

# FINANCIAL TIMES

MONDAY 15 AUGUST 2022

INTERNATIONAL NEWSPAPER OF THE YEAR

ASIA

## Michelle O'Neill

'I won't allow the unravelling of the Good Friday agreement' — PAGE 13

## Cruelty free

Can human mini organs eliminate animal testing? — BIG READ, PAGE 15



## Essential reading

15 titles vie for the top prize BUSINESS BOOK OF THE YEAR, PAGE 12

# US lawmakers call for Trump security threat assessment

- FBI search deepens partisan divide
- Ex-president declined to return papers

JAMES POLITI — WASHINGTON

US lawmakers yesterday demanded an assessment of the potential threat to national security posed by Donald Trump's hoarding of classified documents, as tensions in Washington mounted over the FBI's unprecedented search at the home of the former president.

Friday's release of the FBI search warrant used on August 8 has exacerbated the sharp partisan divides between Democrats and Republicans.

The warrant revealed that Trump was being investigated for serious violations of the law related to national defence, the mishandling of government material and obstruction of justice.

Democrats responded by focusing on the legal gravity of his behaviour but Republicans have been sceptical and critical of the search.

Adam Schiff, the top Democrat on the House Intelligence committee, has asked the director of national intelligence to review the harm to American interests — formally known as a damage assessment. He said the "most disturbing" aspect of the situation was "the degree to which... it appears to be wilful, on the president's part — the keeping of these documents after the government was requesting them back".

Many Republicans rushed to Trump's side, attacking the Department of Justice, the FBI and US attorney-general Merrick Garland, and asking federal authorities to release the affidavit in support of the search warrant. Affidavits typically remain under wraps throughout a federal investigation and contain the rationale for asking a federal judge to approve a search.

"All Garland has to do is comply with the laws, provide this information to us, let us look," Mike Turner, the top Republican on the House intelligence committee, said on CNN. "We need to determine, is this a national security threat? And... was there abuse of discretion by attorney-general Garland?"

Mike Rounds, a Republican senator from South Dakota, told NBC it was "very important" that the justice department should "show that this was not just a fishing expedition".

Trump has maintained that the search was a politically motivated stunt, claiming to have declassified all the material before leaving office, though there is no record of such a step. According to the inventory of 45 items recovered by the FBI at Trump's Mar-a-Lago estate in Florida, 11 were described by the authorities as being top secret, secret, classified or confidential.

Yesterday the former president said the boxes retrieved by the FBI contained items protected by attorney-client privilege. "I respectfully request that these documents be immediately returned," he wrote on his Truth Social account.

The White House sought to distance itself from the search of Trump's property. "We do not interfere. We do not get briefed. We do not get involved," it said.

Trump in legal crosshairs page 4  
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Open Cass page 17

## Rock bottom German supply chains threatened by Rhine's ultra-low levels



Water levels on the Rhine dropped further yesterday as dry conditions persisted, disrupting shipping. The river is a crucial trade artery. Germany urged to cut gas use. page 2

### Briefing

► **EU urges halt to talk of Balkans war**  
The EU has demanded that neighbours Serbia and Kosovo end talk of war as the bloc and Nato prepare to hold crisis talks between the rivals this week in a push to avert fresh conflict in the Balkans. — PAGE 2

► **Saudi Aramco breaks profits record**  
The state oil major has beaten its quarterly profit record set in May, as high energy prices driven by the war in Ukraine deliver windfalls. However, it also warned that spare capacity was limited. — PAGE 6

► **US delegation travels to Taiwan**  
A group of US lawmakers seeking to 'reaffirm the United States' support for Taiwan' has arrived on the island less than two weeks after Nancy Pelosi's visit there inflamed tensions with China. — PAGE 4

► **Zalando says it can avoid big job losses**  
Europe's largest online fashion retailer is betting that the sharp fall in internet shopping is a only a blip and that it can avoid the job cuts currently being carried out by rivals. — PAGE 9



► **Italian asset manager lays out water plan**  
Asset manager Ambiente is planning to create a European champion to cut water waste. 'Seventy-one per cent of the planet is made up of water but only a small fraction is renewable,' it said. — PAGE 8

► **Saudi Arabia to boost Pakistan's coffers**  
The world's top oil exporter is set to renew a \$5bn deposit at Pakistan's central bank to prop up its depleted foreign reserves as Islamabad negotiates a financial aid package with the IMF. — PAGE 4

► **Former Deutsche Bank chief Jain dies**  
Anshu Jain, who helped transform Deutsche Bank from a largely domestic lender into a global financial titan, has died in the UK at the age of 59 after suffering from stomach cancer. — PAGE 6

### Datawatch



### SocGen hopes new chief will herald better times

SocGen succession — PAGE 8

# Volatility investor warns of false dawn for US equities market after recovery

BROOKE MASTERS — NEW YORK

Investors heartened by this summer's recovery in US equity markets should not relax their guard because companies' efforts to refinance their debts are set to spark another downturn later this year, one of the world's leading volatility specialists has predicted.

Paul Britton, founder of Capstone Investment Advisors, said that investors had not yet reckoned with the effects of higher interest rates on overly indebted companies.

The sharp falls in equity prices in the first half of the year reflected investors' concern over future earnings owing to inflation, he said, but the markets will be spooked again when companies struggle to refinance their debt at affordable rates, probably in

the fourth quarter or in early 2023.

"We are getting close to the end of phase 1, a repricing of growth. Phase 2 is more interesting to me. It is more of a credit cycle," Britton said.

"The headlines in Q4 [2022] and Q1 [2023] are going to be of people having trouble refinancing, and nervous investors will start selling."

While many companies took advantage of extremely low interest rates in 2020 and 2021 to refinance their debt for very long periods, signs of strain are starting to appear in debt markets.

Bankers last month postponed a debt financing for the \$16.5bn takeover of software company Citrix by Vista Equity Partners and Elliott Management after struggling to find willing lenders. When companies have pushed ahead, they have often had to accept more onerous terms than in the previ-

ous 18 months. Banks that initially committed to funding such deals, including Bank of America and Goldman Sachs, have been left nursing losses.

Capstone, which had \$9.1bn in assets under management as of July 1, profits from choppy markets. The investment group's global fund was up 0.8 per cent for the first half and its dispersion fund was 14 per cent higher, according to a person who has seen the results.

Financial markets swung wildly in first half of this year as investors fretted over recession and tighter monetary policy. But the equity market has more recently found its footing and gauges of volatility such as the Cboe's Vix index have calmed. Last week the Vix closed below its long-running average of 20 for the first time since April.

Additional reporting by Laurence Fletcher and Eric Platt

Country	AS7000inc GST
Australia	AS7000inc GST
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Hong Kong	HK\$33
India	₹220
Indonesia	Rp45000
Japan	¥4500inc. ACT
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STOCK MARKETS				CURRENCIES				INTEREST RATES					
	Aug 12	Prev	%chg		Aug 12	Aug 5		Aug 12	Aug 5		chg		
S&P 500	4242.58	4207.27	0.84	\$/€	1.025	1.017	€/\$	0.825	0.829	US 2 yr	3.24	3.17	0.07
Nasdaq Composite	12921.14	12775.91	1.11	\$/¥	1.212	1.206	¥/\$	1.183	1.186	US 10 yr	2.88	2.84	0.02
Dow Jones Ind	33541.91	33338.87	0.62	£/¥	0.845	0.843	¥/£	136.975	137.585	US 30 yr	3.13	3.12	0.01
FTSE100	1730.57	1728.46	0.12	¥/\$	133.705	135.345	\$/¥	79.619	79.526	UK 2 yr	2.15	2.13	0.02
Euro Stoxx 50	3778.58	3757.05	0.57	\$/€	162.018	163.220	€/€	1.144	1.162	UK 10 yr	2.11	2.06	0.05
FTSE 100	7500.88	7485.91	0.47	SF/€	0.987	0.979	€/SF	2.54	2.45	JPY 2 yr	-0.09	-0.10	0.09
FTSE All-Share	4149.90	4131.26	0.45	€/£	0.976	0.984	£/€	0.18	0.19	JPY 10 yr	0.18	0.19	0.00
CAC 40	6953.66	6941.67	0.14										
Xetra Dax	13795.85	13684.51	0.74										

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Nikkei	26448.98	27/819.33	2.62
Hang Seng	20179.62	20367.43	0.46
MSCI World \$	2802.23	2803.37	-0.04
MSCI EM \$	1014.28	997.20	1.71
MSCI ACWI \$	650.71	649.75	0.15
FT Wilshire 2500	5491.98	5495.73	-0.07
FT Wilshire 5000	42997.59	42924.85	-0.06

COMMODITIES			
	Aug 12	Aug 5	%Week
Oil WTI \$	87.57	89.74	3.15
Oil Brent \$	98.16	95.48	2.81
Gold \$	1798.70	1783.20	0.76

JPN 30 yr	1.10	1.10	-0.01
GER 2 yr	0.60	0.45	0.15
GER 10 yr	0.98	0.97	0.01
GER 30 yr	1.23	1.22	0.01

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INTERNATIONAL

Border confrontation

# Brussels condemns talk of war in Balkans

Kosovo and Serbia urged to end fiery rhetoric ahead of meetings in Brussels

HENRY FOY — BRUSSELS

The EU has demanded that Serbia and Kosovo abandon talk of war as the bloc and Nato prepare to hold crisis negotiations with the rivals this week in a bid to avert fresh conflict in the Balkans.

Tension between the neighbouring states, which often threatens the stability of the Balkans, spilled over into violent protests and border disturbances last month. Kosovo prime minister Albin Kurti has accused Russia president Vladimir Putin of pushing Moscow's allies in Serbia towards an attack.

Belgrade has denied stoking tensions. But Serbian president Aleksandar Vučić said this month the unrest was "a step away from catastrophe".

The EU's diplomatic arm said yesterday the recent increase in inflammatory rhetoric between officials of Kosovo and Serbia, "in particular the statements about war and conflict in the western Balkans are of great concern".

Kurti and Vučić will attend the talks in Brussels this week. The rising concern among EU and Nato states over the potential for conflict in the region comes as Europe scrambles to contain the security fallout from almost six months of war in Ukraine following Putin's invasion.

"It is a tinderbox," said one senior EU official. "We are watching Ukraine, of

course, but are extremely concerned about the Balkans also."

Kurti last week used a series of media interviews to warn of a potential attack from Serbia, claiming Putin was encouraging Belgrade and wanted to "expand

"The statements about war and conflict in the western Balkans are of great concern"

war" beyond Ukraine. Serbia has refused to acknowledge Kosovo's sovereignty since its former province declared independence in 2008. That came nine years after the Kosovo war, which ended after Nato bombed Serbia

in response to Belgrade's targeted killing of Kosovan Albanians.

More than 90 per cent of Kosovo's population is ethnic Albanian, but the country is home to a small group of ethnic Serbs. Belgrade accuses Pristina of discriminating against the Serbian minority.

On July 31, Serbian protesters blocked border crossings and fired shots at police officers in response to new rules ordering all citizens of Kosovo — including ethnic Serbs — to possess identification documents and car registration plates issued by Pristina.

Under pressure from Brussels, the mandate was delayed by 30 days.

An EU official said senior politicians from both countries "will be held responsible for any escalation that leads

to any increased tensions and potentially violence in the region".

Vučić and Kurti will meet Nato secretary-general Jens Stoltenberg on Wednesday before holding talks with the EU's chief diplomat Josep Borrell the following day. The two countries are formally committed to an EU-facilitated dialogue, while Nato still has about 3,700 troops stationed in Kosovo.

Within hours of the first reports of border disturbances last month, Nato issued a statement saying it was "monitoring closely" and was "prepared to intervene if stability is jeopardised".

Nato's Kosovo deployment "will take whatever measures are necessary to keep a safe and secure environment in Kosovo at all times, in line with its UN mandate," the statement said.

Energy crisis

# Germany must cut gas use by 20% to avoid winter rationing

GUY CHAZAN — BERLIN

Germany must cut its gas use by a fifth to avoid a crippling shortage this winter, its top network regulator said, as businesses and households brace themselves for Europe's biggest energy crisis in a generation.

Klaus Müller, head of the federal network agency (BNA), will be in charge of rationing gas supplies if Europe's largest economy suffers a winter energy crunch. "If we fail to reach our target of 20 per cent gas savings," then there is a serious risk that we will not have enough gas," he told the Financial Times.

Müller said Germany would also need about 10GW of extra gas supply from other sources to make up for the missing volumes from Russia — largely liquefied natural gas from countries such as the US. That represents about 9 per cent of its current gas consumption.

He said Germany would also have to rely on imports of gas from other European countries.

Müller warned, too, that the longer-term cost of ending Germany's dependence on Russia would be a "very high gas price" that could have big consequences for business. "Some production could move away from Germany because gas has become too expensive," he said. "And that's a difficult thing to happen."

Germany has feared a looming fuel crisis since Russia's gas giant Gazprom throttled supplies through the Nord Stream 1 pipeline in mid-June, citing technical problems. The main conduit for delivery of Russian gas to Europe is operating at just 20 per cent capacity.

