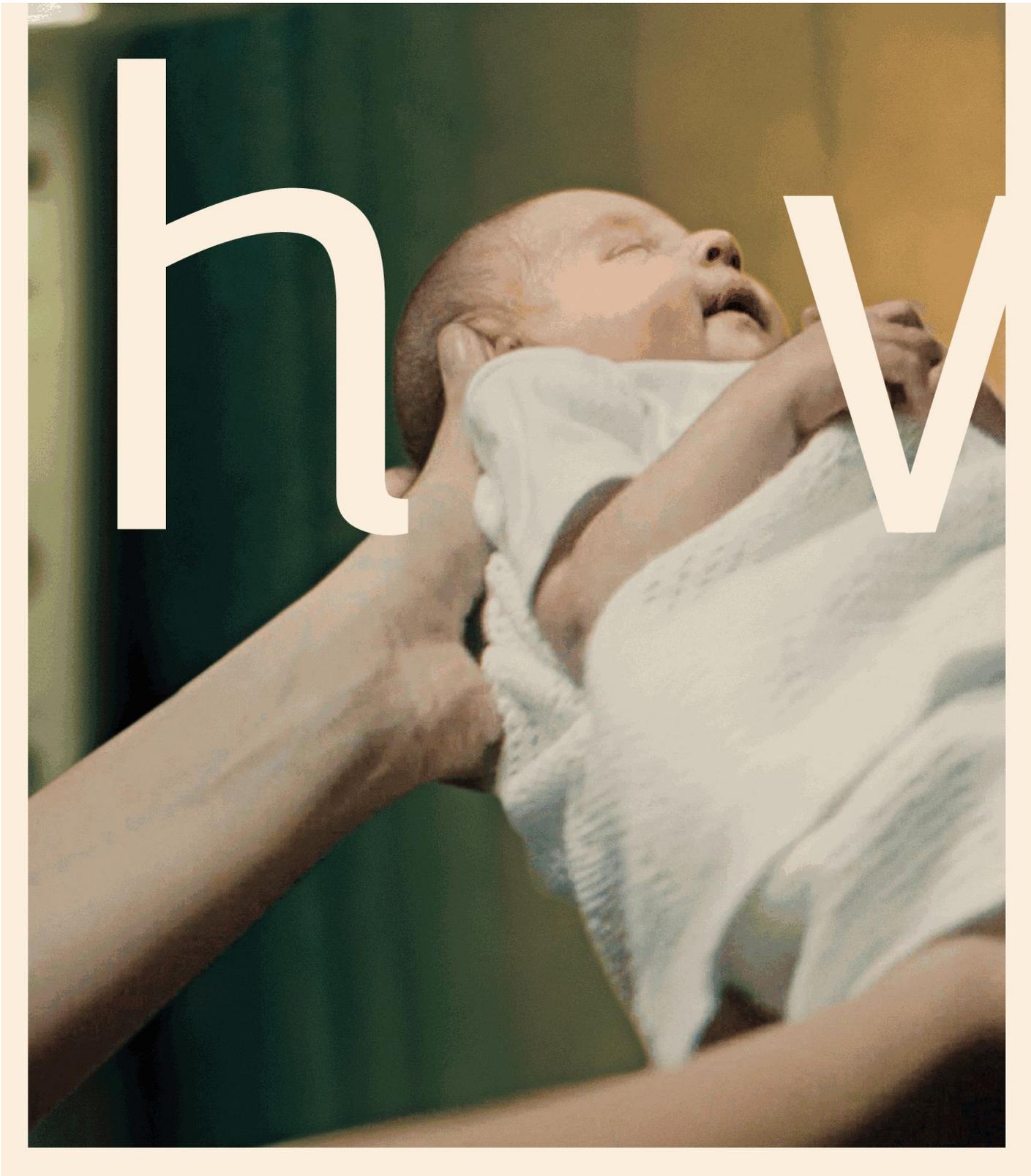
Table listing physics times (PM London Fix) for various commodities.

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Monday 17 October 2022

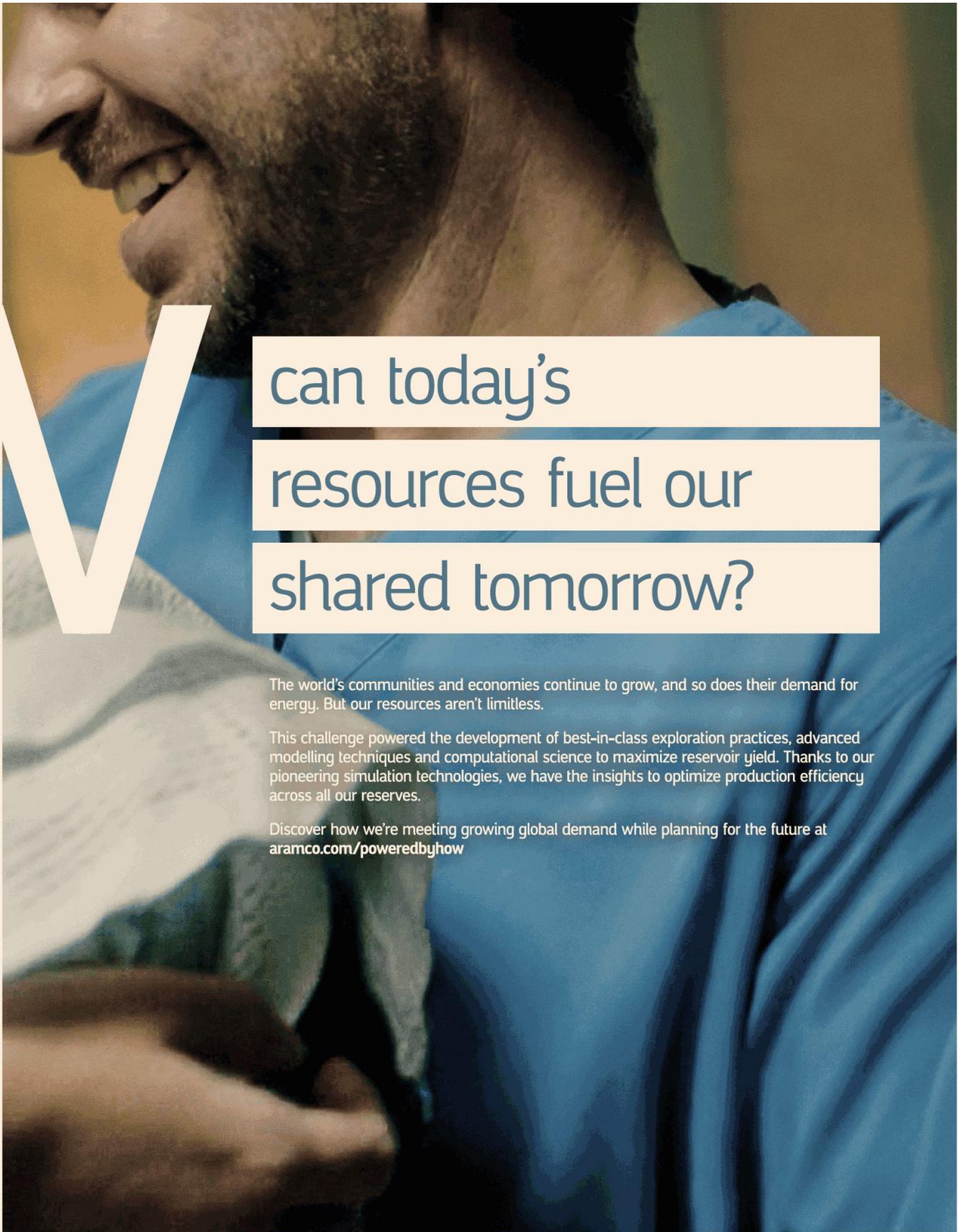


FINANCIAL TIMES

11

**aramco** 

powered by how



# How can today's resources fuel our shared tomorrow?

The world's communities and economies continue to grow, and so does their demand for energy. But our resources aren't limitless.

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## MANAGED FUNDS SERVICE

SUMMARY

FT.COM/FUNDS

Winners - US Fund Mid-Cap Value						Losers - US Fund Mid-Cap Value					Morningstar Star Ratings				Global Broad Category Group - Fixed Income						
Fund Name	1yr Return GBP	3yr Return GBP	5yr Return GBP	3yr Sharpe Ratio	3yr Std Dev	Fund Name	1yr Return GBP	3yr Return GBP	5yr Return GBP	3yr Sharpe Ratio	3yr Std Dev	Fund Name	Base Currency	Morningstar Rating 3 Yr	Morningstar Rating 5 Yr	Morningstar Rating 10 Yr	Morningstar Category	Base Currency	Total Ret 1Yr GBP	Total Ret 3Yr GBP	Total Ret 5Yr GBP
Hessles & Wiley Mid-Cap Value Fund	-0.85	12.03	4.60	0.43	35.08	CGM Realty Fund	-21.36	-3.73	-3.82	-0.09	28.67	UK Smaller Cos B Inc (HEAR) F	Pound Sterling	***	***	****	Emerging Bonds	Mexican Peso	-1.85	17.10	2.90
Fidelity Small Int'l Opp Fund	-0.00	11.56	7.47	0.58	20.40	Jana Hedson Sm/Mid-Cap Value Fund	-9.24	1.04	2.86	0.04	22.10	High Yield Fixed Interest	Pound Sterling	***	***	***	World Bank Loan	Yen	23.20	10.32	6.09
Investco Value Opportunities Fund	-5.98	11.45	6.23	0.47	29.36	Nuveon Concentrated Value Fund	-11.95	1.58	3.40	0.07	14.58	The Equity Adv Tracker Fd Inc	Pound Sterling	**	**	**	US Bond	Yen	22.90	9.54	6.46
Fidelity Adv Growth Value Fund	-6.93	10.76	6.61	0.44	26.37	Jensen MCI Mid-Cap Value Fund	-12.90	1.71	1.29	0.13	22.42	UK Income B Inc (HESAR) F	Pound Sterling	**	**	***	World High Yield Bond US	Yen	12.08	9.38	5.92

**Advertising Feature**

**Performance**

Oct 2019 - Oct 2022  
EdenTree UK Equity Opps C/A Inc

Day +2.21%  
Month -0.17%  
Year -36.52%

**Investment Information**

**Fund Name:** EdenTree UK Equity Opps C/A Inc  
**Manager:** EdenTree Investment Management Limited  
**Asset Class:** UK Equity  
**Investment Objective:** To invest in UK Equity  
**Investment Strategy:** To invest in UK Equity  
**Investment Style:** UK Equity  
**Investment Focus:** UK Equity  
**Investment Risk:** UK Equity  
**Investment Return:** UK Equity  
**Investment Volatility:** UK Equity  
**Investment Liquidity:** UK Equity  
**Investment Taxation:** UK Equity  
**Investment Fees:** UK Equity  
**Investment Expenses:** UK Equity  
**Investment Risks:** UK Equity  
**Investment Opportunities:** UK Equity  
**Investment Challenges:** UK Equity  
**Investment Outlook:** UK Equity  
**Investment Conclusion:** UK Equity

**Performance**

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Industrials	13.77%	13.77%	13.77%	13.77%
Real Estate	1.14%	1.14%	1.14%	1.14%
Technology	10.76%	10.76%	10.76%	10.76%
Utilities	2.24%	2.24%	2.24%	2.24%
Cash & Equivalents	3.95%	3.95%	3.95%	3.95%
Corporate	0.52%	0.52%	0.52%	0.52%
Government	0.27%	0.27%	0.27%	0.27%
Municipal	0.00%	0.00%	0.00%	0.00%
Securitized	0.04%	0.04%	0.04%	0.04%