The decline in deliveries has pushed up gas prices with the European benchmark rising from about €66 per megawatt hour at the start of the year to €206 on Friday.

Germany has accused Russia of "weaponising" its energy exports as part of a backlash against sanctions imposed over President Vladimir Putin's war in Ukraine.

Over the weekend, Germany's economy ministry ordered all companies and local authorities to reduce the minimum room temperature in their workspaces to 19C over the winter.

Berlin has already reached the second stage of a three-part national gas emergency plan. If it reaches the final stage, which would entail the rationing of gas to industrial customers, the BNA would have to decide on the companies that could no longer be fully supplied. Müller said the BNA was doing "a lot of detective work" to establish which groups should be prioritised in any rationing.

Key to Germany's preparedness this winter is the amount of gas it is able to put into storage. Tank operators are required by law to bring levels up to 75 per cent by September 1, 85 per cent by October 1 and 95 per cent by November 1. On Saturday, Germany reached the 75 per cent goal two weeks ahead of schedule as gas saving measures and high prices led to reduced use.

But Müller said the next two milestones were "much more ambitious".

He warned that, even if all tanks were filled, they would only have enough gas for about two and a half months — less if the winter is unusually cold — if Russia halts supplies altogether.

Europe's winter battle page 3

Conflict. Displaced individuals

# Ukraine 'refugee fatigue' saps Polish volunteers

Unprecedented level of support across border at start of war is starting to wane

RAPHAEL MINDER AND BARBARA ERLING WARSAW

Poland was hailed as a role model when millions of refugees flooded across its border in the wake of Russia's invasion of Ukraine. Almost overnight, its citizens formed a grassroots volunteer army to help the displaced, donated money and welcomed Ukrainians into their homes.

But while the need remains acute, despite a slowdown in arrivals since the February 24 invasion, the flow of assistance is drying up, with aid activists saying "refugee fatigue" has taken hold.

"It is becoming very hard to reach new people with the message that they should come to help Ukrainians," said Jakub Tasiemski, lead co-ordinator at the Heart for Animals Foundation based in the capital, Warsaw, which provides food and equipment for refugees' pets. "We now have a shortage of volunteers."

In the city of Lublin, a lack of new funding has forced another foundation, Skakanka, to close a warehouse where it stored food and clothes for the refugees. "Ukrainians are still calling and asking for help, but we are helpless because we do not have any money to replenish supplies," said foundation president Tamara Rutkowska.

In the immediate weeks after Russia's invasion of Ukraine, 51 per cent of Polish adults purchased items for refugees, according to a survey published in July by the Polish Economic Institute, a state-funded think-tank.

But within two months, the proportion doing so dropped to 39 per cent, while those making cash donations fell from 46 per cent to 35 per cent.

Nonetheless, Poles donated almost 10bn zlotys (\$2.2bn) to help Ukrainians between the end of February and the end of June, surpassing charitable contributions for the whole of 2021, the survey found. It attributed the more recent decline to factors such as "moral exhaustion" and the feeling that as refugees settled in, they needed less help.

The decline in support comes as Polish households are themselves running into economic headwinds. The



Rendezvous: volunteers await instructions to help serve food and distribute goods to Ukrainians at Warsaw Central railway station this month. MARCEL JANOWSKI FOR FT

country has one of Europe's highest inflation rates — 16 per cent — caused in part by the Ukraine war.

Activists also say interest is dwindling because many Ukrainians have recently returned to the safer western half of their country, altering the way in which Poles perceive the situation across the border.

"Everybody knows there are now fewer refugees, but people should also know that those arriving are often more in need of help than before, because they come from eastern cities that have been destroyed and occupied by the Russians," said Irina Mishyna, a Ukrainian volunteer who escaped to Warsaw with her five-year-old child.

The Polish authorities have also ended some subsidies for refugees. Ukrainians can no longer travel for free on public transport in Warsaw, while last month the government removed a subsidy for Poles hosting Ukrainians that was worth 40 zlotys a day for each person helped.

Government officials have stressed the housing subsidy scheme was never

meant to extend beyond an emergency response.

Tasiemski said the regional government had also stopped financing Heart for Animals. "If you ask me again in a week if we have enough cat and dog food, probably we will have run out."

The mass influx of Ukrainians into Warsaw since February has also sent rents soaring. Online property search engine Otodom reported that average rental prices for flats in the capital were about 24-32 per cent higher in June than in the same month last year.

Some landlords have started to veto Ukrainian tenants, worried about them leaving without notice, according to local real estate agents. In some cases "the apartments are dilapidated and tenants are nowhere to be found," said Milena Piotrowska, a Warsaw-based real estate agent.

Others resent what they see as the preferential treatment given to Ukrainians. At a soup kitchen in Warsaw for the homeless, Kamil Wasilowski, 38, said: "The Ukrainians can come here whenever they want, while we cannot go to

their special dining areas. They get apartments while we sleep on the streets, so of course this is unfair."

Konstantin Kisieliov, a 46-year-old Ukrainian, has found part-time work as a courier in Warsaw and lives with his wife and three children in a flat provided for free by Poles. But he senses a change in attitude among his hosts as the situation drags on. "They haven't told us yet to move out, but we are afraid that might be the case," he said.

Refugee fatigue was "absolutely normal because people are getting very tired after helping for many months", said Maciej Duszczyk, a migration expert and professor at the University of Warsaw. But despite the drop-off in support, Duszczyk said Poland's embrace of refugees had been unprecedented. He estimated that in the two weeks after Russia's invasion, 600,000 Polish households hosted Ukrainians even before subsidies were offered.

"I have looked at dozens of refugee crises around the world, and I honestly think the Polish response should go down in the history books," he said.



'People should know that those arriving are often more in need of help than before' Irina Mishyna, Ukrainian volunteer

Invasion fallout

# Europe conflict leaves students from India in academic limbo

JOHN REED — NEW DELHI

Shishupal Rozen's dream of becoming a doctor was shattered on February 24 when Russia invaded Ukraine.

The fourth-year medical student was training at Kharkiv's largest university when Russia unleashed some of the war's worst bombardment on Ukraine's second city.

Rozen took shelter from the barrage

so, he is trying to secure a spot at a medical college in India, but in vain.

Rozen is just one of thousands of Indian students whose education has been suspended and who are demanding the Indian government and medical authorities help them.

Since fleeing Ukraine, students have staged protests, including a recent hunger strike in New Delhi. They have petitioned Prime Minister Narendra Modi

and when we woke up we saw a black cloud over it."

The Indian embassy told students to leave, he said, and he took a bus towards Romania. Back in India, Raj returned to his family home in Gurgaon near Delhi, where he follows online classes from Ukraine. His father, RV Gupta, a medical engineer, belongs to an association of parents of evacuated students, which has petitioned the government and

would accommodate all the students in India," Gupta said. "But they didn't."

A senior Indian official said the matter was being dealt with by respective state governments. "As far as the central government is concerned, extant rules on medical studies, admissions, qualifications, eligibility criteria, etc, have to be followed and adhered to."

Authorities have pointed out that admission requirements and medical

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ROZEN HADNEN SIBERIAN LUMPHU BARRAGE in the Studentska metro station, which reminded him of photos he had seen of London during the second world war.

Under Operation Ganga (Ganges), New Delhi organised the mass evacuation of Indian students, who numbered between 15,000 and 20,000 before the war, into Romania, Hungary and Poland.

BEFORE THE INDIAN GOVERNMENT AND other officials to support and have asked authorities to accommodate them at domestic medical colleges so they can complete their degrees.

has petitioned the government and courts for redress for their children and staged several protests.



Emotional reunion: students return to New Delhi from Ukraine in March

practitioner standards were always tough for foreign-trained doctors, whether from Ukraine or elsewhere. Thousands of Indian students studying in China have also returned home since 2020 because of Beijing's zero-Covid policies.

INTERNATIONAL

Europe battles to keep people warm in winter energy crisis

Hunt on for ways to protect consumers yet encourage them to use less power

FT REPORTERS

Soaring energy prices could mean an even colder and darker winter across Europe, with governments racing to find new ways to protect households facing huge utility bills.

Wholesale gas prices are hovering around €200 per megawatt hour, eight times higher than the average level of recent years, wholesale electricity prices have risen sharply in response to generation difficulties in many countries and the gloom is mounting.

In the UK, where household bills are expected to rise to £4,400 a year in early 2023, around four times the level of the period between 2018 and 2021, the consumer rights campaigner Martin Lewis has described the situation as "a national crisis on the scale that we saw in the pandemic".

The UK is hard hit because it relies heavily on gas for both home heating and electricity generation and because it, unlike many European countries, allows wholesale prices to flow straight to consumers — albeit with a delay.

While Rishi Sunak and Liz Truss battle publicly in over energy prices in the race to succeed Boris Johnson as the UK's next prime minister, governments of all stripes are facing the same challenges across the continent.

German chancellor Olaf Scholz said last week that his government would "do everything to ensure that the citizens get through this difficult time" of high inflation.

European countries differ in their

As the costs mount, countries are increasingly targeting support at poorer households

spending on gas, electricity, coal and road fuels but almost all have used the power of the state to protect consumers from part of the increase in bills.

The IMF estimated in July that the median high-income European country had already spent an additional 1 per cent of annual national income on energy price support — a figure it says is almost certainly an underestimate — and that is likely to rise.

Most worrying was that much of the money spent so far has gone on stopping energy companies passing on higher prices to customers, a tactic that the fund said did not "incentivise energy savings".

In France, the government will spend around €22bn to shield its citizens from surging energy costs this year, with a freeze on gas prices for consumers as well as its 4 per cent cap on electricity price increases — both of which were introduced in February this year.

Norway's government pays 90 per cent of households' electricity bills when wholesale prices exceed prescribed thresholds and, even with its big hydropower capacity, has faced growing political and public pressure over its inability to curb high prices.

Germany has agreed a €15bn bailout of Uniper, a large gas purchaser, although the higher costs of gas will

canisters, a common way of heating Spanish homes, has been fixed by the government in Madrid until next year.

While these measures have been popular with the public, economists and governments have recognised that they also need to offer support that encourages households and businesses to use less energy.

High industrial power prices in the Netherlands led to a 30 per cent reduction in use in the first five months of this year compared with 2021. Looking at these results, one government official in The Hague said: "The energy market works".

Lump sum payments have proliferated in other parts of Europe. All households in the UK will receive a subsidy of £400 towards energy bills this winter. In central and eastern Europe, consumers spend more on fossil fuels as a proportion of their household budgets because the goods are necessities and incomes are lower.

This has led to significantly higher support being offered, mostly in the form of measures that have protected consumers from higher prices. For the first time since the end of communism, each household in Poland can apply for a one-time subsidy of up to 3,000 zlotys (\$660) to purchase coal that still heats many of the country's households.

Germany has offered lump sum reductions in income tax and raised allowances, while Italy has put in place a €200 "cost of living bonus" for the majority of salaried staff, self-employed workers and pensioners.

As the costs mount, countries are increasingly targeting support at poorer households, a policy that the IMF thinks is a better way to cut overall energy use.

Italy's poorest — defined as those earning less than €12,000 a year — have had their household energy bills frozen under the outgoing government of Mario Draghi, who sought to walk a tightrope between providing relief to families and keeping to its declared public deficit target of 5.6 per cent of GDP.

Lower income consumers in the Netherlands will receive an energy allowance of around €1,300, while in the UK, households receiving means-tested support from the government will receive £650.

In Spain, the government has been less generous to poorer working-age households with one-off payments of just €200 to people earning less than €14,000 a year. More generous support has gone to those receiving the lowest state pensions, where payments have been increased by 15 per cent, equivalent to about €60 more a month.

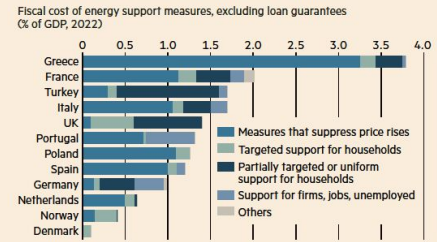
Some governments have also taken to innovation and distraction in an attempt to keep households happy amid the energy crisis. The most visible policy, billed as a means to reduce road use, was Germany's €9 a month public transport pass for June, July and August. The policy has had a huge uptake, with politicians under pressure to extend the scheme, probably with less government subsidy, in some form into the future.

For Oya Celasun, assistant director of the IMF's European department, governments should focus their efforts on helping lower-income households that suffer the most from higher energy bills. "Policy should shift from broad-based support to targeted relief," she said.

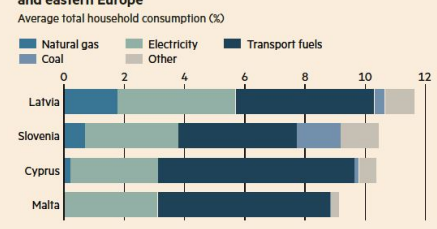


Dark times: stores in Barcelona turn out lights to save energy — Angel Garcia/Bloomberg

European states are spending vastly different sums to reduce the cost of energy



Rising costs are more painful for households in central and eastern Europe



Advertisement for the London Golf Club Family Membership. The ad features a large image of a golf course and text that reads: 'LONDON GOLF CLUB FAMILY MEMBERSHIP. MEMBERSHIP OPTIONS DESIGNED TO COMPLEMENT YOUR NEEDS.'



eventually be passed on to customers. Most European countries have lowered taxes on petrol and diesel, ranging from a 5p cut per litre in the UK to a temporary lowering of 29.55 cents per litre in France and Germany. The price of gas

Reporting by Chris Giles in London, Guy Chazan in Berlin, Akila Quinio in Paris, Amy Kazmin in Rome, Alice Hancock in Brussels, Richard Milne in Oslo, Peter Wise in Lisbon and Raphael Minder in Warsaw



Gas rescue: German supplier Uniper was subject to a bailout — Andreas Gebert/Reuters

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INTERNATIONAL

Delegation

US lawmakers visit Taiwan just days after Pelosi trip

Congress team reaffirms support for island despite China's intimidation

JAMES POLITI — WASHINGTON KATHRIN HILLE — TAIPEI

A delegation of US lawmakers has travelled to Taiwan less than two weeks after Nancy Pelosi, Speaker of the House of Representatives, visited the island in a move that inflamed tensions with China. Democratic senator Ed Markey led

the group, which arrived yesterday. A representative for Markey, a member of the foreign relations committee in the upper chamber of Congress, confirmed that the lawmakers sought to "reaffirm the United States' support for Taiwan" and to "encourage stability and peace across the Taiwan Strait." "The group will meet elected leaders and members of the private sector to discuss shared interests including reducing tensions in the Taiwan Strait and expanding economic cooperation, including investments in semiconductors," the official said.

The visit comes as China continues a military intimidation campaign towards Taiwan which it kicked off following Pelosi's visit. Beijing said on August 10 that military exercises around Taiwan, launched to "punish" the country for hosting Pelosi, had been completed. However, the People's Liberation Army is still sending fighter jets and warships close to Taiwan in what Taipei and Washington have denounced as an attempt to change the status quo in the flashpoint. Taiwan's government welcomed the US lawmakers' visit and said the

delegation would meet President Tsai Ing-wen, foreign minister Joseph Wu and members of the foreign affairs and defence committee of the Taiwanese legislature. Democratic House lawmakers Don Beyer, John Garamendi and Alan Lowenthal travelled with Markey, as did Aumua Amata Coleman Radewagen, the Republican delegate to the House from American Samoa. "That the US Congress is again organising a heavyweight delegation to visit Taiwan as China continues to escalate regional tensions demonstrates friend-

ship without fear of China's threats and intimidation, and highlights the US's strong support for Taiwan," the Taiwan foreign ministry said. Lawmakers from the US and other democratic countries frequently visit Taiwan, and cabinet members from some nations as well, until recently without any fallout from China. But Beijing has indicated it intends to step up countermeasures. On Friday, China slapped sanctions on Lithuania's deputy transport minister for visiting Taiwan earlier in the week. Kurt Campbell, the White House

National Security Council's co-ordinator for the Indo-Pacific, on Friday told reporters the US expected China's "intensified pressure campaign" against Taiwan "to continue to unfold in the coming weeks and months" with an intent "to intimidate and coerce Taiwan and undermine its resilience." Campbell confirmed that President Joe Biden had discussed a possible bilateral meeting with Chinese president Xi Jinping during a recent call between the two leaders, and asked their teams to sort out the specifics, but there was nothing new on timing or location.

Foreign reserves

Pakistan's IMF bid lifted by \$3bn Saudi rollover

SAMER AL-ATRUSH — RIYADH FARHAN BOKHARI — ISLAMABAD

Saudi Arabia has agreed to renew a \$3bn deposit at Pakistan's central bank to bolster the south Asian state's depleted foreign reserves as Islamabad negotiates an aid package with the IMF, according to people familiar with the deal.

The world's top oil exporter, which has traditionally provided financial aid to Islamabad, has also agreed to support Pakistan with \$1bn in petroleum products over 10 months.

The assistance could help Pakistan secure a \$1.2bn payment from the IMF, whose board is set to meet this month to approve the disbursement.

The IMF agreed last month to increase its loan package by \$1bn to \$7bn, but has conditioned the disbursement on assurances that Pakistan receives additional financial support from elsewhere.

"Saudi Arabia has agreed to roll over its \$3bn deposits in Pakistan's state bank [central bank] reserves, which will help to revive the IMF loan," said a senior Pakistani official.

The official said Pakistan, the IMF and Saudi Arabia had also discussed the possibility of Islamabad being able to borrow up to \$2.8bn against Riyadh's quota of Special Drawing Rights at the fund. "Once finalised, Pakistan's extent of borrowing from the IMF during the present financial year [July to June] will

increase by \$2.8bn. This will be a very important gesture," the official said. Saudi Arabia and the IMF declined to comment.

Investors have become increasingly concerned that Pakistan could be at risk of a default as it struggles with a widening current account deficit and a depreciating currency amid soaring commodity prices and tighter credit conditions.

The country's foreign exchange reserves have fallen to about \$9bn since Russia invaded Ukraine in February, causing global energy and food prices to surge. Fitch Ratings revised its outlook for the country to negative from stable last month because of what it called a "significant deterioration in Pakistan's external liquidity position and financing conditions since early 2022".

Analysts have warned that if the IMF signs off on the deal, Pakistan will need to push tough economic reforms as it has repeatedly failed to plug gaps in its fiscal framework. For example, it has not increased the proportion of the population that pays income tax from the current figure of less than 2 per cent.

"We seem to think Pakistan has a liquidity or a financing issue. In fact, there is a huge liquidity issue. We have to look at Pakistan's expenditure side," said Shahid Kardar, a former governor of Pakistan's central bank.

The IMF said last month that Pakistan was "at a challenging economic juncture", with domestic demand driven to "unsustainable levels".

East Asia. Military tension



Keeping watch: a pilot from the People's Liberation Army scans the area around Taiwan during China's military exercises this month — Wang Xinchao/Kinua/AP

Chinese drills deemed show of force

Exercises off Taiwan were more deterrence than rehearsal for war, say experts

KATHRIN HILLE — TAIPEI

After China declared its military exercises around Taiwan complete last week, defence experts took a step back to dissect the operation designed to punish Taipei for hosting US House Speaker Nancy Pelosi.

Their main conclusion: rather than a rehearsal for war, the week-long activity was a deterrence operation.

"There is a narrative out there that what they are doing is indicative of a forceful unification of Taiwan or a blockade. But almost all elements the People's Liberation Army communicated during the operation perfectly line up with what they call deterrence activity," said Roderick Lee, research director at the China Aerospace Studies Institute, a US Air Force think-tank. According to Beijing's defence strategy, the PLA is ready to make some

options for deterrence activity in a 2020 textbook from China's National Defence University, including showing new weapons in action and changes in force distribution, as well as restricted military moves to constrain the adversary.

Taiwanese defence officials and US experts say Beijing deployed a number of actions that met these criteria: seven areas were closed for live-fire drills, blocking some of the region's busiest flight routes and shipping lanes; the PLA transported military gear around China; it fired the PHL 16, a heavy rocket artillery system unveiled in a parade only five years ago; and it distributed pictures of China's newest stealth fighter taking off at night.

Above all, the PLA's deterrence playbook calls for forceful messaging to instil fear of war in their adversary, a tool that was used prominently during the recent exercises. Several times a day, the PLA's Eastern Theatre Command published videos and pictures of fighters, warships and missiles, and described their activity as practising for an attack on Taiwan or denying US forces access to the area.

scale exercises the PLA conducts every summer do much more to prepare them for a Taiwan conflict," he added, pointing to regular unit-level drills focused on amphibious landing. Still, Taipei is drawing lessons from the episode. One move which has caught close attention among defence officials was China's firing of PHL 16 rockets from Pingtan island, just off the mainland, into the narrowest section of the Taiwan Strait.

"They are hinting they can directly hit

"The large-scale exercises the PLA conducts every summer do much more to prepare them for conflict"

Taiwan from the shore," said a person who advises the Taiwanese defence ministry. "That means our shore defence strategy may not be viable. Using this [multiple launch rocket system] would be a much cheaper and more effective way for them than missiles to hit dispersed ground forces units we position to defend against landing

carriers," said Shu Hsiao-huang, a research fellow at the Institute for National Defence and Security Research, a think-tank backed by Taiwan's defence ministry.

Shu said it was notable that none of the materials published by the PLA about the drills mentioned the use of the Dongfeng 26, an intermediate-range missile nicknamed "Guam express" because it is designed to hit the US Pacific territory that is home to various forces under the Indo-Pacific Command, or of the Dongfeng 17, a medium-range ballistic missile that can carry a hypersonic missile. Both are seen as essential for the PLA to cripple the US's ability to come to Taiwan's help in case of a Chinese invasion.

Officials and analysts believe Beijing started preparing months in advance because plans for Pelosi's Taiwan trip first became public in April and China started making threats about a military response shortly afterwards. But they argued any plan for a PLA operation would have been "bare-bones" at that stage and the Chinese military's moves after Pelosi's departure showed its

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Notice is hereby given that David Hudson and Geoffrey Rowley each of FRP Advisory Trading Limited, the joint administrators of the Company ("the Administrators") propose to make a final distribution to electronic money ("e-money") holders pursuant to Regulation 24(1) of the EMR.
Confirmations of balances and bank details may be submitted to the Administrators at any point up to and including 12 September 2022, that date being the last date for providing. E-money holders are, however, asked to submit confirmation in writing of their balances and bank details at the earliest possible opportunity.
E-money holders are encouraged to submit supporting evidence with their confirmation of balances and bank details and may be requested to provide such further details or produce additional documentation or other evidence as the Administrators deem appropriate or necessary for the purpose of substantiating the whole or any part of a claim.
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cannot be proposed circumstances under the circumstances specified in paragraph 8 on the 21 July 2022.

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David Hudson  
Joint Administrator  
15 August 2022


Geoffrey Rowley and Jason Baker were appointed as joint administrators of pagoo LLP on 1 August 2019. David Hudson was appointed as a joint administrator of pagoo LLP on 20 June 2022. Jason Baker ceased to be an administrator of pagoo LLP on 20 June 2022. The affairs, business and property of the Company are being managed by the joint administrators.

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**ARTESP**  
AGÊNCIA DE TRANSPORTE DO ESTADO DE SÃO PAULO

**REPUBLICATION OF INTERNATIONAL PUBLIC BIDDING N° 01/2022**

The Regulatory Agency for Delegated Public Transport Services of the State of São Paulo (ARTESP) makes public the changes in the documents of the International Public Bidding n. 01/2022 for the sponsored concession of public services of expansion, operation, maintenance, and the implementation of investments necessary for the operation of the road segment that makes up the so called Rodocanel Norte Lot.

Updated bidding documents (request for bids, agreement and annexes), prepared under the technical advice of the International Finance Corporation (IFC), will be available for consultation on the ARTESP website (<http://www.artesp.sp.gov.br/>) from August 15, 2022. Interested parties may submit requests for clarification until December 28, 2022.

According to the rules of the public notice, requests must be sent to the e-mail [novacoisasociedade@artesp.sp.gov.br](mailto:novacoisasociedade@artesp.sp.gov.br), with the subject "Rodocanel Norte | Pedidos de Esclarecimentos".

The public session for the delivery of proposals and other necessary documents takes place on January 12, 2023, at 2:00 pm (Brazilian GMT), at the B3 headquarters building, located at 275 XV de Novembro Street, in downtown São Paulo.

offensive moves to defend against perceived threats but seeks to control the risk of escalation. The PLA clearly distinguishes such operations from wartime activities.

Most of the PLA's manoeuvres around Taiwan over the past week are listed as

"Of course it is useful for them to put everything together, have pilots operate in the area relevant for an attack on Taiwan, at a high operational tempo and in an environment that provides a little more stress on command and control than usual," Lee said. "But the large-

forces," he said.

Taipei and Washington are also focused on the missile tests with which the PLA opened the exercise. Some missiles flew over Taipei and dropped into the sea east of the island. "It is a hint to the US that this is how we will sink your

enhanced ability to respond rapidly.

Some analysts see this as a sign that the new command structure established through wide-ranging reforms since 2015 is functioning smoothly. "It is a benchmark for the state of affairs in conducting joint operations," Lee said.

Espionage probe

# Trump in legal crosshairs over documents seized at Mar-a-Lago

JAMES POLITI — WASHINGTON

Donald Trump has mocked, dismissed and railed against the FBI and US Department of Justice for the search of his Mar-a-Lago estate last week.

But the warrant that was presented to the former president's attorneys to justify the swoop on his Florida home to retrieve boxes of classified documents he had retained since leaving the White House — and was unsealed on Friday night — showed that US enforcement authorities believe he may have committed crimes related to national security, the mishandling of government material and obstruction of justice.

One of the sections of law that the justice department cited as a reason for the search, which was endorsed by a federal judge, involves a possible violation of the Espionage Act, which was enacted by Woodrow Wilson in 1917 as the US entered the first world war.