**Risk Measures - As of 30/09/2022**

Alpha	1Yr	3Yr	5Yr	10Yr	15Yr	20Yr	25Yr
Alpha	-22.94	-1.81	-4.02	-1.47	-3.59	-1.46	-
Beta	1.95	1.70	1.60	1.12	1.18	1.08	-
Information Ratio	3.32	2.69	2.52	2.21	2.45	2.21	-
R Squared	67.26%	75.05%	82.29%	78.91%	79.69%	78.16%	-
Sharpe Ratio	2.48	2.27	2.11	1.64	1.62	1.61	-
Std Dev	4.58	21.85	21.85	18.63	18.39	17.17	-

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Fund	Bid	Offer	+/- Yield	1Yr	3Yr	Fund	Bid	Offer	+/- Yield	1Yr	3Yr	Fund	Bid	Offer	+/- Yield	1Yr	3Yr	Fund	Bid	Offer	+/- Yield	1Yr	3Yr	
abn AM (CI) Limited						Canadian Bonds Credit Opportunities						EdenTree UK Equity Opps C/A Inc						EdenTree UK Equity Opps C/A Inc						
abn AM (CI) Limited						Canadian Bonds High Yield Cap						EdenTree UK Equity Opps C/A Inc						EdenTree UK Equity Opps C/A Inc						
abn AM (CI) Limited						Canadian Bonds Govt Term Cap						EdenTree UK Equity Opps C/A Inc						EdenTree UK Equity Opps C/A Inc						

**edentree investment management**

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**Algebris INVESTMENTS**

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FUND LISTING HEADERS

MMP Investment Management Limited (SFI)
Multi-Manager Investment Programmes PCC Limited
UK Equity Fd A Sarsor 0.1 2.9125 35.88 -0.29 -0.00 -0.00 -0.01



Oasis Crescent Global Investment Funds (UK) (ICVC) (UK)

Investment Crescent Global Fd (UK) 0.30 0.89 -0.02 -0.26 -0.02 0.01
Investment Crescent Global Fd (UK) 0.30 0.89 -0.02 -0.26 -0.02 0.01



Ram Active Investments SA

RAM Systematic European Fd 1.85 43.42 1.62 -0.24 0.25
RAM Systematic European Fd 1.85 43.42 1.62 -0.24 0.25



Slater Investments Ltd (UK)

Slater Growth A Acc 05.57 65.37 8.90 0.00 -0.78 3.54
Slater Growth A Acc 05.57 65.37 8.90 0.00 -0.78 3.54



Marlborough Investment Management Limited (UK)

Marlborough Global Growth Fd 211.06 11.06 0.46 -0.19 -0.05 1.21
Marlborough Global Growth Fd 211.06 11.06 0.46 -0.19 -0.05 1.21

Omnia Fund Ltd

Omnia Global Fd 133.18 12.82 -0.36 0.17 -0.02 -0.38
Omnia Global Fd 133.18 12.82 -0.36 0.17 -0.02 -0.38

Royal London (UK)

Royal London UK Growth Trust 59.20 10.50 2.25 -0.40 0.62
Royal London UK Growth Trust 59.20 10.50 2.25 -0.40 0.62



Stewart Investors (UK)

Stewart Investors 23 St Andrew Square, Edinburgh EH2 1BS
Stewart Investors 23 St Andrew Square, Edinburgh EH2 1BS

Mavroy Asset Management Limited (CMI)

Mavroy Value Investors 2.29 7.72 -0.14 0.00 -0.17
Mavroy Value Investors 2.29 7.72 -0.14 0.00 -0.17



Ruffer LLP (IOOF) (UK)

Ruffer Diversified Fd 101.25 0.17 0.89 -1.04
Ruffer Diversified Fd 101.25 0.17 0.89 -1.04



Stonehage Fleming Investment Management Ltd (IRL)

Stonehage Fleming Global Fd 1.91 2.28 0.27 2.33
Stonehage Fleming Global Fd 1.91 2.28 0.27 2.33

Mcleary & Wood Portfolios Limited (UK)

Mcleary & Wood Portfolios Limited 29.90 29.90 0.40 0.00 -0.57 1.14
Mcleary & Wood Portfolios Limited 29.90 29.90 0.40 0.00 -0.57 1.14

Platinum Capital Management Ltd

Platinum Global Growth Fd 1.14 3.71 -0.03 0.00 4.96 3.98
Platinum Global Growth Fd 1.14 3.71 -0.03 0.00 4.96 3.98

Rubrics (IRL)

Rubrics Global Growth Fd 1.23 12.53 0.15 0.00 -0.36 3.57
Rubrics Global Growth Fd 1.23 12.53 0.15 0.00 -0.36 3.57



Superfund Asset Management GmbH (UK)

Superfund Green Growth Fd 1.28 13.13 -0.40 -0.85 5.29
Superfund Green Growth Fd 1.28 13.13 -0.40 -0.85 5.29

Milltrust International Managed Investments (ICM) (IRL)

Milltrust Innovation Fd 1.21 32.00 -2.89 0.00 -0.00 -1.41
Milltrust Innovation Fd 1.21 32.00 -2.89 0.00 -0.00 -1.41

Polar Capital Funds Plc (IRL)

Polar Capital Growth Fd 1.11 11.89 -0.19 0.00 -0.36 2.21
Polar Capital Growth Fd 1.11 11.89 -0.19 0.00 -0.36 2.21



Milltrust International Managed Investments (ICM) (IRL)

Milltrust Innovation Fd 1.21 32.00 -2.89 0.00 -0.00 -1.41
Milltrust Innovation Fd 1.21 32.00 -2.89 0.00 -0.00 -1.41

Prasnik Investment Funds (UK) (IOF)

Prasnik Asia Equity Fd 1.15 15.52 -1.33 0.46 -0.59 -1.37
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Rubrics Global UCITS Funds Plc (IRL)

Rubrics Global Growth Fd 1.23 12.53 0.15 0.00 -0.36 3.57
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Superfund Asset Management GmbH (UK)

Superfund Green Growth Fd 1.28 13.13 -0.40 -0.85 5.29
Superfund Green Growth Fd 1.28 13.13 -0.40 -0.85 5.29

Ministry of Justice Common Investment Funds (UK)

Ministry of Justice Common Investment Funds 19.40 -3.00 2.64 -7.79 2.28
Ministry of Justice Common Investment Funds 19.40 -3.00 2.64 -7.79 2.28

Private Fund Mgrs (Guernsey) Ltd (SFI)

Private Fund Mgrs (Guernsey) Ltd 19.40 -3.00 2.64 -7.79 2.28
Private Fund Mgrs (Guernsey) Ltd 19.40 -3.00 2.64 -7.79 2.28

Scottish Friendly Asset Managers Ltd (UK)

Scottish Friendly Asset Managers Ltd 30.40 -3.00 0.00 -0.62 6.73
Scottish Friendly Asset Managers Ltd 30.40 -3.00 0.00 -0.62 6.73

Thesis Unit Trust Management Limited (UK)

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Mirabaud Asset Management (UK)

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Purisma Investment Fds (UK) (IOF)

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Toscafund Asset Management LLP (UK)

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WORK & CAREERS

Is it time to start sucking up to Labour?



Rutherford Hall  
Critical comms

Messages from the archive of Rutherford Hall, critical communications strategist

From: [rutherford@monkwellstrategy.com](mailto:rutherford@monkwellstrategy.com)  
To: [john@bigenergy.co.uk](mailto:john@bigenergy.co.uk)

Hell yes, you need to start sucking up to Labour. Just to give you a sense of things, I've already had six job inquiries from sitting Tory MPs terrified they are going to lose their seats. Three of them came during Liz Truss's conference speech.

You saw the film Speed? Well, there's a bomb under the Tories and the moment the Truss Bus drops below 22 per cent in the polls – boom. Ok, so the Speed analogy is not perfect. In the film, the mad bomber had the sense not to get on the bus himself, whereas Liz is still at the wheel.

So yes, get those invites flowing. Specify your pronouns in the emails! And remember you love windfall taxes and are very excited about the New Green deal. We are still just at the stage where they are thrilled to be taken seriously. They know you guys hedge your bets but small gestures count. How about finding a part-time researcher for one of Labour's Treasury or business team? It's a small sum to you, but gives you a direct line in. One caveat. Don't get too visible yet.

The Tories are still in power for a couple of years/months/who knows? so we don't want them deciding you are part of the Anti-Growth Coalition just yet. Team Truss is going to be desperate for support so will be especially attentive to those they think are still sympathetic and have ideas on removing barriers to business. The trick is to play both sides. Just don't get back on the bus! Best Rutherford

Find me on Strava, [KOM Sydnam Hill, PR London to Brighton: 5h 59m](https://www.strava.com/athletes/5159484)

**WhatsApp to Stephen:** We need to start hedging for Labour. The mood has flipped. I had one client on, desperate for 30 mins with Keir Starmer – and that's not a sentence I was writing often last year. Others are screaming for a chat with a shadow minister who isn't even a household name in his own household. We need to rebalance the team with some Labour hires

**WhatsApp to Stephen:** I know; the ones who are really close will be staying on but there are always a couple who want to cash in their contacts and Keir is having another office reshuffle. Our rivals who traded on being close to Boris will be desperate for some red cred so we need to move fast. There's business for us in this too if you people think we've got a good channel into

Starmer. I know one housebuilder worried his comms consultants are too close to the Tories.

BTW What's Priya up to? Apparently she's on some special project for you?

From: [rutherford@monkwellstrategy.com](mailto:rutherford@monkwellstrategy.com)  
To: [rachel.reeves@parliament.org](mailto:rachel.reeves@parliament.org)

Hi Rachel, it was great to catch up at the Labour conference. Fantastic speech. I know you aren't allowed to show any complacency but just to say I happen to know a great priced interior decorator who'd love to work on the Downing Street flat :-)

Anyway we've got a number of big clients who are excited about what you've done with Labour and are keen to hear more (between us, I think some could prove very supportive). I wonder if we can tempt you to a breakfast meeting with a few of them. I think you'll find a warm and enthusiastic audience. Best, Rutherford

Find me on Strava . . .

From: [rutherford@monkwellstrategy.com](mailto:rutherford@monkwellstrategy.com)  
To: [jacobrees.mogg@parliament.co.uk](mailto:jacobrees.mogg@parliament.co.uk)

Dear Jacob, glad we caught up at party conference. You handled yourself superbly in a stressful week.

Whatever the polls say I don't think Labour should be calling in the interior designers just yet.

Our rivals who traded on being close to Boris will be desperate for some red cred so we need to move fast

I'm hoping we can tempt you to a breakfast meeting with a few of our large business clients who are still holding out against the anti-growth coalition (between us, I think a number could prove very supportive). They have some v good thoughts on how to unleash the opportunities of Brexit. You'll find a warm and enthusiastic audience. Best, Rutherford

Find me on Strava . . .

From: [Rutherford@Monkwellstrategy](mailto:rutherford@monkwellstrategy.com)  
To: [Client list](mailto:Client list)

Monkwell is offering select clients a series of breakfasts with key Labour figures (and one with Jacob Rees-Mogg for balance!) We're keeping this small so you get some good face time. Here's the programme. I find a surprisingly long list of Labour's policies and it will definitely be good to find one you can enthuse about. Hope you can make it.

Best Rutherford

Find me on Strava . . .

**WhatsApp to Bob:** Hi Bob, We're having a breakfast meeting with Labour's planning spokesman and wondered if you'd be interested. It's one of a run of events with key Labour players we've been cultivating. Usually it's clients only, but for you . . .

Messages recovered by Robert Shrimley

Diversity in the workplace

Less elitism, more inclusion: the legal industry aims for change

Lawyers say the culture is holding back efforts to make the profession more inclusive, write *Kate Beioley and Jane Croft*



Tahina Akther, a chancery and family finance barrister: 'When I came to the inns there was a wow factor. [But] there was a bit of a feeling of impostor syndrome . . . Do I belong here?'  
Charlie Ebbby/FT

When Tom joined a City law firm, he did not expect anyone to care what his father did for a living, or where he went to school.