Over the years it has been used to

prosecute spies such as Julius and Ethel Rosenberg, who were executed in 1953 for being Soviet agents, and more recently Edward Snowden and Chelsea Manning for leaking classified documents. But it has never before been invoked in the case of a former president — putting the US in uncharted waters from a legal perspective.

"It's unforgivable that the former president put the country in this position. It's not just pieces of paper but pieces of paper that really are inherently dangerous," said Harry Litman, a lawyer at Constantine Cannon and former federal prosecutor.

Specifically, the search warrant says Trump may have violated section 793 — which relates to "gathering, transmitting or losing defence information" — as opposed to section 794, which refers to "gathering or delivering defence information to aid [a] foreign government". During the Mar-a-Lago search, the FBI recovered a trove of classified docu-

ments, including some marked "top secret" and were supposed to be handled with special care in government installations. Despite repeated efforts by the justice department to take them back from Trump in recent months, including by issuing a subpoena, the former president had resisted.

It is unclear what information the documents contained that is valuable to



Donald Trump insists the material was declassified before he left office

both Trump and the US government. But the law enforcement agencies also cited violations of two other statutes — one applying to the obstruction of justice, and another related to the mishandling of government property — which are also weighty and could put Trump in serious legal peril as he continues to debate whether to run for the White House again in 2024.

Trump has insisted the material was declassified before he left office, while he was president. But that typically involves a lengthy process and authorities do not believe that is the case.

However, even though the evidence does appear to be piling up in favour of a federal prosecution, Merrick Garland, the attorney-general, who on Thursday vowed to uphold the law "without fear or favour", will have to make the decision about whether such a step would be justified and appropriate.

See The FT View

Softly softly Why Vision Fund founder Masayoshi Son has switched from aggressive to conservative mode LEO LEWIS, PAGE 16

# Companies & Markets

## Soaring energy prices propel Saudi Aramco to profit record

- Second-quarter income reaches \$48.4bn
- Scope for higher output remains limited

SAMER AL-ATRUSH — RIYADH

Saudi Aramco has broken its quarterly profit record set in May as soaring energy prices driven by Russia's invasion of Ukraine deliver windfalls to oil producers.

But the state-controlled company's chief executive warned that spare capacity remained limited as demand was increasing with pandemic restrictions expected to ease in China, the world's second-largest oil consumer.

Net income rose to \$48.4bn in the second quarter, a 90 per cent year-on-year increase and the group's highest earnings since listing in 2019. The Saudi oil

"With the Covid restrictions in China easing up, that will add to the demand... the aviation industry will also add to the demand," he said.

Saudi Arabia, the world's largest oil exporter, has a production capacity of 12mn b/d, a figure that Saudi Aramco could quickly reach if instructed by the government, said Nasser.

The company's capital expenditure increased 8 per cent to \$16.9bn in the first half of the year compared with the same period in 2021, and would gradually increase up until 2025, he added.

The world's biggest listed oil producers, including ExxonMobil, Chevron and BP, all posted huge earnings after a surge in commodity prices fuelled by the Ukraine war and a rebound in post-pandemic demand. Most have boosted shareholder payouts.

The high profits are putting increasing political pressure on the oil majors, as high energy prices threaten to spark public backlash.

President Joe Biden said in June that Exxon was making "more money than God".

Brent crude, the international benchmark, dropped from \$122.0 a barrel in June to near \$98 on Friday. Saudi Aramco's shares, which are listed in Riyadh, have risen more than 25 per cent this year. The government listed 1.7 per cent of the oil firm's shares in 2019.

Responding to US and western pressure for an increase in output, Opec has warned of the "severely limited availability of excess capacity" after years of under-investment in the industry.

Nasser said it would take years to "bring solid additional capacity".

He added: "We are deeply concerned about the lack of investment, even now with higher prices, you only see short-term investment in the market."

## In a spin Slow wind farm approvals put green ambitions at risk, say renewables group bosses



Rhetoric on renewables such as wind power needs backing up by governments, say Denmark's Vestas and Ørsted

RICHARD MILNE NORDIC AND BALTIC CORRESPONDENT

The heads of two of the largest renewable energy companies have called on governments to vastly speed up the approval process for new wind farms or risk falling short on green goals.

The chief executives of Denmark's Vestas and Ørsted, the world's largest manufacturer of wind turbines and biggest offshore wind farm developer respectively, said that governments needed to back up their green rhetoric by making it easier to go through an often convoluted planning process.

"We need a fundamental review on how we dramatically shorten the consenting process," said Mads Nipper, chief executive of Ørsted.

Asked if he thought governments were doing enough to solve the energy crisis, Vestas chief executive Henrik Andersen said: "I think not. We spend a lot of time listening to why they're going to apologize for why they didn't do what they should have done

in the past five years. There is a task force required in every government right now that needs to accelerate permitting."

The issue has long dogged the wind industry, where projects can be delayed for years by byzantine processes and legal challenges, in some cases leading to turbine designs being obsolete by the time permits are granted. However, the problem has gained fresh urgency in the ongoing energy crisis as particularly European countries try to wean themselves off Russian energy and look to renewable energy for the long term.

The European Commission threw its weight behind attempts to speed up permitting in May, saying the principle that renewables were in the "overriding public interest" should be enshrined in EU law and that projects should receive approval within one to two years.

But the industry is still frustrated at the speed in certain countries, with enormous backlogs of projects still waiting for approval to begin. There is

more than eight times the amount of wind capacity waiting for permission than currently under construction in Germany, Spain, and Poland, according to analytics company GlobalData.

"OEMs [manufacturers], we are ready, and we could do more," said Andersen.

Nipper stressed that governments' actions needed to match their lofty promises. "Ambitions are critically important, and they are going up and up and up. But that's only the first mile of the marathon. It needs to be followed by policy measures."

He pointed to the example of the US, where a climate bill, passed by the Senate last weekend and expected to be adopted soon, boosts wind and solar energy as well as using renewable power to make hydrogen. Both chief executives called the US legislation crucial for its green ambitions.

## Ex-Deutsche Bank chief Jain dies after cancer battle

JOE MILLER — FRANKFURT

Anshu Jain, the Indian-born banker who helped transform Deutsche Bank from a largely domestic lender into a global financial titan, has died, aged 59.

The City of London and Wall Street-trained Jain, who led Deutsche as co-chief executive from 2012 to 2015, had been suffering from stomach cancer and passed away in the UK on Friday evening, his family confirmed.

"We are deeply saddened that our beloved husband, son and father... passed away overnight after a fierce, five-year battle with dual cancer," Jain's family said in a statement, adding that he had managed to outlive his doctors' original prognosis by four years.

"To his last day, Anshu stood by his life-long determination to 'not be a statistic'," they said.

Alexander Wynaendts, chair of the supervisory board of Deutsche Bank, said on Saturday: "Anshu Jain played a key role in expanding Deutsche Bank's position in our global business with companies and institutional investors. Today, this is of strategic importance not just for Deutsche Bank but for Europe as a financial centre."

Jain, a pioneer of derivatives trading, joined Germany's largest lender in 1995 from Merrill Lynch, where he had set up and run a unit covering hedge funds around the world. He rose quickly through the ranks.

After his mentor, Edson Mitchell — the American who ran Deutsche's investment banking arm — died in a plane crash in 2000, Jain became head of Deutsche's global markets business, before co-leading the investment banking division in 2004.

He jointly oversaw a period of rapid growth in which the unit generated the vast bulk of Deutsche's profits, briefly helping it become the world's largest bank. Jain took sole control of the division in 2010 when he out-earned the then-CEO Josef Ackermann.

In what was a rare achievement for an outsider, Jain was elevated to the top job at Deutsche Bank in 2012 and made co-chief executive alongside German Jürgen Fitschen.

However, shareholder unrest over lacklustre profits, spiralling costs, labour altercations and repeated clashes with Deutsche's Frankfurt establishment led to Jain's departure in the summer of 2015, two years before his contract was up.



Financials. Latin America

Colombians do battle for business behemoth

Conglomerate becomes target of hostile bids that have sent ripples throughout the region

GIDEON LONG — MEDELLIN

Walk around Colombia's second city, Medellín, and you are never far from a bank, office or shop that is controlled in some way or other by the Grupo Empresarial Antioqueño, the most powerful alliance of companies in the nation.

On street corners, there are branches of Bancolombia, the country's biggest bank. Within gleaming glass towers sit the headquarters of Grupo de Inversiones Suramericana, Colombia's largest financial conglomerate, which holds stakes in banking, insurance, pensions and asset management.

All these and more than 100 others are part of the GEA, a network of companies in Medellín and the surrounding department of Antioquia linked to one another through a complex web of cross-shareholdings and family ties.

The group's structure, similar to Japan's keiretsu, in which companies form close affiliations with each other, has made these businesses almost unassailable to outside takeover.

companies from takeovers from Bogotá in the 1970s.

But now, as never before, the GEA is under attack. Late last year, Colombian businessman Jaime Gilinski, in partnership with the Abu Dhabi royal family, launched a series of hostile tender offers to crack open the GEA's tight-knit structure.

The Gilinski bids have shaken up Colombia's otherwise moribund stock exchange and sent ripples throughout the region, where hostile takeover bids are relatively rare.

"We've had takeovers before in Colombia but the difference this time is that they're hostile, and they're big," said Juan Camilo Jiménez, head of equities at Credicorp Capital in Bogotá.

Gilinski's six successive bids have targeted the three core GEA companies — Sura, Nutresa and industrial conglomerate Grupo Argos.

They now own 38 per cent of Sura and 31 per cent of Nutresa.

and cultural projects in Colombia and elsewhere in Latin America.

But the group has its critics even in its Medellín stronghold, among them the outspoken leftwing mayor Daniel Quintero, who, in an interview this year with Semana, a news magazine that Gilinski bought in 2020, named the GEA among a group of entities that he claims have sacked the city's finances.

But Quintero has provided no evidence for his claims and declined to speak to the FT for this article. Some of the GEA companies have threatened to sue Quintero for defamation.

The outcome of the battle will be felt outside of Colombia. Between them, GEA companies reach far beyond the country. Grupo Sura operates in 11 Latin American countries.

"The GEA generates roughly 6 per cent of Colombian gross domestic product, according to Prontioque, a foundation that promotes development in the region."

"For a long time they were really the only channel by which people could access the formal economy in Antioquia."

For now it looks like Gilinski's bids may have stalled. His most recent takeover at Nutresa in May and Argos in July fell short of the level he was seeking.

Creml Helado ice-cream company, which is owned by Grupo Nutresa



For now it looks like Gilinski's bids may have stalled. His most recent takeover at Nutresa in May and Argos in July fell short of the level he was seeking.

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE. NOTICE OF DEADLINE FOR SUBMISSION OF PROOFS OF CLAIM. PLEASE TAKE NOTICE THAT, on June 29, 2022, the Court of Chancery of the State of Delaware (the "Court") has jurisdiction over the Verified Petition for Approval of Trustees' Plan of Reorganization (the "Petition") filed with the Court on May 2, 2022.

COMPANIES & MARKETS

SocGen hopes succession will end years of crises

Oudéa is leaving after 14 years as the French bank's chief despite recent turnaround with internal and external candidates lining up

SARAH WHITE — PARIS STEPHEN MORRIS AND OWEN WALKER LONDON

In January 2020, as they shunted between meetings at the grand Hyatt hotel near Moscow's Bolshoi theatre and the headquarters of Russia's Rosbank, board members of Société Générale debated a question that would come back to haunt the French bank.

Should SocGen part ways with its Russian subsidiary, unloved by investors but championed by chief executive Frédéric Oudéa, and which was finally eking out a profit? The push to keep Rosbank won the day, despite some internal grumbles, several people familiar with the discussions said.

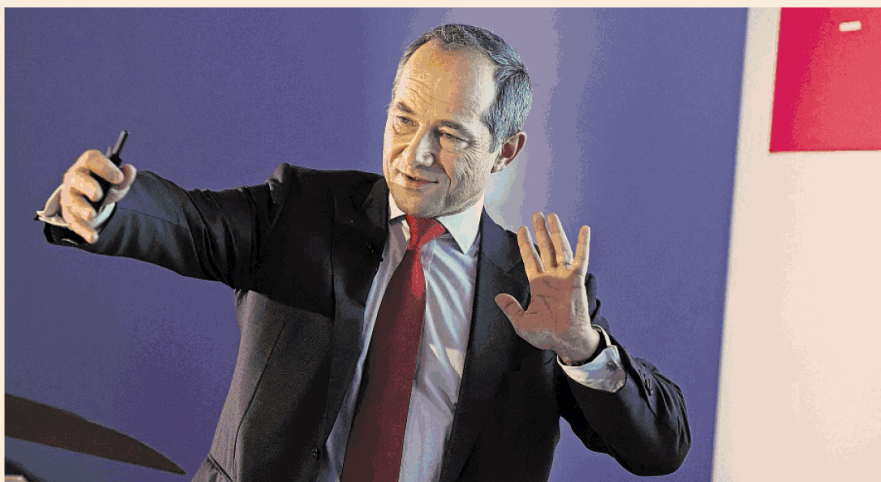
But, in the end, SocGen's attachment to Russia was to hasten the start of a process to replace Oudéa, one of Europe's longest-serving bank CEOs, after the invasion of Ukraine pushed it into a costly rush to exit this year, other people close to the lender said.