"My dad's a builder," says the 30-year-old lawyer, who recently moved to the public sector. "When I was about to qualify as a solicitor, I had to give my birth certificate to a partner to confirm my identity. . . On seeing it, [he] leaned back in his chair, looked over the top of the paper and said, 'Builder? Haven't you come far . . . ?' I couldn't shake the feeling that the comment was at my expense."

Tom (not his real name) is one of more than a dozen lawyers and barristers who spoke to the Financial Times about incidents that include being mocked for wearing the wrong shoes, having a "working class" accent, or attending a state school. They say that although the profession is slowly becoming more diverse, a culture of casual elitism persists in some top firms, cementing a white, middle-class bias that is holding back social mobility and hampering inclusion.

In spite of efforts to hire lawyers from a range of backgrounds, the UK's biggest corporate law firms still remain largely white, male and privately educated, particularly in their upper echelons. A 2020 study of 10 firms by the Bridge Group, a social equality organisation, including Allen & Overy and Clifford Chance – which belong to the "magic circle", the group of international UK-based firms that work on the City's biggest deals – found more than half of partners attended an independent school, compared with just over 6 per cent of the wider UK population.

A Chambers Student Guide study the previous year found that a third of trainees at the "magic circle" were Oxbridge graduates.

The same issues are common at the Bar in England and Wales. A report by the Legal Services Board, the legal regulator, in 2020 noted that there "is substantial over-representation of lawyers who were privately educated". White men represented 55 per cent of the judiciary in England and Wales, new figures showed in July 2022.

**Inside the dining rooms**

When lawyers are promoted to partner at Slaughter and May, one of England's most prestigious law firms, they are

One lawyer with knowledge of slaughter and May said the dining room was a leveller, and encouraged partners to mix regardless of background.

"Most professional service firms are hierarchical environments," the lawyer says. "If you've been through the public school system you know how it works . . . [at boarding school] there are prefects and you had a fagging system. . . [when I started in law] I understood that whatever partners wanted, you had to say yes." He also adds that he believed "law firms are very meritocratic environments once you're in".

In high-octane City firms, associates work gruelling hours under the supervision of partners, and networking with clients to drum up new work has reinforced an emphasis on "affability" and chubbability.

A female lawyer who recently qualified into a UK law firm wrote to the FT to say colleagues with "working class accents had been asked to 'tone them down'. Barristers also say they have felt the need to change their regional accent.

Confronting biases

Pressure to assimilate to law's white, middle-class culture is "exhausting" for those from different backgrounds, says Dr Louise Ashley, author of *Highly Discriminating: Why the City Isn't Fair and Diversity Doesn't Work*, published in September. "It's the kind of exhausting that can affect career progression."

She says law firms need to confront their cultural biases. "A lot of this does not happen strategically or consciously . . . It's about institutionalised

and Gray's Inn), with their ancient squares, beautiful landscaped gardens and large dining halls.

To be called to the Bar, would-be advocates must complete 10 qualifying sessions, focused on topics such as advocacy skills. Until relatively recently these sessions could include eating formal dinners, complete with port and wine for frequent toasting, as well as grace said in Latin.

Tahina Akther, 41, a chancery and family finance barrister was called to the Bar in 2003. She is the daughter of Bangladeshi immigrants – her father was a steelworker and she was educated at state schools. "When I came to the inns there was a wow factor," she says. "It can seem like a different world. I was

The Bar is perceived as dominated by privately educated Oxbridge graduates

part of this exclusive club." But she adds: "There was a bit of a feeling of impostor syndrome. . . Do I belong here?"

Making progress

Law firms, the Bar Council and the Inns of Court have all made great efforts to hire and retain a more diverse mix of individuals, through apprenticeships, scholarships – which are merit and means based – and virtual placements open to a wider mix of students.

Allen & Overy, an international law

firm, and more than a quarter were on free school meals.

But academics and lawyers say retention is as important as recruitment. According to the Bridge Group report, opacity surrounding the "partner track", which determines who is promoted, and the importance of relationships with "sponsoring" partners, can "disadvantage individuals from lower socio-economic groups".

Firms such as Freshfields have put in place sponsorship programmes aimed at promoting a greater number of women. But Ashley says the only sure way to create a fairer process is by ensuring diversity among those who make the decisions. "Democratising organisations and reducing hierarchies are the things that actually work," she says.

Many individual barristers, chambers and the Bar Council now run events for under-represented groups to promote wider access to the profession.

Yet while the Bar is becoming more diverse, some advocates fear that one of the biggest challenges now is retaining barristers – particularly at the criminal Bar. A quarter of all specialist criminal barristers, who can earn as little as £12,200 in their first three years, have left over the past five years because they cannot live on the low rates of legal aid pay.

There are concerns that in future years diversity could go backwards – because the ranks of barristers is where the future judges and senior barristers are drawn from.

Peter Eguae, 41, is a criminal barrister

Dear Jonathan

YOUR QUESTIONS FOR OUR EXPERT – AND READERS' ADVICE

I cannot see a future in medicine. What alternatives do I have?



I am a final-year medical student. I enjoy some aspects of medicine but when I look at the type of work junior doctors do, I cannot see myself doing it. I cannot afford to do a masters. What alternatives do I have?

Female, 20s

Jonathan's answer

After five or six years studying as a student, when many of your undergraduate friends have already been in the workforce for a couple of years, it is perhaps not surprising that you are considering other options that get you into the workplace quickly. In the UK, you'd still have two more foundation years' training (FY1 & FY2) to complete before being a fully registered and qualified doctor.

Dr Lois Brand, associate director of Clinical Studies at Oxford, says that your question is common among final year students. "They can feel trapped, and my role is to show them that they have choices." She also observes that medical students who are not caught up in the day-to-day hospital workload, "have time to observe the bigger picture. Especially in the very challenging last five years, they may have observed a sense of despair in the workforce around them."

One of your choices, increasingly common, is to take time out after your second foundation year, a so-called FY3. Completing these jobs will give the base for being a doctor and may offer you an insight into the many areas in medicine – you can read about 100 different careers in *Simon Eccles and Stephen Sanders' So you want to be a brain surgeon?* (third edition).

Dr Ross Thomson, now an academic cardiologist, started his foundation years in 2003. He did leave medicine and joined a strategy consulting company. "Doctors have many sought-after transferable skills," he observes. These include, "a data/evidence approach to problems, the ability to communicate complex and challenging concepts often

further degree. Thomson had wanted to try something different, and he learnt a lot from his experience. After a year, he realised he "wouldn't be in consulting for ever" and "liked the practice of being a doctor".

Like Thomson, almost every other doctor who had gone into consulting at his company has since returned to medicine. This experience echoes what Brand sees, "more than 50 per cent of those who leave medicine, return, citing stability, fulfillment, and teamwork".

You have already gained many valuable and transferable skills and could explore using those in the private sector without a further degree. Your choices would be greatly enhanced once you are a fully qualified doctor, so finishing your FY1&2 would give you the most straightforward set of choices.

Readers' advice

Perhaps this young lady is not cut out to be a doctor. No harm done that she realises this now. With her medical training she can always try working as an analyst in the City specialising in eg medical innovation/technology etc. Alternatively she can retrain to another subject.

Dexterhouse

I think this student is assuming that changing field is harder than it really is eg it's not uncommon for humanities grads to go into things like software development – if that's possible, there should be a wide array of options.

ClimateDoc

The next problem

I'm a recent graduate working for a big tech company. The pay is decent with good benefits and I'm in line for a promotion. However, I've been offered a similar role at a start-up in Barcelona. The pay is considerably less but it's an opportunity I want to accept. Should I stick it out with the tech group or book my flight to Spain?

Male, 20s

Jonathan Black is director of the Careers Service at

given a number. It does not correspond to a locker or desk, but to a pigeon hole in the partners' dining room, which holds their own napkin.

Dining rooms are common at City law firms and act as water coolers – meeting places for gossip etc (but with better cups).

norms, rituals and customs that are accepted and difficult for the people within them to see . . .

The Bar is similarly perceived as dominated by privately educated Oxbridge graduates who are at ease in the rarefied environs of the Inns of Court (Inner Temple, Middle Temple, Lincoln's Inn

firm, took on its first cohort of legal apprentices in 2022 and Clifford Chance now offers open-access online schemes that a wider range of students can take part in. More than 30 per cent of the firm's 2021/22 trainee intake attended non-selective state school, compared with just under a fifth 10 years previ-

who grew up on a north London council estate. He has described reaching the Bar from where he started in life as "like starting the London marathon from somewhere in Cumbria", if barristers continue to leave, he says, then "in reality, in 20 or 30 years time the judiciary could look like it did in the 1990s".

with uncertain information, and able to work in time pressured, stressful situations."

Strategy consulting could be one option for you and wouldn't necessarily need a

the University of Oxford. Every fortnight he answers your questions on personal and career development and working life. Do you have a question for him? Email: dearjonathan@ft.com

WORK & CAREERS

How to Lead. Friedrich Jousseen, former chief executive, Tui

# 'When teams are under pressure, people will stand together and fight'

The travel boss says it was the close-knit culture at the company that helped it weather the Covid-19 crisis, writes *Oliver Barnes*

When Friedrich "Fritz" Jousseen started at Tui in 2012, he was attracted by the challenge of joining a company in the throes of crisis.

Activist investors were pushing to break up the ailing travel group, cost savings were needed to offset an austerity-inspired slowdown in the sector, and the long-mooted merger of Germany-based Tui AG and its UK-based sister tour operator Tui Travel had repeatedly failed to get off the ground.

"If you don't have a crisis, if you don't want to change . . . you don't need leaders," says Jousseen, speaking on the eve of his final board meeting as chief executive from the company's headquarters in a sleepy business district in the German city of Hannover. "That said, I thought that would have been the biggest crisis in my career."

At the end of September, Jousseen left Tui after almost a decade at the company – most of which has been spent in the top job. In person, he cuts an imposing figure at 6ft 7in tall (2m), but his size is offset by a broad grin and relaxed demeanour.

Jousseen grew up in a middle-class family of five in the German port city of Duisburg, a coal mining and iron and steel manufacturing centre, where his father worked as a legal adviser for steel group Thyssen (before its merger with Krupp). In his youth, he was academic. He attended Landfermann-Gymnasium, one of Germany's oldest schools which traces its origins back more than 450 years.

Within his first two years at Tui, Jousseen had wrapped up the stop-start merger negotiations, creating what remains the world's biggest tour operator, which employed more than 70,000 staff at its height (now closer to 40,000 people).

But he suspects his greatest legacy will be simply keeping the company afloat

'Running a company without revenues is the most difficult spot I've been in professionally'

when the Covid-19 pandemic struck. "Regulation brought our business to zero," recalls Jousseen. "In my professional career, running a company without revenues is the most difficult spot I've been in."

In the three months to the end of June 2020, Tui reported revenues of just €75m, down 98 per cent on the year before. For the full financial year, the company booked a €3.2bn loss. It survived only thanks to €400m in cost savings and nearly €5bn in bailout loans from the German state. Only this year did the company report its "first broadly break-even quarter post-pandemic".

Jousseen has been replaced by Tui's chief financial officer, Sebastian Ebel, who Jousseen first met when running Vodafone's German division.

Jousseen was on a Caribbean holiday in January 2020 when he first heard about the novel coronavirus and the ensuing lockdown in the Chinese city of Wuhan. However, he was initially unfazed and so were Tui's customers – January and February 2020 marked record highs for bookings.