SocGen, one of France's biggest banks, is now looking to settle a succession dilemma meant to help it draw a line under years of crises, resets and restructurings and build on a recent turnaround in its earnings, notwithstanding a €1.5bn second-quarter loss due to Russia.

Forced back into firefighting mode by the episode after 14 years at the top, Oudéa agreed to step down in 2023 after initially sounding out directors on a two-year extension, three people familiar with discussions said.

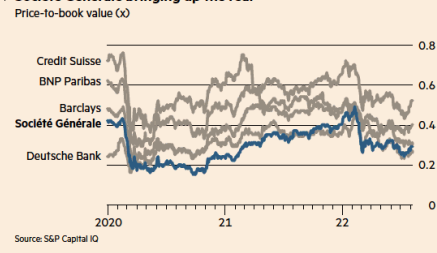
SocGen's board, led by chair Lorenzo Bini Smaghi, are adamant a fresh start is needed. They have taken the unusual step in the insular world of French banking, which is used to carefully choreographed and internal handovers, of opening the search publicly and looking beyond SocGen walls.

Since Oudéa took charge in May 2008, the stock has plunged 71 per cent and its valuation is among the worst of any major lender in Europe. It has a market capitalisation of €19bn, similar to a

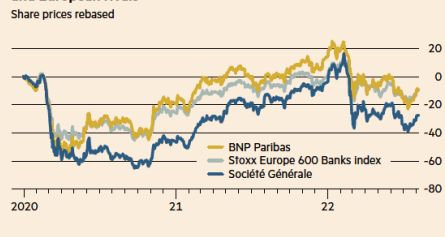


Société Générale's attachment to Russia would in the end hasten the start of a process to replace Frédéric Oudéa as chief executive — Eric Diermont/AFP/Getty

Société Générale bringing up the rear



Société Générale has underperformed against its domestic and European rivals



the past decade with a slimmed-down investment bank and less of a commanding franchise in that area.

The CEO is credited with some successes, such as expanding France's biggest online-only retail bank by client numbers, Boursorama.

He also recently launched a plan to vastly expand SocGen's car leasing operations with the €4.9bn acquisition of LeasePlan.

As a result, underlying earnings have stabilised and improved in recent quarters while the repositioning of the investment bank has dramatically cut risk and ended a string of embarrassing losses.

Citi analysts said last week that SocGen was now one of their top investment picks "given its strategic progress, its corporate and investment bank turnaround" but that the upside was largely down to its rock-bottom valuation.

SocGen's stock has never recovered since a rogue trading scandal in January 2008, just as the US subprime mortgage crisis was starting to wreak havoc on banks globally.

Oudéa, who in the 1990s worked for Nicolas Sarkozy in government, rose to the top after the rogue trading scandal, which lost SocGen €4.9bn and was followed by the departure of another CEO candidate, Jean Pierre Mustier.

Mustier, who went on to run Italy's UniCredit for four years, has not put himself forward for the job now, two people close to the matter said.

Ten years later, another setback cost a different would-be CEO his chance. When US regulators demanded a scalp after their Libor rate-rigging probes, Didier Valet, then deputy chief executive, fell on his sword. The bank later paid \$2.6bn to settle several French and US cases, including Libor.

Outside the ranks of SocGen candidates, several bankers cited Jacques Ripoll, a former employee who recently left a job running Crédit Agricole's investment bank, as a strong potential contender, although he is joining French energy group Enr.

Laurent Mignon, the head of rival French banking group BPCE, was also approached by SocGen as he is seen as having the right attributes for the job. Ripoll and Mignon declined to comment.

bevy of regional US lenders and well below that for French rival BNP Paribas and \$109bn for Goldman Sachs.

In the past four years, the bank has issued several profit warnings and in 2019 had to cut thousands of jobs from its once-vaunted trading division that specialises in financial engineering and exotic derivatives.

A year later at the start of the pandemic it had to exit the bank of the process, provisionally due to conclude by October but which may be finalised next month.

Oudéa, who will have a say only as a board member, has expressed a preference for the hire to be internal, two people said, after he had started to groom Proto and Krupa for the job.

The biggest task for any successor will be to give SocGen the strategic impetus to compete with banks and insurers

But he has a broad overview of other parts of SocGen's operations, people







## Stockpicking for success in turbulent times

15 September | 11am BST | Webinar

2022 was meant to be the year we learnt to live with Covid, economies returned to full health and stock markets responded accordingly. But fears of recession soon replaced hopes of recovery. In the middle of such economic turbulence and market volatility, how can investors ensure their portfolios continue to perform?

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quemic, it nau to rein in risk at the unit even further after the equities business suffered hundreds of millions in losses when companies abruptly cancelled dividends.

Owing to its falling market share and cheap valuation, it has been linked with numerous suitors including Italy's UniCredit, with which it explored a deal in 2018. With SocGen now on a better trajectory but the turnaround far from complete, the possibility of an outsider getting the job carries more weight than Parisian bankers had thought possible. The pool of five main contenders includes two serious internal candidates.

One, Sébastien Proto, a former Rothschild banker hired four years ago who graduated from the same elite school as President Emmanuel Macron, has a prominent task to merge and digitise SocGen's two French bank networks that could put him in pole position, people familiar with the candidates said.

The other, Slawomir Krupa, runs the investment bank, another key unit.

SocGen declined to comment on the

some analysts, bankers and insurers

**'Frédéric did a very good job after taking over at a time of extreme difficulty. But he stayed too long'**

believe it has lacked in recent years, when some rivals such as larger domestic lender BNP Paribas have stolen a march on expanding their business with companies across Europe.

Rising interest rates now herald a possible period of greater profitability for Europe's financial sector, which SocGen will want to capitalise on as it seeks to build out its home market business.

It will also have to navigate potential turmoil from dysfunctional energy markets and soaring inflation.

For much of Oudéa's tenure, overhauls have come as a result of crises and a group that was once a pioneer in equity derivatives has emerged from

parts of SocGen's operations, people who know him said. The former investment banker has advised banks like Crédit Agricole on complex reorganisations in the past.

A non-French candidate was also being considered, two people familiar with the discussions said, as well as a high-ranking investment banker.

The stakes are high for Oudéa's successor. While recent results provide some cause for optimism, SocGen continues to trade at a "distressed valuation", said Bank of America analyst Tarik El Mejjad, and to boost its capital buffer sufficiently ahead of tough new Basel IV regulations will require "flawless delivery of its targets".

A former SocGen executive who is close to Oudéa, said, "Frédéric did a very good job after taking over the bank at a time of extreme difficulty. But he stayed too long," adding: "The board needs to find somebody younger who can give a new direction to the bank. It is clear that some of the issues of the business remain."

### Financials

## Asset manager invests to curb water waste

SILVIA SCIORILLI BORRELLI — MILAN

An Italian asset manager has launched plans to create a European champion for reducing water waste, as swaths of the continent battle severe droughts.

Ambienta, which invests in private and listed companies with an environmental focus, is stepping up its exposure to groups whose products limit water waste. Although the war in Ukraine has put energy security front and centre for European companies and policymakers, the alternative asset manager has warned that water scarcity risks being overlooked.

"Seventy-one per cent of the planet is made up of water but only a small fraction is accessible and renewable," said Nino Tronchetti Provera, Ambienta's founder and managing partner.

"Already today 10 per cent of the global population lacks access to the water it needs and the figure risks rising to 40 per cent by 2040 if we don't make the right choices."

The group, which has €3bn of assets

under management, has recently made a series of investments linked to water with the aim of creating a leading European group in the sector.

Last month it acquired Calpeda, a high-tech water pumps manufacturer based in northern Italy, which it is planning to integrate in its water investments holding company, christened Wateralia. Water pumps such as Calpeda's reduce water dispersion in businesses and households, leading to

energy and water savings. Wateralia also includes Caprari, another Italian family-owned business specialising in water pumps in which Ambienta took a majority stake last year. It now plans to buy more such businesses and increase its exposure to the sector.

Almost half of continental Europe and the UK are currently exposed to severe drought risks, with unusual heatwaves being exacerbated by little rainfall during the winter, according to a study by the European Commission.

Water has emerged as a niche investment theme in recent years, spurred by wider interest in sustainable investing. Global investment companies such as Amundi and Fidelity have launched exchange traded funds on water-related themes.

Ambienta invests through its own hedge fund and by taking stakes in public and private companies, sometimes buying the latter outright.

The asset manager has made more than €1bn in revenues across 148 countries since it began investing in 2007.



Nino Tronchetti Provera: planet needs to make right choices on water

### COMPANIES & MARKETS

#### Market Questions. Surging prices

# UK braced for further rise in rate of inflation

FT REPORTERS

## Did Britain's CPI rise last month?

Surging oil and gas prices, coupled with climbing food costs, are weighing heavily on the UK economy.

In June, inflation in the country hit a fresh 40-year high of 9.4 per cent, above levels in the eurozone and US.

Inflation data for July will be released on Wednesday with economists polled by Reuters expecting the consumer price index to have risen by 9.7 per cent year-on-year. British households are forecast to face average annual energy bills above £5,000 next year as Russia's war in Ukraine adds to a squeeze on oil and gas supplies to Europe.

The Bank of England warned this month that UK inflation was expected to hit 13 per cent and the country would fall into recession by the end of the year.

The bank raised interest rates by 0.5 percentage points to 1.75 per cent as it attempts to damp demand and stem rising inflation.

Vasileios Gkionakis, head of G10 currency strategy at Citi, said inflation in the UK is "likely to prove stickier due to Brexit, complicating further [the] BOE's policy".

The US consumer price index rose 8.5 per cent year-on-year in July, according to figures released last week, slowing compared with the previous month.

"The US doesn't have quite as acute an energy issue as the UK," said Lyn Graham-Taylor, senior rates strategist at Rabobank, adding that the Bank of England found itself having "to sacrifice the economy" by raising interest rates in order to bring surging inflation back down to the 2 per cent target.

Nikou Asgari

## What will US retail sales tell us?

US retail sales figures for July are expected to give market participants insight into consumer confidence at the start of the third quarter — an important data point after two quarters of contraction.

Economists polled by Bloomberg forecast that the Commerce Depart-



UK consumer price rises are running at the fastest pace since the early 1980s (Istock/Adam/Stoneberg)

ment would report a 0.2 per cent increase in overall retail sales in July from the previous month, a slowdown in growth from the 1 per cent increase reported for June.

Some of the difference may be attributable to the decline in petrol prices since June when the average cost for a gallon at the pump peaked at more than \$5. The move between June and July is less stark when auto and petrol prices are stripped out, though it still shows a slowdown.

The Bloomberg poll indicates expectations of a 0.3 per cent increase in July versus 0.7 per cent in June.

Analysts at Bank of America suggest

that it is possible the plunge in gas prices — which was evident in a slowdown in annual consumer price inflation in July — could have ramped up consumer spending in other areas of the economy.

Those analysts forecast a 0.9 per cent month-over-month increase in retail sales, stripped of the effects of spending on cars, petrol, building materials and restaurants.

The data follow a red-hot jobs report for July as well as a second consecutive quarter of contraction in gross domestic product in the April-June period, the combination of which has provided a somewhat muddled picture of the state of the American consumer.

**'The US doesn't have quite as acute an energy issue as the UK'**

"Following the second consecutive contraction in real GDP during Q2, the moderation in inflation and durability of consumption will inform how the third quarter plays out in terms of realised growth," said Ian Lyngen, head of US rates strategy at BMO Capital Markets. Kate Duguid

## Has the dollar turned?

The US dollar has been on a tear. The Federal Reserve's aggressive interest rate rises, aimed at curbing inflation, have helped push the US currency to 20-year highs in recent months.

Yet economists are divided over how much further the currency is to run. The latest US consumer price index data, which investors were watching closely for clues over how far the Fed would lift borrowing costs, showed signs of steadying in July.

Wall Street stock markets rallied in response and the US Dollar index — which measures it against a basket of six other currencies — has slipped about 3 per cent lower from its July 14 peak.

"Barring a major upward repricing of rate expectations or revived hard landing fears, the dollar has peaked for good, subject as ever to what is going on elsewhere," Société Générale's Kit Jukes said.

Others are less sure: more than 70 per cent of currency strategists polled by Reuters in early August thought the dollar's strength had yet to peak, though a third of those surveyed said it would do so within the next six months.

ING's Christopher Turner is among those who reckon the dollar will stay strong to the end of the year, arguing that it tends to benefit from high rates of inflation, slowing economic growth and "flat/inverting US yield curves as we have today" — referring to the scenario where yields on shorter dated government bonds are higher than those on longer dated bonds.

"Not until investors become convinced that the Fed is prepared to stimulate, not slow, the US and global economies should the dollar turn lower," said Turner. George Steer

### Retail

## Zalando says jobs are safe despite drop in online sales

OLAF STORBECK — FRANKFURT

Zalando, Europe's largest online fashion retailer, is betting the current decline in internet shopping is just a blip and it can avoid the kind of mass job cuts being undertaken by its rivals, co-founder and co-chief executive Robert Gentz told the Financial Times.