But by mid-March, just hours before Germany closed its borders in an attempt to halt the fast-spreading virus, Jousseen gathered his executive team to ask a simple question: "How much



Friedrich Jousseen, who came to Tui in 2012 from a telecoms background, said his outsider status gave him a '10,000m perspective' of how to restructure the loss-making travel group – *Chris Spurrett/FT*

the industry faced a lukewarm reception from some in the travel sector.

But Jousseen saw his outsider status as an advantage. "When you come from the outside, sometimes you have the benefit of not being too much in the details," he says. He could see the merger and the company's restructuring from a "10,000m perspective" which allowed him to bypass the doubters who said "this is not possible, this cannot be done".

Peter Long, an industry veteran who first ran Tui Travel before serving as chair and latterly deputy chair of Tui until last year, told the FT at the time of the merger that without Jousseen the tie-up "wasn't going to work". Jousseen then went about overhauling the company's business model. Instead of trying to beat platforms such as Airbnb at their own game, he invested in hotels and cruise ships to create a vertically integrated business model. "You have to have a good strategy and then you need to talk a lot" to investors and colleagues, explains Jousseen. "You need to have good arguments."

The ultimate testament to the success of Jousseen's shake-up of the company is that it did not face the same fate as rival operator Thomas Cook, which collapsed into liquidation in 2019 after 178 years of trading, he says.

But despite the strong position he had put Tui in, Jousseen was "not sure" the company "could survive" when the pandemic hit. For the first few weeks of the crisis, he slept only a few hours a night.

His schedule was reduced to a liquidity meeting in the morning and a cost meeting in the afternoon, interspersed with hours upon hours of calls to investors, banks and government ministers.

He says he focused only on the short

term and the things he could change, extracting a lesson from his chess coach during his teenage years. "When you make a move and you hit the clock, the move is done," he says. "The best way of losing a chess game is when you think about things you cannot change."

Jousseen attributes the company's success in weathering the pandemic to the close-knit team he forged. "Companies are not about systems and processes, they are about people," he says.

Ebel is not the only board member to have a long history with Jousseen. Three other board members have been working with him for the best part of two decades.

"We jointly got out of the pandemic," says Jousseen. "When teams are under pressure, it's a chance to achieve spirit because people will stand together and fight."

After the first wave of the pandemic, heartened by the support of the German state, Jousseen was assured that he had secured Tui's survival. But he was sur-

"The best way of losing a chess game is when you think about things you cannot change"

prised by how long the crisis dragged on. "They wouldn't have financed us if we were not a good company before the crisis . . . so the state had enormous trust that we were a good business and able to repay," he explains. "If they had the trust, why shouldn't we have the trust?" Tui still owes about €2bn to KfW, the German development bank.

Despite emerging intact from the pandemic, Tui has been gripped by fresh troubles in recent months.

In March, the German government launched an investigation into the sale of 29.9 per cent of Alexei Mordashov's 34 per cent stake in Tui after it emerged that the Russian oligarch, who is under sanctions, had transferred the shares to a company owned by his wife. The investigation is ongoing.

Three questions

Who is your leadership hero? Lao Tzu's (an ancient Chinese

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money do we have in the bank?" "These are things you don't usually ask as a CEO," he adds.

Joussen first worked as a software engineer in the US before joining the telecoms division of the Düsseldorf-based Mannesmann Group, which was later taken over by Vodafone. He then climbed the ladder to run Vodafone Germany.

The first half of Joussen's career at the vanguard of the booming telecoms industry was plain sailing. "It was always next record, next record, next record. You just needed to organise growth," he says.

Joining Tui marked a significant departure for Joussen. He joined a loss-making company and as a newcomer to

philosopher] words on leadership are the essence of leadership. "When the best leader's work is done the people say, 'We did it ourselves!'"

● **What was the first leadership lesson you learnt?**  
One of my early managers told me you should always keep your desk clean; second, whenever you have a decision to make, make it; and third, if you advise people to do something, only advise them if you're going to follow up with them.

● **What would you be doing if you were not a chief executive?**  
A strategic consultant as I like to think about things and implement things.

Throughout summer, the airline has also been blighted by flight cancellations and delays, costing the company €75mn. The energy crisis and inflationary pressures across Europe also look set to spark a consumer slowdown later in the year.

But is that challenge enough for Joussen? Not quite. "The market normalises and you have more normal challenges... as bad as flight cancellations or whatever are, you say this is more normal," says Joussen. "And then the question is how up are you for a normal life?"

And what is his advice for his successor? "Nothing is less important, less wanted than the advice of a former CEO," says Joussen. "Everybody does it their own way."



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ARTS

# Quest to deconstruct ancient Greek monuments

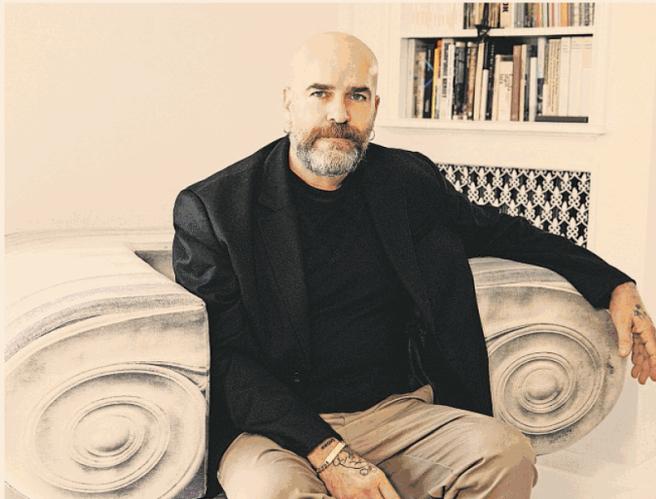
Andreas Angelidakis's new installation, which playfully explores his country's classical heritage, is now on show in Paris. The Athens-based artist talks to Peter Aspden

The central Athens apartment of Andreas Angelidakis is in Exarcheia, a district noted for its low tolerance of the status quo. Anarchist slogans and disorderly discussions dictate the vibe here, and its unruliness naturally attracts artists. Angelidakis's home seems to offer a different kind of Athenian story, however. His armchairs are built with armrests made to look like ancient marble columns; fabrics with classical motifs hang from the ceiling. It is, on first glance, like a soft-furnishing homage to the golden age of Pericles.

But the look is partly temporary, says Angelidakis, who is using the apartment for putting the finishing touches to his new exhibition at Paris's Espace Niemeyer, running until October 30. The installation, commissioned by watchmaker Audemars Piguet's contemporary art programme, bears the portentous title "Center for the Critical Appreciation of Antiquity". But its ironic intent is clear from the first viewing.

The softness of the fabrics and furniture, built with foam blocks, is a crucial part of the work: here are the famous monuments of Greece's capital city, rescued from their clichéd and formulaic reproduction by way of their witty deconstruction. In real life, the antiquities of Athens are solemn, imposing reminders of the city's past glories; in Angelidakis's warm space, they are welcoming and provide safe refuge from the frenetic outside world.

It is a place where visual puns abound: in a series of small statues of a naked man he is, first, standing on the ionic capital of a column; then the



Above: Andreas Angelidakis in Athens. Above right: statues from his project — Vasilis Kardis/Courtesy of the artist and Audemars Piguet

capital seems to rise through him and becomes something like a puffball skirt; then, rising still further, it resembles the protective padding of an American football shirt; then, finally, it wraps around his eyes like a virtual reality headset.

But there is more to the show than that. The "Center" has a philosophical purpose too, a kind of provocative recasting of ancient history. "I have been obsessed with architecture and antiquities since I was a kid," Angelidakis tells me. "My initial response [to receiving the commission] was to explore this idea of 'soft ruins', setting up this centre which would be a place just to relax and hang out."

But then he conceived the idea of the centre as "an organisation in search of something", which would be based on a fusion of literary history and his own autobiography. His installation is loosely centred on the Temple of Olympian Zeus, the remnants of which still stand proud in the centre of the city, and which became an important space in his upbringing. "It used to be a gay cruising area," he says, and he is not talking about antiquity here. "I remember clearly the first time my friend took me there, and I saw all this activity going on right next to the temple. It showed me a totally different part of Athens. And I began to find my own version of the city, and how to look at antiquity."

The more deeply he researched his subject the more interested he became in the marginalia behind the familiar stories. The temple was initially commissioned in the sixth century BC, during the time of the Tyrants who ruled the city, only to be abandoned by the democratic government that succeeded them and disliked the colossal scale of the project.

Centuries later, the Roman emperor Hadrian, as part of a grand building programme, decided to complete the building, the remains of which we see today. But it was not destined to remain intact, and was largely dismantled in the medieval era for its marble. It was among these reversals of fortune and layers of interpretation that Angelidakis found inspiration.

In the earliest photographs taken of the temple in the mid-19th century, for example, there is a tiny hut resting on top of a couple of its columns. It was the abode of a Stylite monk, who reportedly lived there for 20 years. "Of course the archaeologists demolished the hut, and even erased it from some of the photographs," he says. "It was a story that did not fit their narrative."

Now a version of the hut is on display in his centre in Paris. "Looking at the past couple of years and the behavioural experiment of Covid, it struck me that we have all become kind of soft Stylite monks, except that it is not the column that is keeping us high, but all the things we used as relief, from antidepressants to vitamins and energy healers."

Another incidental story from the temple's modern history concerns the collapse of one of the columns, which broke into fragments. "It was interpreted as a bad omen, there were a lot of superstitions and rumours going round," says Angelidakis. "So people flocked to see the fallen column." He points to an antique photograph on the wall, which shows the crowds. "You see



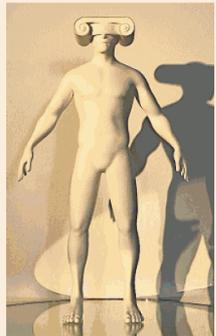
those tables all around? They were used to serve coffee to everyone who came to look. And they became the first cafés in the area."

If his work is challenging traditional narratives of antiquity, I ask him what kind of narrative should be told. "It is not so much giving a new narrative, as asking questions," he replies. He refers to the demolition in the 19th century of the mosque that used to stand in the centre of the Parthenon. "I would like to know why the Parthenon is considered less interesting [with] a mosque inside it," he says.

While on the subject of that particular building, I ask if he has any views on the possible return of the Parthenon sculptures. "Honestly, it is not the kind of subject that the Center would approach," he says playfully, nestling his personal views inside his fictional organisation. "It is a subject which has become oversaturated. I love the Parthenon frieze, but I mostly use Google when I want to see it — I am not going to go to a museum."

Angelidakis trained as an architect at the Southern California Institute of Architecture, attracted by the school's conceptual approach to the discipline. He describes his methodology as a reversal of the "representation-to-realisation sequence of the production of buildings", which essentially means he doesn't build anything. Does he have plans to? "I don't think so. When I went to Los Angeles, I figured out why I wanted to be an architect, which was to understand the concepts behind, and reasons for, buildings."

The housing of his project in the



Espace Niemeyer, designed in the 1960s by Oscar Niemeyer as a headquarters for the French Communist party, could not be more fitting, he says.

"Niemeyer was one of those architects who most clearly envisioned public space and public functions. But it was for a kind of future that never materialised. We don't all work in offices like Brasilia, with amazing sofas and brutalist interiors. Whereas I am looking at a past which might have been slightly different from what we imagine, and whose story is still malleable."