Consumer-facing tech groups, including Amazon, Klarna and Shopify, have cut thousands of jobs this year as the online shopping bonanza that kicked off in the first two years of the pandemic has ground to a halt.

Berlin-based Zalando has also been hit hard, with revenues declining in the first half of the year for the time in its 14-year history as it suffered €668m in cash outflows and generated €7m of operating losses. However, the group is adamant it can avoid mass cuts. "Our plan is to keep employment by the end of this year steady," said Gentz. Since the end of 2019, its workforce increased by a quarter to more than 17,000 employees. "But we have become much more cautious in hiring," said Gentz.

Gentz described the market ructions as a temporary blip that would not have a lasting impact on the retailer.

Zalando listed in Frankfurt in 2014 but its share price has fallen 68 per cent over the past year to leave the group with a market capitalisation of less than €8bn. "Two years of enormous growth lie behind us. When I think about the fashion industry, my [optimism] has not changed at all," said Gentz.

His revenue rose 60 per cent higher than in 2019, the last year not affected by the pandemic. He said just above 3 per cent of all European clothes purchases were processed through Zalando, which counts 10 per cent of Europe's population as active customers. Gentz was confident Zalando's market share could more than triple in the long term. "What has changed a bit is the trajectory of getting there."





In my role, you certainly have to be informed on economic, financial and political developments around the world. Being an FT reader has helped me stay on top of the issues that matter.

Bill Papadakis, Investment strategist, Banque Lombard Odier

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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

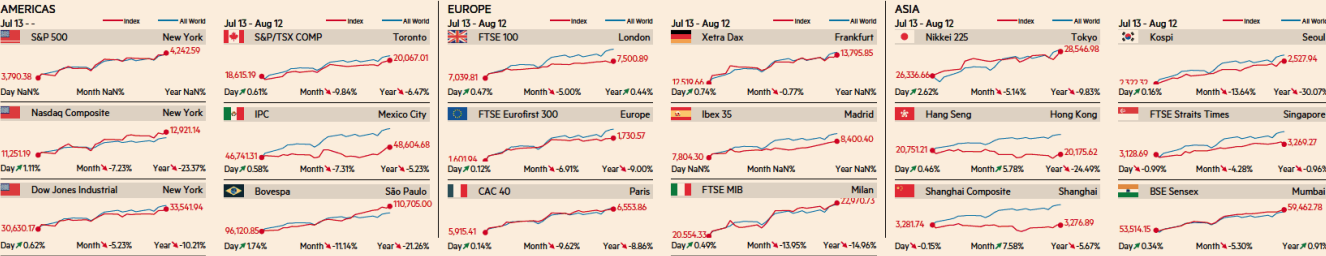


Table with columns for Country, Index, Latest, and Previous values for various global markets including Americas, Europe, Asia, and others.

Table titled 'STOCK MARKET: BIGGEST MOVERS' showing top movers in America, London, Euro Markets, Tokyo, and Active Stocks.

Table titled 'UK MARKET WINNERS AND LOSERS' showing top performing and underperforming stocks in the UK market.



Table with 10 columns: Country, Index, Value, Change, Sector, Value, Change, Sector, Value, Change, Sector. Includes US, Europe, Asia, and Global indices.

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News are derived from Reuters, Bloomberg and Moringstar (indices are at production). Some values are rounded. Currency redenominated by 1000. The exchange rates listed in this table are available via www.ft.com/marketsdata

FTSE ACTUARIES SHARE INDICES

Table with 10 columns: Index, Value, Change, Sector, Value, Change, Sector, Value, Change, Sector. Includes FTSE 100, FTSE 250, FTSE 350, etc.

FTSE 30 INDEX

Table with 10 columns: Index, Value, Change, Sector, Value, Change, Sector, Value, Change, Sector. Includes FTSE 30, FTSE 30 Div, FTSE 30 YTD, etc.

FTSE GLOBAL EQUITY INDEX SERIES

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FTSE GLOBAL EQUITY INDEX SERIES

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UK STOCK MARKET TRADING DATA

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UK RECENT EQUITY ISSUES

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

Table with columns: Company, Price, Change, % Change, Volume, etc. Includes companies like Apple, Facebook, Alphabet, etc.

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

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

FT 500: TOP 20 - Table listing top 20 FT 500 companies with price and change data.

FT 500: BOTTOM 20 - Table listing bottom 20 FT 500 companies with price and change data.

BONDS: HIGH YIELD & EMERGING MARKET - Table listing high yield and emerging market bonds.

BONDS: GLOBAL INVESTMENT GRADE - Table listing global investment grade bonds.

INTEREST RATES: OFFICIAL - Table listing official interest rates for various countries.

BOND INDICES - Table listing various bond indices and their performance.

VOLATILITY INDICES - Table listing volatility indices for different markets.

GILTS: UK CASH MARKET - Table listing UK cash market gilts.

INTEREST RATES: MARKET - Table listing market interest rates for various currencies.

CREDIT DEFAULT SWAP INDEXES - Table listing credit default swap indices.

BONDS: BENCHMARK GOVERNMENT - Table listing benchmark government bonds.

GILTS: UK FTSE ACTUARIES INDICES - Table listing UK FTSE actuaries indices.

COMMODITIES - Table listing various commodities and their prices.

BONDS: INDEX-LINKED - Table listing index-linked bonds.

BONDS: TEN YEAR GOV SPREADS - Table listing ten-year government spreads.

Global Broad Category Group - Allocation - Table showing global broad category group allocations.

Equity Research from Morningstar - Main advertisement content including text and graphics.

Morningstar Summary - Detailed summary of Morningstar services, including winners, losers, and performance metrics.













Michael Skapinker Management

Europe moved from postwar reconstruction to growing prosperity and witnessed the stirrings of feminism, the arrival of the contraceptive pill and the start of the Vietnam war. Yet each of our dinner guests drew their own conclusions and went their radically different ways. This is something we need to remember when we generalise about generations — Boomers, Generation X, Millennials, Generation Z — and their attitudes to life and work. It is fun to talk about their differences: their ease or haplessness with technology and their attitudes to gender fluidity. And as many organisations today have staff aged 18 to 70, managing a multigenerational workforce is one of the key leadership tasks addressed in my new book, *Inside the Leaders' Club*. But because the differences within

demand to know how the company justified its existence. What was its purpose? Young interviewees made it clear that if the company couldn't explain how it contributed to society, they would go elsewhere. While the leaders discussed this, I noticed one participant becoming irritated. All this talk of purpose might be true of those applying for positions in research and development, HR, sustainability or communications, he said, but 80 per cent of his company's employees spent their days in front of a machine in a factory — and their purpose was having a job that paid enough for them to live on. Managing these tensions requires a detailed assessment of what each cohort is doing in your own organisation. Widespread problems in society will affect your company

What does this mean for your workforce? Are your new jobs open only to those with parents who live in your company's location — because others can't afford to move there? What does that do to your ability to attract those best suited to the job? Would hybrid or flexible working mean you could recruit people from further afield who could come into the office three days a week? If, like the manufacturing company's factory staff, they need to be there every day, how could you ease their transport and housing costs, or should you build your next factory where labour is more plentiful? During the pandemic, many parents with young children found working from home impossible. If they had their own living space, a two-bedroom flat with toddlers left many longing for the office. But as much as they wanted

assessment of what each cohort is doing in your own organisation



pandemic and less likely to be re-employed, according to the London-based Centre for Ageing Better. Again, we can't generalise. There are large differences, particularly for men. In England, male employment for 50 to 64-year-olds is 66.4 per cent in the North East and 80.4 per cent in the South East. The pool of potential older workers and your ability to attract them depends on your location. So generational differences do matter — but how they affect your organisation depends on what it does and where you are. Multigenerational management calls for nuanced analysis rather than snappy labels. The writer is an FT contributing editor and author of *Inside the Leaders' Club: How Top Companies Manage Pressing Business Issues*

Business Book of the Year 2022



Common theme runs through award's longlist

The 15 titles, selected from nearly 600 entries, focus on the challenges facing the global economy, writes Andrew Hill

Interest rate rises, galloping inflation, supply chain disruption, white-hot post-pandemic labour markets, and a backdrop of geopolitical and environmental crisis: the titles longlisted for this year's Financial Times Business Book of the Year shed new light on some of the most pressing business issues of the moment. The 15 books, filtered by FT journalists from nearly 600 entries, include histories, polemics, investigations and analyses of the challenges facing the global economy and some of the world's best-known corporate names, from General Electric and Boeing to Tencent and Taiwan Semiconductor Manufacturing Company. Several heavyweight histories are vying for the £30,000 prize. They include J Bradford DeLong's forthcoming *Slouching Towards Utopia: An Economic History of the Twentieth Century*, which analyses the years from 1870 to 2010. "By the standards of all of the rest of human history, [this period was] much more marvellous than terrible," writes DeLong. But still, despite the extraordinary increases in material wealth, the "long century" did not fulfil utopian expectations. From a different perspective, Gary Gerstle's *The Rise and Fall of the Neoliberal Order: America and the World in the Free Market Era* traces how the western world embraced "neoliberalism" and the creed of free trade and free markets in the closing decades of the 20th century. A broad spectrum of

Nicole Perloth won last year with 'This is How They Tell Me the World Ends', about the secretive world of cyber security



politicians — from Ronald Reagan to the leaders of the New Left — unleashed the power of capitalism, triggering some of the unforeseen consequences the world is now experiencing. Helen Thompson's well-timed *Disorder: Hard Times in the 21st Century* addresses the tensions that exploded at the start of this year with Russia's invasion of Ukraine. She weaves together domestic, economic and geopolitical strands of recent history, against the volatile backdrop of energy politics, to show how energy still drives some of the most powerful and disruptive political trends. Another historical angle is taken by Edward Chancellor in *The Price of Time: The Real Story of Interest*, a polemic attack on the credo of low interest rates that has prevailed in recent years. Whether you agree with his take or not, his message coincides with the efforts of big central banks to wield the monetary tool to curb rising inflation. Three longlisted books delve into some of the tensions behind that inflationary surge. *Direct: The Rise of the Middleman Economy and the Power of Going to the Source*, by Kathryn Judge, examines the sometimes dangerous growth of "powerful middlemen and long supply chains", from banks, to retailers, to real estate agents. Judge points out how the benefits also bring outsized power and makes the case for a return to more direct exchange, which improves both accountability and resilience. Chris Miller's *Chip War: The Fight for the World's Most Critical Technology*, out in October, directly addresses one of those long supply chains, the complex and increasingly fragile network that builds and assembles semiconductors, the "new oil" on which many digital and electrical

products and services, from kettles to electric cars and nuclear power stations, now depend. Tension around Taiwan has revealed global dependency on a few manufacturers. The fierce war for staff is one contributor to economic stress. From interviews to incentives, *Talent: How to Identify Energizers, Creatives, and Winners Around the World*, by Tyler Cowen (longlisted in 2019 for *Big Business*) and Daniel Gross, is a highly practical guide to identifying and recruiting such people, while at the same time ensuring that hirers spread their net wide enough to ensure they assemble a diverse and innovative team. This year's corporate blockbusters include former winner William D Cohen, who took the prize in 2007 with *The Last Tycoons*, about Lazard Frères. In his forthcoming *Power Failure: The Rise and Fall of General Electric*, he tackles the extraordinary reputational and financial fall of the conglomerate, once a seemingly impenetrable bellwether for the US industrial and corporate sector. A broad spectrum of politicians unleashed the power of capitalism, triggering consequences now being felt globally. Cohen himself calls it "a cautionary tale about hubris, blind ambition, and the limits of believing — and trying to live up continuously to — a flawed corporate mythology". Peter Robison takes on another US corporate icon — Boeing — in *Flying Blind: The 737 Max Tragedy and the Fall of Boeing*. It is the story of the tension between profit motives and engineering excellence that, in Robison's account,

led to the fatal crashes of two 737 Max 8 aircraft in 2018 and 2019 — an outcome blamed in part on Boeing's adherence to the efficiency-led strategies of GE's former chief executive Jack Welch. On the other side of the world, the rise of Tencent, developer of China's "everything app" WeChat, is the subject of Lulu Yilun Chen's *Influence Empire: The Story of Tencent and China's Tech Ambition*. She traces the career of its founder, the media-shy programmer Pony Ma. Chen also explains how he and his creation fit into the Chinese technological and entrepreneurial revolution, in addition to playing their part in the politics and politicking of modern China. Another former winner, Sebastian Mallaby (whose biography of Alan Greenspan, *The Man Who Knew*, triumphed in 2016) makes another appearance on the longlist with *The Power Law: Venture Capital and the Art of Disruption*. It is a deep dig into the roots of the venture capital industry that underpinned the rise of Silicon Valley. Mallaby attempts to answer the question: "Did the VCs create the success, or did they merely show up for it?" UK venture capitalist Kate Bingham is the co-author of another longlisted book, *The Long Shot: The Inside Story of the Race to Vaccinate Britain*, with Tim Hames, due to be published in October. They take readers into the heart of the fight against coronavirus, drawing on Bingham's experience after the government rushed her into place as head of the UK's Vaccine Taskforce. Under her it made an audacious and successful bet on development of the first vaccines, in the face of criticism and under immense pressure. A less savoury view of the UK's entrepreneurial nous is taken by Oliver Bullock in *Butler to the World: How Britain Became the Servant of Tycoons, Tax Dodgers, Kleptocrats and Criminals*, his polemic take on how the country deployed its

FT To view the awards in full, please visit: [ft.com/sites/business-book-award/](http://ft.com/sites/business-book-award/)

post-imperial institutions into the service of the corrupt super-rich. Bullock's richly colourful contention is that London not only launders the dirty money of bad people, but also enables them to dodge the rules and make more of it. The central tale of *Dead in the Water: Murder and Fraud in the World's Most Secretive Industry*, by Matthew Campbell and Kit Chellel, also takes place in London, as a fascinating court battle unfolds over what happened to the brilliant Virtuoso, a tanker attacked by armed men and set on fire just off Aden in Yemen in 2011. In what is more than a simple whodunnit, Campbell and Chellel use the emerging courtroom revelations of fraud and unsolved murder to shed light on the role of the UK in shipping finance. Finally, Gaia Vince's soon to be published *Nomad Century: How to Survive the Climate Upheaval* paints a bleak picture of encroaching disaster due to unavoidable climate change, but also outlines radical solutions involving migration to the further northern and southern reaches of the globe. Vince lays out how governments, businesses, and individuals can — and must — prepare for this "species emergency", if they are to lay the foundations for the eventual recovery of the planet. Additional research by Lily Willis The winner of the £30,000 prize will be the book that offers the "most compelling and enjoyable insight" into business issues. The shortlisted titles will each receive £10,000. The shortlist of 16 titles will be announced live, via Twitter, on September 22. The winner of the award, and the winner of the £15,000 Tracken Bower Prize (for business book proposals by an author aged under 35) will be announced on December 5. Read more about the award at [www.ft.com/bookaward](http://www.ft.com/bookaward). Consult a complete interactive list of all the books longlisted since the award began in 2005 at <http://ft.com/sites/business-book-award/>.



The Henry Mance Interview

# ‘What I won’t allow is the unravelling of the Good Friday Agreement’

Michelle O’Neill

Northern Ireland’s would-be first minister is frustrated by political stalemate but has one consolation – her goal of Irish reunification is becoming more likely



Charles McQuillan/FT

Michelle O’Neill is trying to lead an administrative region that she does not want to exist, and whose official name she rarely uses. It’s not easy. It’s not enough that her party, Sinn Féin, won the most votes in Northern Ireland’s elections in May, a historic result for nationalists. “The North, designed with an inbuilt political unionist majority – that’s gone,” as she puts it. By law O’Neill still needs the largest unionist party, the Democratic Unionists, to agree to form an executive. The DUP, however, is boycotting in protest at the custom checks imposed by the Brexit protocol.

So having promised to be a “first minister for all”, O’Neill is not first minister at all. Her first 100 days since electoral triumph have been a non-event. Sitting in the Stormont assembly building, whose grandeur belies its underuse, she says matter-of-factly: “In many ways it’s frustrating.” And it could soon be much more frustrating: both Liz Truss and Rishi Sunak are committed, if they become UK prime minister, to tearing up the protocol, which gives Northern Ireland privileged access to both the British and EU markets. The region, which has been growing faster than anywhere else in the UK except London, would suffer the brunt of any trade war. We could “end up out of the single market”, complains O’Neill. “We’re suspended in a state of uncertainty.”

Yet she sees one large consolation: that her goal of Irish reunification is becoming more likely. “Brexit has been a catalyst for constitutional change, because of the actions of this Tory government... There’s a conversation afoot that hasn’t been witnessed

The North, designed with an inbuilt political unionist majority – that’s gone

before.” A majority of Northern Irish voters opposed Brexit in 2016. A majority now supports the protocol. Their views have been overridden.

O’Neill promises a referendum on Irish unity by 2032: “We definitely think we’ll be having this vote in the next 10 years.” She also insists Sinn Féin is less focused on a date than in planning for what a unified Ireland would look like. The future of Northern Ireland, an afterthought for the Leave campaign, could yet be one of Brexit’s biggest legacies.

O’Neill is the personable – critics would say sanitised – face of Sinn Féin. She is not former leader Gerry Adams or her political mentor, the late Martin McGuinness (ex-deputy first minister and Irish Republican Army commander). Although her father and uncle joined the IRA, she was too young to consider armed struggle. Her backstory inspires sympathy: she became pregnant as a teenager and endured teachers’ disdain; she gave birth, went into intensive care with pre-eclampsia and sat a GCSE exam a week later.

She was 21 when the Good Friday Agreement was signed; now 45 and living near Coalisland in Mid Ulster, with two grown-up children and herself not a regular mass-goer, she is a bridge from the cohort of armed struggle to today’s socially liberal consensus.

In person, she strikes a neat balance between being ideological and inoffensive. The only time her demeanour slips is when I ask about her attendance at the funeral of former IRA leader Bobby Storey in mid-2020. She has apologised for any harm caused but not for going per se. Would she go to another IRA funeral? She grimaces. “I think that’s a bit of a – you know, it’s two years past. We were coming out of very difficult times and I hope that we’re never in that kind of scenario again.” So she wouldn’t rule out going to another IRA funeral? “Ah, seriously, I think that’s a bit off,” she cuts in, visibly irritated.

Her irritation reflects her challenge. To make reunification a reality, O’Neill must win over those from a unionist background, or at least assuage them that she is no threat. Instead this month she outraged many by saying that there was once “no alternative” to IRA violence. “I have to find ways in which to ensure that those of a British identity feel protected. Is it going to be smooth? No, of course not.”

For many in Westminster, ripping up the Northern Ireland protocol would be a shocking break with the UK’s history of respecting the law. For O’Neill, the British government has never been trustworthy. She cites a proposed amnesty over crimes committed during the Troubles: “to cover up the fact that they killed our citizens... These people have form.”

She is happy for wrinkles in the protocol to be “ironed out”. “The EU have said they’ll reduce checks and paperwork by 80 per cent. We should just take that with both arms.” But unionist demands that the protocol must have their “consent” are spurious, she says. “The rest of us objected to Brexit, but it’s still been foisted upon us. The principle of consent is about constitutional change only, it’s not about Brexit.”

O’Neill’s fortune as a politician has been to coincide with flux. Northern Ireland was created to have a Protestant majority, but in 2017 unionists lost their majority in the Assembly for the first time. Later this year, census results are expected to show that Catholics outnumber Protestants. “The DUP is hiding behind the protocol [not to enter government]... The balance of power has shifted here. The DUP are using the protocol as a proxy because of all those other, bigger political shifts,” says O’Neill. (Her elevation to first minister would be largely symbolic, having the same powers as her previous role as deputy first minister.)

If no government is formed by mid-October, there should by law be another election by mid-January. “Do I have any confidence that the secretary of state [for Northern Ireland], whoever that may be, will call an election? No, I don’t, because these are people who continually find ways to go around the law.”

This is not Stormont’s first stalemate; the last one was precipitated by Sinn Féin. Does the Good Friday Agreement itself need reform, so that the executive can function even when one major party boycotts? O’Neill pushes back.

“You have to realise where we’ve come from... the nature of this place, the fact that it discriminated against people from the nationalist background. All those checks and balances are necessary.”

“The Tory government are attacking the Good Friday Agreement at every turn. Whenever your agreement is under attack, you have to be very, very mindful of opening up the door to changes that could help it unravel. When you pull a thread, sometimes you can unravel the whole thing. What I won’t allow is the unravelling of the Good Friday Agreement.”

After all, it’s the Good Friday Agreement that provides for a poll on reunification, when the British government judges that a majority would vote in

I have to find ways in which to ensure that those of a British identity feel protected

favour. O’Neill insists the ground needs to be laid first: “Brexit’s a good case in point as to how not to do a referendum. What does the health service look like, what does education look like, in an all-Ireland context? Our focus is on the Irish government and the fact that they need to plan for constitutional change.”

The other dynamic in Northern Irish politics is the rise of the Alliance party, which has no fixed position on Irish reunification. That bloc, made up largely of voters from a unionist background, is key to O’Neill’s ambitions. “Those are people who have said they are open to being convinced.”

Yet if most unionists cannot accept the protocol, it’s hard to see that they could reconcile themselves to Irish reunification. O’Neill insists that constitutional change would not challenge people’s identity, or their equality under the law. “I, as a nationalist, as a republican, would never want to repeat what was done to the community that I come from.”

What concretely could she offer? Could a reunited Ireland, for example, have a new flag that recognises British identity? “My perspective is that the [Ireland] flag is fine as it is: it represents both traditions. Let’s have that conversation.” Could it be a member of the Commonwealth? “Again, everyone comes with their own perspective... I think you can convince people of something better by your every word, by your deeds, by how you govern.”

Sinn Féin has governed, together with the DUP, in fits and starts since 2007, including during the renewable heating initiative, a farcically designed subsidy scheme. Does O’Neill take any blame for the scheme? She does not. “The

DUP brought it about, they designed it.” But Sinn Féin lobbied for a delay in the closure of the scheme once flaws were found. O’Neill disagrees.

Does she support UK policy on Ukraine? “Of course.” So does she support increasing military spending to pay for it? “We encourage dialogue in all these things. We take a very different approach obviously in terms of being militarily neutral, but not politically

neutral. We support refugees here, thankfully.” President Volodymyr Zelenskyy would not be enthused.

Only one-third of Northern Ireland adults say they would vote for a united Ireland tomorrow. Many citizens of the Republic of Ireland have their doubts.

A Labour government in Westminster, which treats the nationalist community like less of an afterthought, could change the dynamic too. The

example of Scotland is that you can come to the brink of constitutional revolution, without quite being able to cross it.

I ask O’Neill if she is ready for reunification to take 30 or 40 years – beyond her own political career? She is once again both undramatic and determined. “It will take as long as it takes. I’m a committed Irish republican. I’m not going to give up.”

FT FINANCIAL TIMES

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On the spot

- **Political hero?** Martin McGuinness
- **Hardest thing you’ve done to reach across divides?** I don’t find anything I’ve done to be particularly difficult. I think sometimes things can be a bit challenging.
- **Will Prince Charles be a good king?** That’ll be for the people of Britain to decide.
- **Beach reading?** Something that doesn’t require too much thinking.



ARTS

# Forrest Gump becomes an innocent abroad

Aamir Khan is the star and producer of *Laal Singh Chaddha*, a Hindi adaptation of the 1994 hit movie. He talks to Nirpal Dhaliwal



"I'm in the middle of a storm," says actor Aamir Khan over Zoom from Mumbai in early August. He is taking a break from a visual effects studio where he is applying the final touches to his latest movie, *Laal Singh Chaddha*, with only two days to deliver the finished product. "I work for 36 hours, then I sleep for a couple of hours, then I continue." His work paid off: the film opened last week, in time for India's 75th Independence Day today.

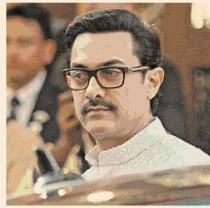
The movie is a Hindi adaptation of the Oscar-winning 1994 Hollywood hit *Forrest Gump*. "I am very nervous," says the 57-year-old about the release (which he is also producing) — it will compete head-on with megastar Akshay Kumar's family comedy *Raksha Bandhan* (*Bond of Protection*) at the holiday box office. "We want to see how close we have come to what we had in mind when we started the process, when we just had a script in front of us."

As in the original, which starred Tom Hanks, Laal Singh Chaddha (played by Khan) is a big-hearted, dim-witted man who bumbles through history, inadvertently affecting pivotal moments while accumulating fame and honours along the way. Khan is incorporated into archive footage in a faithful Indian rendition of the US blockbuster that recycles most of the key plot points, including the childhood leg-braces and the bearded, bedraggled protagonist's eventual marathon run across the country.

Laal provides a humane if empty-headed constant amid the cultural and political tumult of the 1980s and 1990s, during which India experienced the assassinations of two leading political figures, mountain warfare, sectarian pogroms and headlong economic liberalisation.

"We've tried our best to handle it in a very sensitive way," says Khan. "Like the original, Laal doesn't comment on any of the incidents. The film just shows you what happened... What I liked about the original and want people in India to experience is the innocence of the character. He's a hero who doesn't beat up people. He's not fighting for any strong convictions either. He's just a very innocent guy."

Laal is a Sikh — a small but well-recognised religious minority, comprising nearly 2 per cent of India's population — who ultimately grows the beard and wears the turban his faith prescribes. Khan, who is Muslim, says the fact that



Top: 'Laal Singh Chaddha', starring Aamir Khan, above

Chaddha is Sikh "really worked for me" as a figure who could appeal to all Indians. Throughout his career Khan has played characters from communities other than his own and has been accepted by audiences. "I didn't know that," he says when told of the controversy that can surround such cross-cultural casting in the west. "An actor should be able to play multiple roles and different kinds of characters... That's never been an issue in India."