"So it is putting a flexible past into

'I love the Parthenon frieze, but I mostly use Google when I want to see it'

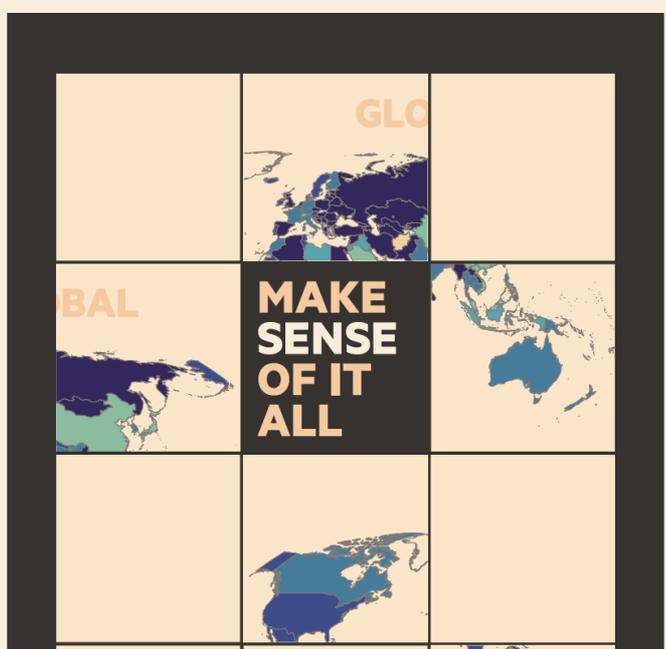
a future that is imaginary. That is so perfect."

Notwithstanding his teases with time travel, Angelidakis has some pointed comments to make about present-day Athens in his installation too. There are, in one corner, some long plastic bins piled upon one another, of the kind that adorn any urban building site. "The Center found these rubble chutes around the place," he says deadpan. "But I saw them as columns. A kind of new architectural order for the city. The Airbnb Order."

'Center for the Critical Appreciation of Antiquity', Espace Niemeyer, Paris, October 11-30, espace-niemeyer.fr



Installation view of Angelidakis's new "Center" — Courtesy of the artist and Audemars Piguet



MAKE SENSE OF IT ALL

BAL

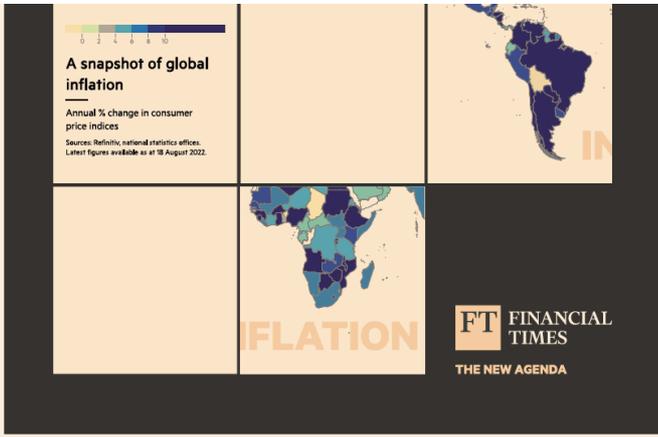
## A portal into black gay history

PODCASTS  
Fiona Sturges

back of his bike. Now in his seventies, Brown talks to the young journalist and producer Abi McIntosh about his experience of growing up black and gay, and about queer representation in the media. Along with telling the stories behind certain images, the series' objective is to raise black LGBTIQ+ adre

clear line between past and present.

The second and newest episode revolves around a photo of three black women, all members of the Black Lesbian and Gay Centre, marching against Section 28, a law passed in 1988 that prohibited the "promotion of homosexuality" in schools. Stars the



In the new podcast *Black and Gay, Back in the Day*, activist and writer Ted Brown recalls the day he came out. Brown, who went on to be a leading light of the UK branch of the Gay Liberation Front, had spent his early life in the US and moved to London in his teens with his mother, a Jamaican civil rights activist. At 15, he was "very sad and lonely. I told my mother, 'Mum, I think that I am becoming homosexual.' That was the only term I knew in those days. I didn't know any gay people." His mother was accepting, though she cried when she realised her son would have to grow up dealing not only with racism but with homophobia too.

Released to coincide with UK Black History Month and conceived by the campaigner and podcaster Marc Thompson, *Black and Gay, Back in the Day* unearths the LGBTQ stories of the past via a single photograph. The opening episode features a picture of Brown in 1973. He is sitting on a bicycle in a leather jacket and flared jeans, a copy of *Gay News*, the magazine where he worked as a writer, clipped on the



Ted Brown in 1973, in the photo that features in an episode of 'Black and Gay, Back in the Day' — Courtesy of Ted Brown

unconsciously. It is a warm and wide-ranging talk, the pair talk about the importance of galvanising local communities to the anti-racist cause and their battles against the assumption that people of colour are more likely to be homophobic. Looking at the picture, Otiotju says it reminds her how rights can be so easily taken away and that "we should never get complacent."

Another newly launched podcast, *Black British Lives Matter*, is described by its host, British actor and comedian Lenny Henry, as "jollof rice for the mind, jerk chicken for the spirit". It finds Henry and the writer Marcus Ryder leading conversations about what it means to be black in Britain today.

In the opening episode they are joined by fashion designer Oswald Boateng, the journalist and presenter Aafia Hirsch and the academic and curator Carol Tulloch for a smart and thoughtful chat about fashion and black identity.

FT BIG READ. MIDDLE EAST

The young people of Iran, under the battle cry of 'woman, life, freedom', want to taste the liberty they see on social media. But they face a regime that is resilient and organised.

By Najmeh Bozorgmehr

# Iran's Generation Z revolution

Narges, a young Iranian protester, walks confidently through ranks of riot police on her way to work with her long, black, wavy hair clearly on show. In another country her appearance would be unremarkable but in the Islamic republic, which has strict rules about what women can wear in public, it is unthinkable. More unusual still is the response: nothing.

This flagrant defiance of wearing a compulsory hijab in public is becoming a new normal — something women like Narges could not have imagined before the tragic death of Mahsa Amini a month ago. The 22-year-old Kurdish woman died in the custody of morality police on September 16 after allegedly violating the Islamic dress code. Her death has outraged Iranians and sparked nationwide protests that have, in turn, provoked a heavy-handed, lethal response from the state.

Generation Z has surprised the country — and the world — by refusing to back down during one of the most widespread and long-lasting anti-regime demonstrations in the Islamic republic's history. "Woman, life, freedom" has become the battle cry of young men and women in the streets, on university campuses and in schools. Their ultimate goal, protesters say, is to overthrow the Islamic republic in favour of a secular, democratic system, even if the cost is their lives.

They are facing down a regime supported by formidable institutions such as the elite Revolutionary Guards and a multi-layered network of loyalists and businessmen whose interests depend on a continuation of the status quo.

Nonetheless, the protests are a serious warning to Iran's rulers that they are grappling with a different generation, many of whom do not relate to the regime's ideology and are furious about being deprived of the everyday freedoms and opportunities afforded to their international peers. Their movement has the potential to inspire more demonstrations and strikes as a cost of living crisis deepens, posing one of the most significant threats to the Islamic republic's 45-year dominance.

Top leaders — at least publicly — dismiss the idea that the anti-regime protests are a historic turning point. Analysts do not expect the regime to rethink a supreme leader as ultimate authority, its hostility towards the US, flexing muscles in the Middle East or expansion of the nuclear programme.

Protesters, who have radical ambitions for their country's future, say that the time for kneejerk political gestures has run out. The impasse has many Iranians worried about difficult days ahead. In a joint statement, five prominent economists have likened the growing chorus for change to a flood which has been roaring but has suddenly faced a deadlock. They say the choice facing political leaders is either to clear the way or let the floodgates burst and unleash a torrent of disruption.

Extensive poverty, corruption of



"This system has inflicted irreparable damage to us from childhood. Only its collapse can help us end inequalities between men and women"

Their values contrast sharply with those of Iran's ageing yet determined leaders, some of whom are in their nineties.

An increasingly educated population, including women who occupy about 60 per cent of university places, fast-paced urban development and wider access to the internet and smartphones, have raised public expectations.

Young people want fair and transparent government, better welfare, decent jobs as well as the ability to travel abroad and enjoy a healthy sex life — not necessarily within marriage.

Iran's Generation Z, who have grown up with the internet, say the things they are fighting for are incompatible with a system that demands an Islamic lifestyle; early marriage, more children and defending one's religion against threats. Protecting these values, however, is essential for the regime to satisfy millions of zealous loyalists in Iran and the Middle East who represent one of its

be ready for... a hybrid warfare which is extraordinarily heavy and complicated work for us and armed forces' commanders."

Ahmad Zeidabadi, a reformist political analyst and former political prisoner, told the semi-official ILNA news agency that "part of the system thinks power, dignity and wealth belongs to insiders and its loyalists... while the rest of the people have no rights such as establishing political parties, running for elections and taking part in decision making and hence they have no right to protest."

It is this political order that protesters are pushing back against, many of whom come from the urban middle class who, until recently, were widely regarded across society as spoiled and pampered by their privileged, educated families. Now they stand in front of riot police showing no fear of being killed. Over the past month, more than 40

Protesters block a road in Tehran this month, above. The crisis trials decades of disappointment in presidents to deliver change. Iran's supreme leader Ayatollah Ali Khamenei, below, denies the dissent is homegrown.

Protesters block a road in Tehran this month, above. The crisis trials decades of disappointment in presidents to deliver change. Iran's supreme leader Ayatollah Ali Khamenei, below, denies the dissent is homegrown.

Protesters block a road in Tehran this month, above. The crisis trials decades of disappointment in presidents to deliver change. Iran's supreme leader Ayatollah Ali Khamenei, below, denies the dissent is homegrown.

tech-savvy protesters using VPNs to circumvent bans on social media, analysts say the republic is losing the media war.

The overseas opposition also uses satellite television to convince Iranians that a revolution is in the making and that a united front can finally bring down 45 years of the Islamic republic.

Iran's supreme leader Ayatollah Ali Khamenei, the target of slogans such as "death to the dictator", denies the dissent is homegrown and instead has blamed external players, including the US, Israel and Saudi Arabia. "The only solution is to resist," he says.

For many Iranians, his response underlines how out of touch the regime is. Shahla, a housewife and mother of two teenage boys, comes down too hard on ordinary people. "What I hate the most is that the Islamic republic protects the most junior members of its loyalists but is so tough on us," she says. "Why is it a problem to say one individual made a mistake in the case of Amini and apologise?"

### A regime under pressure

Although analysts say that in the top of Iran's political system remain united in how to deal with the discontent, another regime insider says those at the middle level are unhappy at seeing young protesters being killed and think the response has gone too far. They believe, he says, that the regime should listen to protesters and take actions while the 55-year-old Ayatollah Khamenei is alive.

His death — and the rumoured succession of his second son, Mojtaba — could make any reforms far more complicated or near impossible, he adds, because protesters have made clear they will not accept him.

Protesters meanwhile see no benefit in talking with the authorities. Moein, a 23-year-old history student, says the Islamic republic has no intention to change its structures of power. "People from a motorcycle delivery man to a doctor have reached a stage where they don't want to give up on their demands which are equal rights for men and women and freedom," he says.

Even if protests are suppressed, he adds, "we shall see bigger protests in the future". Analysts agree. "The pent-up political demands... are now manifested in non-controversial, inclusive slogans such as 'woman, life, freedom'," says Saeed Hajjarian, a strategist for reformists. "This shows the centre of gravity of the society's demands has shifted from politics to citizens' rights... for all social classes rather than only the urban middle class."

Iran's hardliners warn that the continuation of protests is putting Iran's territorial integrity at risk and could embolden separatists to fight the central government in a country which includes ethnicities such as Arabs, Kurds, Baluchis, Turks and Sunni Muslims.

While protests in Iranian Kurdistan have intensified since Amini's death, people in the city of



those linked to the regime and declining political participation in recent years have all weakened social capital and fostered a sense of hopelessness, the economists say. In addition, Iranian families' welfare has, on average, declined by 37 per cent over the past decade, causing the middle class to shrink.

Narges, 27, says it is this gloomy picture that makes her generation's fight inevitable: the prosperous future she dreams cannot be achieved living under theocracy. "I do value going out without a hijab and the regime's forces completely ignore me while passers-by say 'bravo' to women like me," she says. "But this system has inflicted irreparable damage to us from our childhood. Only its collapse can help us end inequalities between men and women and have freedom for the most basic, normal things."

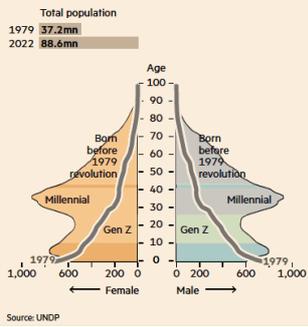
**Generation Unrest**

Iran has long had a robust protest culture; a symptom of the country's struggle to transition from a traditional society to a modern one. Its contemporary history has been shaped by regular pockets of social unrest and several uprisings including two revolutions – a constitutional one more than a century ago and the 1979 Islamic revolution.

A slow shift towards greater modernity and more progress for women has become more urgent as a new generation grows impatient. The last national census six years ago showed those aged between 10 and 24 make up about 22 per cent of the population of 80m.

**The new generations driving Iranian protests**

Population structure of Iran, 2022 ('000)



main pillars of power. Major General Mohammad Bagheri, Iran's chief of staff for the armed forces, has warned his military commanders that "traditional approaches will not work anymore" if it wants to foil threats to power such as those fuelled by social media. He positioned the protest movement as part of a wider battle against foreign influence.

"Today, we are facing multiple military, cultural, newly emerged and sometimes unknown threats... We have to

testers have died, according to state television. Amnesty International says 144 men, women and children have lost their lives, including 20 teenage boys and 3 girls.

Bijan Abdolkarimi, a professor of philosophy at Islamic Azad University, says the failure to understand the country's youth is a mis-step. "This generation is rebellious," he told the reformist Etemad daily newspaper. "It doesn't accept men's authority over women and... its fights with tradition and questions all its principles... The worst way to deal with them is police, military and security approaches."

**Anger piles up**

Dissent, however, is not limited to the younger generation. There have been at least three other major protests since 2009 led by the middle and working classes in which hundreds were killed.

The latest crisis follows decades of disappointment in successive political leaders to deliver change. Political reforms initiated in 1997 by Mohammad Khatami, then president, were met with resistance from hardliners. Later, centrist president Hassan Rouhani promised a more functioning economy under a nuclear deal that his government signed with world powers in 2015. The deal collapsed in 2018 when the US, under the Trump administration, pulled out.

The election of hardliner Ebrahim Raisi as president last year marked a new low. Turnout was 48.8 per cent – one of the poorest on record after main

don't see an option for a successor and surely don't want to see insecurity that the absence of an established command can bring."

Iran's leaders are encouraged that the protests have not yet snowballed into mass demonstrations. Labourers have held some sporadic strikes but teachers, farmers, businessmen and the pious masses, including mid-ranking clergy, are largely in a wait-and-see mood.

Meanwhile, Iranians overseas are urging silent supporters to rise up, organising demonstrations in western capitals and lobbying for international backing. But this disparate opposition is not seen as a viable alternative to the regime, partly as they are far from unified.

It is for this reason that a regime insider close to hardline forces says the protests are not seen as an immediate threat to the Islamic republic.

"Protesters are not from a political party, they don't have a leader. They are not ideologically motivated to die for their causes. As soon as they get arrested, they express regret," he says. "Iran's opposition overseas is no threat. Can they all get together and have one charismatic leader like imam [Ruhollah] Khomeini to take out millions of supporters on to the streets [as happened in the 1979 revolution]? No."

The insider adds there will be no significant concessions before the measures such as an unspoken and relaxed approach to wearing hijabs in public.

But with the unrest and brutal crackdowns playing out on platforms like Instagram and WhatsApp thanks to

Zahedan, home to ethnic Baluchis and Sunnis, have separately clashed with the authorities after a 15-year-old girl was allegedly raped by a senior police official. Amnesty says at least 82 were killed but officials put deaths at 19.

Pushback against the regime protests also coincides with renewed calls to sign a nuclear deal with the Biden administration and put an end to US sanctions on Iran's oil and banking sectors. A lack of movement on the deal is fueling public frustration as inflation reaches 42.1 per cent and the youth unemployment rate climbs to 25 per cent.

Nuclear talks remain deadlocked after Washington and Tehran failed to agree on the most recent draft proposed by the EU, the mediator in those negotiations. Diplomats and analysts do not expect any progress until after the US midterms in November. Some politicians say securing a deal is vital to help quell discontent.

Narges, a trained IT engineer, is working as an accountant and earns a monthly salary of about \$250 which barely covers her daily expenses. She envisions the lives of the young people and teenagers in other countries that she obsessively follows on YouTube.

"Not only have I never experienced the pleasures of teenagers in the US, Britain, Australia, I cannot use my own creativity and talent to have a decent salary and be hopeful about my future," she says. The only option, she says, is to continue protesting "until we defeat the Islamic republic even though I'm aware the system is frightening and vengeful."

**'The centre of gravity of the society's demands has shifted from politics to citizens' rights'**

**The FT View**



**FINANCIAL TIMES**  
"Without fear and without favour"

ft.com/opinion

**Global economic warning lights are flashing red**

**Polymakers need to be level-headed and focus on building resilience**

"Polycrisis": this was the description Jean-Claude Juncker gave the nexus of challenges facing the EU in 2016, when he was European Commission president. Last week the International Monetary Fund underscored how multiple clouds – including the European energy crisis, rapid interest rate rises and China's slowdown – have been gathering over the global economy. What has seemed like separate crises emerging from many different regions and markets are now coalescing: we may be facing a polycrisis on a global scale.

It is rare for so many engines of the global economy to be stalling all at once: countries accounting for one-third of it are poised to contract this year or next, according to the IMF. Indeed, its outlook for the largest economies – the US,

the eurozone and China – is bleak. As global inflation rates have touched their highest in 40 years, central banks have been raising interest rates this year with a synchronicity not seen in the past five decades, and the US dollar has hit its strongest level since the early 2000s. These forces are driving the gloomy forecasts and creating new strains.

Emerging economies have been saddled with higher dollar-denominated debt burdens and disruptive capital outflows. Meanwhile, mortgage rates and corporate borrowing costs have surged across the world. Many gauges of financial market stress are also flashing red, as the rapid snapback in rates from lows during the pandemic has exposed vulnerabilities. Fire-sale dynamics are an ongoing risk, as UK pension funds recently demonstrated.

The proximate causes of the global maelstrom are two historic shocks in quick succession: Covid-19 and Russia's invasion of Ukraine. The Federal Reserve has raised interest rates at its

sharpest pace since the early 1980s, when Paul Volcker was its chair, to quash inflation spurred in part by pandemic support and supply bottlenecks. Meanwhile, Putin's weaponisation of natural gas flows means Europe is undergoing a huge terms-of-trade shock, and China's economy is suffering under its zero-Covid policy, alongside a property market crash. Indeed, new ailments have emerged before the scars of the pandemic have even healed.

The multiple and mutually reinforcing shocks have left policymakers with a difficult balancing act. For governments, efforts to boost growth and support households and businesses need to avoid pouring further fuel on the inflationary fire and raising debt burdens – which have already been pushed up by the pandemic – particularly as borrowing costs are now rising. The more interest rates rise, the greater the risks of a housing market crash and further financial market strains. Yet for central bankers, not tightening monetary policy

enough may embed high inflation. While there are no simple solutions, there are some lessons. Today's fragile economy needs policy to be well calibrated and attuned to risks. The UK is an example of how not to do it. Its built-in-a-china-shop approach of recent weeks shows what happens when realities are ignored. Policy errors are partly why the IMF sees a one-in-four chance of global growth next year falling below the historically low level of 2 per cent.

The contagious effect of global crises intensifies the need to build resilience. While the banking system was strengthened after the financial crisis, policymakers did too little to bolster the non-banking system. Many will also lament the lack of productivity-enhancing and inflation-busting investments in skills, technology and fossil fuel alternatives over the past decade, when interest rates were low. Without level-headedness and long-term thinking the global economy will only continue to lurch from one crisis to the next.

**The more interest rates rise, the greater the risks of a housing market crash and further financial market strains**

**Opinion Asia**

**Renault and Nissan alliance comes unstuck**

Maria Hergueta



**Leo Lewis**



Japanese partner, which in turn holds only 15 per cent and no voting rights in the French company. Nissan's proposal, say people close to the discussions, is that the mutual stakes be equalised at 15 per cent.

Since his 2018 arrest, imprisonment and escape from Japanese justice, a favourite assessment of Carlos Ghosn is that he was the glue that held together the Renault-Nissan automotive alliance.

The analogy works pretty well. In addition to his skills as a businessman, he undoubtedly had strong glue-like attributes – a go-to fixer for fissures.

After the companies held emergency talks on reshaping the alliance for the electric vehicle era, it is starting to look as if it could benefit from any fixative. It has been a long while since the once-pioneering Renault-Nissan

The imbalance – increasingly loathed by Nissan as a reminder of the bailout that resulted in the existence of the large stake held by Renault and a mechanism for what it sees as ongoing exploitation by its partner – was the primary stress point that required all that glueing from Ghosn.

Since word of the talks emerged, some analysts have taken it as a positive sign. There are numerous obstacles to agreement, but the most likely alternative is that the alliance falls apart just when both companies – along with the third alliance partner Mitsubishi – need it more than ever. If a rebalancing of the stakes is accompanied by a new, transparent version of the master agreement that underpins

**Letters**

**Big Oil presents straw man arguments for the energy crunch**

For someone who has taken home \$80m in total compensation the past four years, I would have expected more compelling arguments from Chevron's chief executive Mike Wirth (interview, October 14). Perhaps the lack of accountability to an independent chair has softened his critical thinking skills. Instead, he managed only to put forth straw man arguments, delivered with a pitch-perfect "get off my lawn" air of grievance.

Energy markets are not any more volatile today than in years past, with or without the increased emphasis on climate policy. Looking at weekly Brent prices back to 1990, the standard

deviation in year-on-year prices from 1991-2012 was 0.37. In the decade since, it has been 0.38 (excluding a 10-week period for Covid).

Wirth argues that the energy "crunch" predates the war in Ukraine, due to under-investment in supply. A "crunch" would suggest there is not enough supply to meet demand. If that were true, Opec would have no need for a 2m barrels a day decrease in its production quota.

Regardless, reduced capex in the industry has been exclusively due to market forces. First, the wild excess of the shale boom massively oversupplied the market. Wall Street crushed

exploration and production companies for their profligate ways, and E&Ps responded by reining in capex and becoming more conservative with their cash (read: returning it to shareholders).

Second, investors are loath to let carbon-based chieftains overinvest in capacity when the world is poised to need far less of their product in the decades to come.

So yes, the Biden administration sees the need to reduce carbon emissions. But let's not pretend coal plants have shuttered because of any government policies. Those that have closed were too expensive to operate relative to

natural gas or renewables. For all the emphasis on climate change, there has been no carbon tax to capture the emissions' externality.

Wirth is right on one key point, though. The blame for fossil fuel use lies as much with consumers as with suppliers.

Thankfully, more and more drivers are choosing to drive electric; a development no amount of finger wagging from Big Oil executives is likely to reverse.

Eric Crawford  
Former Equity Research Analyst  
UBS Investment Bank  
Carmel, IN, US

**Complicated to explain, harder still to understand**

Recently, the 2022 Physics Nobel Committee rewarded the pioneers of quantum physics ("What quantum physics tells us about reality", Opinion, October 12).

Quantum, such a quizzical word. It is commonly invoked by quacks, more often than it is by scientists because, although quantum stuff permeates our everyday lives, it's quite complicated to explain and even harder to really understand.

In fact, it shocked physicists, including Albert Einstein himself, because quantum science is weird and rather unreliable.

That's why we need good examples and metaphors – the cat that's dead but alive at the same time, somehow. Similarly, your science commentator Anjana Ahuja cleverly came up with a



'Bananas are always curved and yellow, unless we look at them'

**It's not the Fed's job to act as an aid worker**

Edward Luce's piece on the Federal Reserve and the developing economies ("The world is starting to hate the Fed", Opinion, October 13) demonstrates the problem where any cure is sadder worse than the disease. Luce is correct to note that the international response to the Fed's actions is largely unfair. The Fed cannot take international economics into its portfolio, especially as there are already disturbing discussions on adding environmental, social and governance guidelines and social justice to its remit, thus further eroding the Fed's credibility.

However, to expect international institutions to react to the Fed would also set a concerning precedent. It cannot be the job of the IMF and World Bank to come to the rescue of every developing economy every time the

**What links AI, Plato and an English polymath?**

Jemima Kelly ("AI-driven justice may be better than none at all", Opinion, September 29) likens the contrast between artificial intelligence-driven justice, which cannot explain itself, and human justice, which can, to Plato's slave and free doctors.

The experience in the US is that AI used by law enforcement teams has consistently discriminated against poor and black defendants, often as the data on which the AI is trained was garnered from a system which has historically done just that – discriminate.

Facial recognition AI has much more trouble discriminating between black faces as it has been trained in the past on predominantly white (and male) faces.

An AI judge would be unable to

alliance was something other than a cautionary tale. Finally, it may produce a positive lesson for the global industry.

The talks, for which Renault chief executive Luca de Meo flew to Japan earlier this month, were painfully overdue. And while the fundamental

### The companies have crawled towards what looks like a state of partnership in name only

reasons things are so bad are complex, the Ghosn-as-glue metaphor has become the most easily grasped narrative of the past four years because, in the former supremo's absence, things have clearly become unstuck.

Quite apart from the financial miseries reported by both companies, the alliance has crawled towards what looks a lot like a state of partnership in name only. Executives describe a near-dysfunctional working relationship on existing joint projects and a mutual suspicion that makes any new ones seem implausible.

Despite this, the alliance has set itself up for a monumental series of stress tests as it attempts to reimagine the whole marriage as a challenger to Tesla.

In this dire situation, though, a way forward has presented itself. Renault, after two years under the more pragmatic leadership of de Meo, needs investment from Nissan on an electric vehicle venture, and formal permission to transfer technology to a combustion engine joint venture with China's Geely.

the alliance, there is at least a possibility of the Franco-Japanese behemoth muddling along.

The problem, grumble Nissan executives, is that particularly on the matter of intellectual property, Ghosn behaved as if the groups were bonded by something much stronger than they really were. IP was liberally shared as a currency of goodwill within an alliance unable to mint much of that in other ways.

That's mysterious and mind-blowing, not quantum. Scientists should look into it. And avocados, too. **Fernando Gomollón-Bel** Cambridge, UK

The difficulty created by the Ghosn-IP regime, say people close to both Nissan and Renault, is that while the alliance will always demand a certain level of loyalty, success in the electric vehicle era will only happen if both partners acknowledge that they need an open relationship.

The electrification of cars (in particular the transformation of vehicles into mobile software platforms), the evolution of battery technology and the phasing-out of internal combustion models will require a great deal of rapid partnership formation, and IP sharing, with parties outside the alliance. Renault appears on track, for example, to deepen its relationship with Geely.

The false appeal of the Ghosn-glue imagery is that it depends on the idea of a magic binder – the missing ingredient between the success of the alliance and the mess it is now in. The reason a rebalancing of the stakes is so vital is that it will symbolically reset the wrong on which this relationship could be. If ever really needed glue, what the alliance most clearly needs now is greater flexibility.

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curious comparison for the observer effect, the fact that just looking alters physical systems, including quantum.

So, are bananas curved and yellow, even if we don't look at them? Quantum could probably provide a pompous and pretentious answer. But it's way simpler – bananas are always curved and yellow, unless we look at them.

Then they become mushy and brown, barely suitable for banana bread.

That's mysterious and mind-blowing, not quantum. Scientists should look into it. And avocados, too. **Fernando Gomollón-Bel** Cambridge, UK

### Pension fund chickens come home to roost

Following my remarks about pension funds acting as "shadow banks" reported in the FT on October 7 ("Pension scheme USS was warned on debt strategy", Report, October 7), and despite the somewhat caustic responses it produced from some online "commentators", I'm glad to see that the Financial Reporting Council and the Financial Stability Board are taking up the issue of resilience of the non-bank sector ("Pensions crisis sheds light on finance sector risk, says bank", Report, October 13).

I was always astonished by the way that the FSB, in its earlier reports on shadow banking (2015), had explicitly ruled out as an object of concern pension funds, preferring to concentrate on Chinese wealth funds.

When banks – following Basel III – had started to pull back from "infrastructure" investing because the provisioning costs were too high, governments, including that of the UK, sought other sources and pointed to pension funds.

Much of the discussion about the reworking of Solvency II, or the UK

government's own successor to it, has been directed to getting pension funds to be able to invest in this way.

Back in the mid-2010s, I had pointed out how some Australian pension funds were taking up infrastructure and on occasions doing so via non-listed assets.

In that country, members of defined contribution schemes had their own individual accounts. They could switch funds. The question was how were accounts valued when investments were not marked to market. Whose model was being marked to, to whose advantage?

And more recently, we've seen questions about illiquidity with respect to property funds being raised by the IMF ("Retreat from bond funds with illiquid assets threatens stability, IMF warns", Report, October 5).

Now we see the role of pension funds in the mayhem around liability-driven investing.

No wonder I said chickens were coming home to roost. **Bernard H Casey** Social Economic Research, London, UK and Frankfurt, Germany

### LDI managers are like ill-prepared harriers

Liability-driven investment managers are like cross-country runners who have assumed it will always be sunny in their races.

Now it is raining and they have asked the organisers for a waterproof jacket ("LDI strategy is still sound, says one of its architects", Report, October 4).

Next they will want help over the muddy bits or ask for different shoes because the real value of departmental spending substantially. Indeed, rises in nominal spending will be needed, for this reason.

They should be told to get themselves immediately better and properly prepared or to stop running. **Charles Stanton** *Jurby East, Isle of Man*

Fed raises rates. Such a solution could easily overtax these organisations' own portfolios, never mind the moral hazard and domestic pressures.

Would these organisations not then simply become the de facto central bank to the global south? Would this not expand the forced structural adjustments the author decries?

Lucre correctly argues that "progressive-minded steps to help disadvantaged Americans are regressive for the world's disadvantaged". But this is sadly a side effect of the Fed's proper mandate and the dollar's hegemony.

Fed chair Jay Powell does deserve blame for not seeing inflation sooner, but his duty is to act as a steward of the domestic economy, not an international charity worker. **Evan Nebel** Arlington, VA, US

### A welcome but tardy move from Citigroup

Citigroup's decision to wind up its institutional banking operations in Russia, seven months after Moscow attacked Ukraine, is welcome, if tardy (Report, FT.com, October 14).

Citi's announcement comes as Russia's central bank is asking all banking institutions to submit lists of "essential staff" who will be exempt from Russia's ongoing military mobilisation. That includes foreign invested ones, like the Russian subsidiary of Austria's Raiffeisen Bank, Russia's largest foreign-owned bank. Similar directives have gone out to IT companies.

By participating in this mobilisation, these companies who choose to remain in Russia are complicit in Moscow's ongoing war of aggression, and its related atrocities. **Natalya Popovych** Co-founder, Business for Ukraine Coalition Copenhagen, Denmark

respond to an unusual argument from a defendant.

In comparison with doctors, Kelly should perhaps note the proverb quoted by the English polymath Francis Galton in his 1872 adventure's handbook *The Art of Travel*: "Though there is a great difference between a good physician and a bad one, there is very little difference between a good one and none at all." **Peter Slessinger** Reading, Berkshire, UK

### An inadequate boss is preferred to a shouty one

Viv Groskop's column was interesting ("Forget the 'toxic boss' – meet the toxic underlings", Opinion, October 10) but I must call out her claim that fictional middle manager David Brent was a "toxic" boss.

As far as I can tell he was actually well liked by the majority or his staff (excluding the troublesome "the Swindon lot"), he just wasn't a particularly good manager.

Given the choice I think most people would take Brent's inadequacies over Sir Philip Green's shouty tirades. **David Crooms** Corby, Northamptonshire, UK

### No healthcare IT system I know puts patients first

Having worked as a doctor in six countries across three continents, I can confirm that software systems variously prioritise the needs of doctors, nurses, evaluation, costings and efficiency as Riku Ruotsalainen writes ("NHS must prioritise nurses over doctors in IT reform", Letters, October 11).

I have yet to encounter a system with the experience of the individual patient at its core. **Dr John Doherty** Stratford-upon-Avon, Warwickshire, UK

## Opinion

# Restoring the nation's credibility will be hard for Hunt

BRITAIN

Martin Wolf



One down and one to go. Talking to policymakers attending the annual meetings of the IMF and World Bank made clear the blend of amusement, anxiety and anger with which many view the UK. Kwasi Kwarteng's "mini" Budget was the wrong policy (unfunded tax cuts) at the wrong time (a global crisis). Liz Truss more than shared his folly. She might survive as a figurehead. But she lacks the judgment required of a prime minister. She should go, too. Members of parliament, not party members, should then choose the new leader and prime minister. A general election should follow.

Confidence in the rationality and self-discipline of British policymaking has been damaged, just as trust in the

country's willingness to keep its word was damaged by the desire to break the agreement over Northern Ireland reached so triumphantly three years ago. To regain that confidence, a return to the status quo ante will be insufficient. Jeremy Hunt, the new chancellor, knows he cannot be sacked. He must now do whatever it takes.

One reason why a mere reversal will be insufficient is that interest rates have risen, which will raise costs of debt service. A part of this was due to developments in the world, above all, the need to tackle the upsurge in inflation. But there is also the impact of the UK-specific shock delivered on September 23 by Kwarteng's "mini" Budget. It would be optimistic to hope this will simply vanish from people's minds.

The safest strategy would be to present a credible forecast of declining ratios of debt to gross domestic product in the medium term – credible, that is, to the Office for Budget Responsibility. That forecast must be based neither on unspecified cuts in spending years hence nor on implausible accelerations in the rate of economic growth.

This time, the chancellor must eschew fantasies.

It would be a good idea to produce a less expensive energy package than Kwarteng's. But that package is a one-off, at least in principle. It is more important to reverse the permanent tax cuts in the "mini" Budget. Reversal of the cuts in the higher rate of income tax and corporation tax will be insufficient.

### In sum, another round of austerity is both impossible and undesirable

The Institute for Fiscal Studies suggests that the permanent fiscal hole, before these reversals, was about 2.5 per cent of GDP. About 1.75 per cent of GDP more tightening is needed (a little over £40bn a year). That is the least Hunt needs to do if he is to be sure of restoring credibility. He might find he needs to do more.

The big question is how to deliver such a tightening. The chancellor has

already suggested that taxes will have to rise and spending will have to be cut. It seems obvious that the greater part of this adjustment will have to be via taxes. It will be extremely difficult to get large spending cuts through parliament, especially since high inflation will reduce the real value of departmental spending substantially. Indeed, rises in nominal spending will be needed, for this reason.

It will surely be impossible to justify large cuts in benefits in real terms in the middle of the cost of living crisis. The big public services need to be maintained; indeed, the NHS is already under huge pressure. The government wishes to spend more on defence, rightly so, given the Ukraine war. A government that wants to sustain growth needs to raise public investment, not cut it. Interest costs are also sure to rise. Last but not least, slashing aid would be unconscionable, given how Covid and the war have hit the world's poorest.

In sum, another round of austerity is both impossible and undesirable. If the government is unwilling to reinstate all the tax cuts it has made, it needs

to find other taxes to take their place. Property taxation could play a part. So could a carbon tax. It is also untrue that higher taxation must kill the economy. What matters is how taxes are raised and what they are spent on.

The Bank of England must similarly show that it will not let the misbehaviour of the government force its hand on monetary policy. That is why it was made independent, after all. Inflation is too high. Policy must address this now. If, as it believes, the pension funds are now reasonably safe, it must stop supporting the gilts market. That should help concentrate minds in the Treasury.

The Brexit revolutionaries have increasingly seized control of the country. With Truss as prime minister, they must have thought they had gained a final victory. But they had over-reached instead. Markets have refused to finance their fantasies and opinion polls show that ordinary people have had enough. Maybe, the cold water of economic and political reality is at last breaking the UK's Brexit fever.

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# NHS can help cure the UK's economic malaise

Matthew Taylor

Regrettably, economic and political debate often portrays the NHS as a drain on public resources. With a budget of just over £150bn, health now consumes 40 per cent of day-to-day spending on public services, so perhaps this preoccupation with costs is not surprising.

But this is to look through the wrong end of the telescope. Far from health spending being seen as a drag on growth, it should be part of a balanced strategy for economic prosperity. Our new research demonstrates what an investable proposition the NHS is.

As the proportion of funding has risen – along with more evidence that the NHS faces a significant capacity gap – discussion about how the health service is funded has intensified. Experts and celebrities have joined siren calls to abandon the "bottomless pit".

But what if we were to look at the NHS in a different light? With a prime minister stating that her three priorities are "growth, growth and growth", investment in health and care could help lift Britain's economic malaise.

The NHS is the fifth biggest employer globally and by far the biggest in the UK. In most towns and cities, it is the single biggest employer and makes a vital contribution to the local economy through job creation, purchasing of local services and keeping people healthy for work.

My organisation has commissioned independent analysis to determine the impact of investment in healthcare on not just health outcomes but labour productivity and broader economic activity. The results should be taken as seriously

Investing in health reduces long-term sickness and is associated with an increase in the employment rate

in the Treasury and Downing Street as the health and social care department. The economic activity of a local area,

# Free trade has not made us free

BUSINESS

Rana Foroohar



A couple of weeks ago, I spent some time reporting in North Carolina, a red state that has been known to swing blue from time to time. I had a fascinating conversation

"end of history" or Thomas Friedman's "Golden Arches" theory are no longer relevant.

All this was expressed quite eloquently in a speech last week at the Brookings Institution in Washington DC, by Canada's deputy prime minister Chrystia Freeland.

Freeland called for an end to the Panglossian assumptions that free trade would necessarily make countries free, and a more clear-headed approach to global capitalism and diplomacy in the wake of Russia's war in Ukraine and China's support for Russia.



military exercise." Likewise, China restricted Norwegian exports of fish when the Nobel Prize was given to

going to magically dissolve political differences. We are heading towards a new, post-neoliberal paradigm in which val-

It should also be green: the transition to clean technology is the classic example of a "productive bubble", in which

with a manufacturing executive, who told me, "Sometimes we vote Democrat, and sometimes we vote Republican. But we always vote to trade."

As she rightly put it, "Workers in our democracies have long understood that global trade without values-based rules to govern it made our people poorer and our countries more vulnerable. They have long known that it enriched the plutocrats, but not the people."

human rights activist Liu Xiaobo. Canadian exports of pork and canola were banned when Canada honoured an extradition treaty with the US and detained the CFO of Huawei.

public support for a transformative technology that is then privatised by companies of all sizes (not just big entrenched monopolies) creates sustainable, shared growth.

and how productive it is, is heavily influenced by its inhabitants' health. Unmet health and care needs are among the key reasons for people of working age being out of the labour market.

A one per cent decrease in the proportion of workers off due to long-term sickness is associated with an additional 180,000 workers joining the workforce.

### The European Political Community is built for challenging times

Petr Fiala

On October 6, Prague Castle hosted an unprecedented gathering of states to launch the European Political Community. The point of the new forum is simple: to bring together all the nations of Europe, inside and outside the EU, in order to coordinate our response to critical threats and to accelerate the path to prosperity.

dialogues between nations — regardless of their membership in different, sometimes overlapping, clubs. The format chosen was thus as broad as possible: one political leader from each country was invited, together with the presidents of the European Commission and European Council.

debates on other pressing challenges to our prosperity and wellbeing, particularly the soaring energy prices that are blighting the lives of European citizens, as well as affecting businesses and public institutions.

together, but who usually do not have much chance to talk. Moreover, there were several important meetings that promise to defuse or even unlock negotiations, notably the one attended by the leaders of Turkey, Armenia and Azerbaijan.

and Liz Truss, the UK prime minister. Dozens of bilateral or trilateral meetings took place during the summit, or on its margins.

Investing in health reduces A&E use and long-term sickness, and both are associated with an increase in the employment rate. When it comes to quantifying the return on investment, our analysis reveals that every pound invested in the NHS results in around £4 back to the economy through increased productivity and workforce participation.

The current system of globalisation isn't going to magically dissolve political differences

Co-ordinating the interests of countries both inside and outside the EU is essential

greater clarity than before. It was particularly pleasing to see discussions on energy interconnectors in the North Sea and the Balkans and beefing up production capacity with countries such as Norway and Azerbaijan.

Denys Shmyhal, the prime minister of Ukraine, held numerous meetings related to economic and security assistance, including further shipments of arms to his country.

The writer is prime minister of the Czech Republic, which currently holds the Presidency of the Council of the European Union

The writer is the chief executive of the NHS Confederation



Rutherford Hall Is it time to start sucking up to Labour? WORK & CAREERS

### The world needs more 'desk-bombers'



Pilita Clark Business Life

From time to time, office life breeds a catchphrase that sounds deeply strange and yet makes sense as soon as someone says it. I came across one the other day: "desk-bombing".



But it is part of a pattern that seems to be on the march: an outbreak of overweening shyness, or intolerance of interruption, that is at best self-destructive and at worst unproductive and annoying.

If you think anyone fearing a desk-bomb is likely to be under 30 years old, you may be wrong. As a twenty-something colleague told me the other day, he once sat next to a forty-something person who used to send him emails about work tasks.

answer a phone, they have no idea what's going to happen, they're frozen," she told me last week, by phone.

## lex

### Methane tax: revenues from ruminants

**Agricultural methane emissions**  
Global Billion metric tons of CO<sub>2</sub> equivalent

Year	Global Emissions (Billion metric tons of CO <sub>2</sub> equivalent)
1990	3.16
2019	3.49

**Top five emitters\***  
Million metric tons of CO<sub>2</sub> equivalent, 2019

Country	2019 Emissions (Million metric tons of CO <sub>2</sub> equivalent)
India	~300
Brazil	~250
China	~200
US	~150
Pakistan	~100

Source: World Bank  
\*Representing 43% of agricultural methane emissions

Raising revenues from cows gives new meaning to the word "moolah". New Zealand's prime minister Jacinda Ardern has proposed just such a tax on the methane released by ruminants.

Predictably, the plan is unpopular with beef and sheep farmers already facing higher input costs. Demand for these two meats is relatively sensitive to price.

Climate scientists really hate methane, a greenhouse gas with some 80 times the warming effect of carbon dioxide. More than half of global methane emissions derive from fossil fuels and waste. America's new Inflation Reduction Act includes a methane tax to limit those from the former.

But roughly 40 per cent of methane emissions come from agriculture, mostly from ruminant burps and their manure. Emissions have increased steadily, by a tenth. In the last 20 years to 3.5bn tonnes of CO<sub>2</sub>e.

Debate has raged over what to do about this sector for years. Indeed, New Zealand's farmers have faced the threat of such a tax before, 20 years ago. Farmer protests helped defeat it then.

having more than five times as many sheep as people, New Zealand is a titler among methane emitters. The biggest five, including Brazil, India and China, represent 43 per cent of agricultural methane emissions.

As the first country to introduce an agricultural methane levy, New Zealand will set the standard. It will depend on factors including number of animals, the size of the farm and efforts of owners to mitigate emissions, such as by varying the type of feed.

If the levy is implemented, Ardern has promised to recycle proceeds by helping laggard local meat farmers cut their methane. Even so, one would assume that farmers would try to pass added costs on to consumers, hitting demand.

A 2019 US study on price sensitivity (elasticity) covering 70 years revealed that increasing beef prices would have three times the impact on demand as it would on much more commodified farm produce such as eggs. More recent studies confirm this.

New Zealand's efforts to tax methane merit attention. Getting it past farmers should be a high priority.

work become so obsessive that an entire buzzword had been invented to describe it?  
If this were a random, isolated instance of inanity, I would ignore it.

someone an unscheduled question at work become so offensive? ♡♡

phone skills for grantees, says Mary Jane Capps, founder of a Canadian phone use consultancy called The Phone Lady.  
"For somebody who's never had to

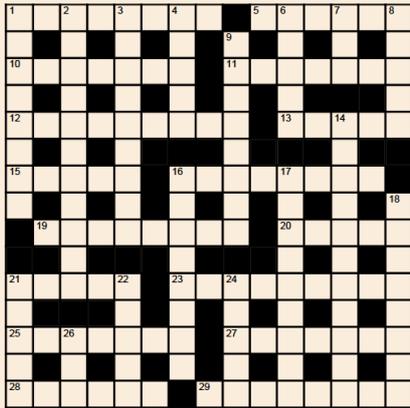
I recommend a similar approach for anyone who is ever gulled into thinking there is such a thing as desk-bombing.  
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new Zealand's agricultural methane emissions, about 27m tonnes in 2019, have not changed much since then, according to World Bank data. Despite

there will be more, in countries with large agricultural emissions, such as India and Brazil, the political prospects for that though stink.

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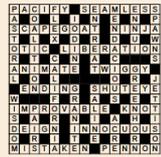
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- ACROSS**
- 1 Does this primarily after Boris' disgraces? (8)
  - 5 Surfacing sailor by west-flowing river (6)
  - 10 Tennis star fraudsters picked up by the ears (7)
  - 11 Sick English convict repelled criminal (7)
  - 12 Given a fresh line-up, team steal draw (9)
  - 13 Famous swinger in court with detective sergeant (5)
  - 15 Earl associated with low-calorie cream (5)
  - 16 Drunk pirates hugging male monkeys? (8)
  - 19 Whatever is a New York happening? (8)
  - 20 Suit and lie? (5)
  - 21 Greek character guided back by volunteers (5)
  - 23 One who tells tales in court near Barking (9)
  - 25 Tumbler Rod briefly stored in a Conservatory club (7)
  - 27 Might one say Bright Eyes or Tapestry? (7)
  - 28 Sausages, but no starter in French place (6)
  - 29 Large men breaking barrier in city abroad (8)
- DOWN**
- 1 Upset about price news chief solicited (8)
  - 2 Breathtaking lass going out with Etonian (11)
  - 3 On radio, a pitch intended to make amends (9)
  - 4 Tree native to Germany's Saxony-Anhalt (5)
  - 6 Let everybody old put on top in winter (5)
  - 7 Publication mostly eager to be turned around (5)
  - 8 Names of contacts (5)
  - 9 What joiners are doing is absolutely fascinating (8)
  - 14 Extremely happy oven more hot after repairs (4,3,4)
  - 16 Sex in home for monks is first concern (8)
  - 17 Commercial watchdog, one giving warning (9)
  - 18 Native American singer gets fine on couple of Es (8)
  - 21 Lawyer describing hit causes a hoo-ha (5)
  - 22 Bend on a road caught out woman (5)
  - 24 Fawn seen in cold and bitter lake (5)
  - 26 Artist getting good or poor quality paper (5)

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