Against a backdrop of rising Hindu nationalism, Khan has been a vocal critic of religious intolerance, making enemies in process — the hashtag #BoycottLaalSinghChaddha has trended on Twitter — though his tone has always been conciliatory and he has met with Modi. "Very inclusive" is how Khan describes the film.

"The story calls out for that. When he runs across the country, all of us felt that was a great opportunity to showcase what our country looks like, show its beauty and its different terrains and different cultures."

The film's biggest departure from the American original involves the female lead. Unlike Jenny, the flower-powered, free-loving drug addict who ends up sick with what is strongly implied to be HIV/AIDS, Rupa (played by Kareena Kapoor) enjoys a much easier ride, though not without problems as she is embroiled in the mobster-ridden Bollywood of the 1990s. "The hippy culture doesn't exist in India," says Khan. "We adapted her to our reality and what happens over here."

Khan began his acting career in the mid-1980s and has written, directed,

produced and starred in many of India's biggest movies, including 2001's Oscar-nominated *Lagaan* (*Tax*). He was the first Indian actor to star in three films grossing more than \$100m each, and his 2016 movie *Dangal* (*Wrestling Contest*), a sports biopic co-produced with Disney, is the highest-earning Indian movie of all time. Khan is also a pan-Asian superstar, whose films have taken well above \$350m at the Chinese box office alone, where he has been a hit since his role in the 2009 campus comedy *3 Idiots*, the film credited with opening up China to Bollywood cinema.

Despite political tensions between India and China, Khan has been honoured by the Chinese government as a National Treasure of India. "The people

of China are quite close to how Indians are. The social issues are very similar," he says. "The family dynamic in India is very similar to the family dynamic in China... For Indians sacrifice is important. Often you will find people sacrificing their own lives for the rest of the family, for their children or to give an education to the younger siblings." In Khan's roles, whether the obsessive wrestling-coach father in *Dangal* or the striving underdog in *3 Idiots*, sacrifice is a central theme.

Clearly he has a savvy eye for a project, so what made him take on a remake of *Forrest Gump*? Khan says he was talking about films one evening with Atul Kulkarni, a friend and fellow actor, and Kulkarni asked Khan what his favourites were. "I said, 'One happens to be *Forrest Gump*.' Two weeks later he said, 'I've written an adaptation'... Initially, I didn't take him too seriously because he's never written before, and *Forrest Gump* is such a classic anyone would hesitate to even think of making an adaptation." But two years later, once he'd read the script read

"He's a hero who doesn't beat up people. He's not fighting for any strong convictions either"

aloud, "that's when I fell in love and realised I really need to do this."

*Laal Singh Chaddha* is getting international distribution, including a saturation release in 350 UK cinemas, a testament to Khan's broad appeal. "Movies and sports are the two things that really break down barriers," he says. "I connect to people when I watch sports, it doesn't matter which country he or she is from... With films you have the same. It's a human story you are reacting to, it doesn't matter which country it's coming from. The creative arts and sports have this ability to cross over and create connections which work across boundaries."

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Aamir Khan with Kareena Kapoor in 'Laal Singh Chaddha'

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AND MANY MORE...

## Chronicles of Kabul's chaotic fall

PODCASTS

Fiona Sturges



The podcast goes on to follow Sherbano and other Afghans after their arrival in the UK. Most arrived with few or no possessions and spent months in hotels, often with whole families living in a single room. While we hear from local officials charged with the task of helping refugees find work and housing, the bulk of the contributions come from the families themselves. The result is a series that offers a nuanced picture of what it is to leave your home and start over in a new country in just the clothes you stand upon.

The PRX/Project Brazen series *Kabul Falling*, hosted by the Afghan-British journalist Neelufar Hedayat, goes deeper into the chaos at Kabul airport and the days and weeks that followed, offering first-hand accounts from Afghans, among them journalists and former employees of US and Nato forces, who, having been promised safe passage, were turned away. One woman describes

being sexually assaulted in the crowd, while a man recalls standing with his family in a stream of sewage while trying to show soldiers his papers.

The detail here is remarkable: we hear about the WhatsApp conversations with outside contacts trying to assist those fleeing; the whispered exchanges between husbands and wives shielding their children from their anxiety; the hazardous car journeys through checkpoints; the chilling doorstep encounters with the Taliban.

A former US contractor named Tariq makes a four-hour trip on foot across Kabul to collect his son from kindergarten after the teachers abandoned their posts — a journey that becomes a terrifying odyssey. By the time he arrived, with his feet bleeding into his sandals, and was reunited with his son, it was a weeping mess.

[podcasts.apple.com/kabulfalling.com](https://podcasts.apple.com/kabulfalling.com)







In advance and who was given instructions to go with her daughter and nephew to the airport. Her recollections of moving through the crush over several days, without food or water and enduring searing heat in the day and freezing temperatures at night, make for tough listening.



Displaced Afghans head into Kabul in August 2021 — Paula Bronstein/Getty

FT BIG READ. MEDICAL SCIENCE

New technology involving miniature human organs built in a lab is a step towards better treatments and ending a contentious practice. But most organoids have yet to be used to test drugs' safety.

By Clive Cookson, Hannah Kuchler and Joe Miller

A world without animal testing

Alex Blyth thought his company had a genius strategy to reinvent cancer treatment. By examining the immunity of the lucky few who had no family history of the disease, Lift Biosciences discovered a potential treatment to destroy tumours for everyone else. Then the cell therapy hit a snag: it did not work when tested on mice.

The bad news came just as Blyth was about to sign a £20m-plus fundraising round for his Cambridge-based biotech. Investors were shaken by the poor data from the pre-clinical study and, suddenly, he could only raise £5m, at a lower valuation.

But Lift's chief scientist Oxana Polyakova turned to a novel technology that replicates a miniature human tumour in a dish: a tumouroid. When used on the cancer, Blyth says, to the point where a patient would have been in complete remission.

"It showed we had something that really worked. Investors were thrilled: they had just come in at the lower round," he says. "I wasn't so thrilled." Blyth felt obliged to rely on the traditional way of testing a drug on animals to persuade regulators to let him begin a human trial of the innovative therapy. But the mice's white blood cells ate the therapy, so it never had a chance to work, while the therapy could signal to the human white blood cells not to touch it. "The mouse doesn't recognise that human language," he says.

Animal experiments have long been the only permissible way to test whether a drug is safe and effective before giving it to people at the clinical trial stage. But their patchy reliability is shown by the industry's poor productivity rate: many drugs that are effective in mice don't work well in humans and vice versa. In cancer, the statistics are particularly stark: studies have shown tumouroids are about 80 per cent predictive of how effective a drug will be, far surpassing the average 8 per cent accuracy rate in animal models.

As scientists learn better how human biology works, they are coming to understand the unreliability of animal models. The search for alternatives has accelerated because innovative therapies, based on human genes and cells or even personalised for patients, may not work in animals at all.

At the same time, researchers in universities and industry remain under pressure from animal rights activists. "They are not as vocal and aggressive in their tone today as some antivivisectionists were 20 years ago but some of the language used is still very emotive," says Anthony Holmes, science and technology director of NC3Rs, the UK's National Centre for the Replacement, Refinement and Reduction of Animals in Research.

While there are no reliable figures for most of the world on animal testing and experiments, estimates suggest the global total is more than 100m, with little change in recent years, says Kerry Postlethwaite, regulatory affairs director at the pressure group Cruelty Free International.

European countries do publish detailed statistics and in the UK, researchers carried out 3.06m procedures on animals in 2021, up 6 per cent on 2020, though well below the peak of 4.14m reached in 2015.

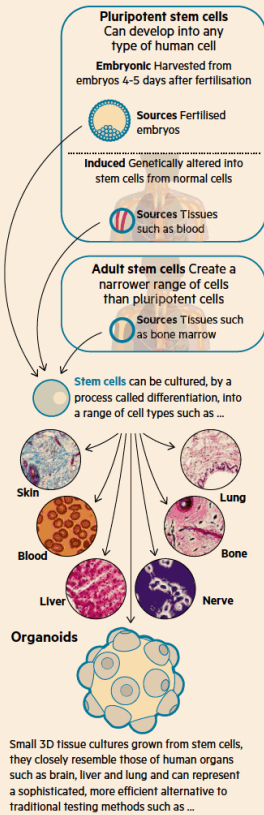
Academics and pharmaceutical companies hope that technology based on human cells will help them phase mice and monkeys out of their labs.

Scientific milestone

The umbrella term for the new field is microphysiological systems, or MPS, which includes tumouroids, organoids and organs-on-a-chip.

Organoids are grown from stem cells

Stem cell types



Small 3D tissue cultures grown from stem cells, they closely resemble those of human organs such as brain, liver and lung and can represent a sophisticated, more efficient alternative to traditional testing methods such as ... 2D cell cultures ... or animal testing

Graphics: Ian Bott Sources: HSCJ, Nature; Mayo Clinic; NCBI; FT research

'We're not just talking about replacing animals or reducing animals, these systems fill a void where animal models don't exist'

James Hickman, chief scientist at organ-on-a-chip group Hesperos, says human tissue models are especially useful for finding

scientists and regulators to use them. "When we started we had to tell people what organoids were," she says, referring to the early stage of her research journey.

In the past two years, and particularly as scientists emerged from lockdowns — when many had time to read up on the technology — demand from large pharmaceutical companies for Sun's products has soared, she says.

Companies are becoming more interested in reducing their reliance on animal models for ethical reasons, says Arron Tolley, chief executive of Aptamer Group, which creates artificial antibodies for use in diagnostics and drugs.

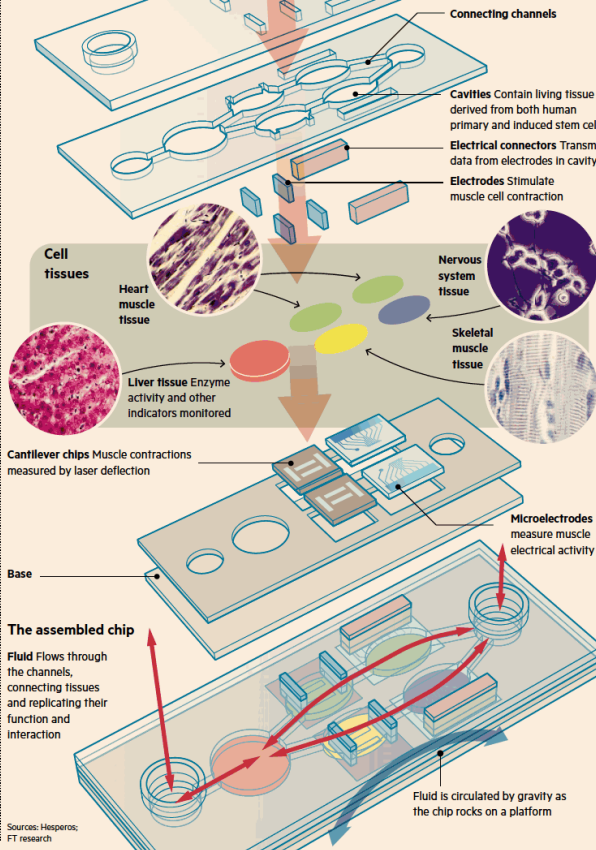
"People are becoming more responsible now, from a corporate governance point of view, and looking to remove animal testing when necessary," he says.

Using larger animals, such as monkeys, is particularly problematic, Tolley adds. "The bigger and cuter they get, the more people are aware of the impact."

Rare diseases are especially fertile ground for models based on human tissues, says James Hickman, chief scientist at Hesperos, an organ-on-a-chip company based in Florida. "There are 7,000 rare diseases and only 400 are being actively researched because there are no animal models," Hickman says. "We're not just talking about replacing

Organs-on-a-chip

A method for replicating human tissue operation. A typical chip consists of: Ports Allow fluid circulation and introduction of drugs and other elements to the system



Sources: Hesperos; FT research

This company recently helped French pharmaceutical group Sanofi receive approval from the US Food and Drug Administration for a clinical trial to extend approval of an existing drug to a new disease, a rare autoimmune condition, chronic inflammatory demyelinating polyneuropathy, or CIDP, on the basis of organ chip data alone. CIDP causes muscle weakness that impairs walking and hand function.

Hesperos made a tissue chip with two cell types derived from patients' stem cells, motor neurons and Schwann cells, which represent the functional characteristics of CIDP. When Sanofi's antibody drug was applied to the chip, it restored neuronal function, enabling a clinical trial to go ahead.

"An important milestone has been reached," says Thomas Hartung, head of the Center for Alternatives to Animal Testing at Johns Hopkins University in Baltimore. "The first drug has entered clinical trials based only on data produced from organs-on-a-chip."

The industry is attracted by the potential to cut wasted R&D spending. Mark Treheme, a research scientist and biotech executive, says that within five years the technologies could have a huge impact on productivity, allowing the industry to test many more potential drugs and "sort the chaff from the

more doubts about how similar people are to the animals we test on.

"We now understand with all this information in humans that quite often the animal model is not pharmacologically relevant," he says, meaning it does not show which drugs will work in people.

AstraZeneca is using simple organoids, such as one for bone marrow now, and working on longer-term projects to develop organoids that are more complex. These will be used for predicting how safe a drug will be in the brain or kidneys, or creating a model of the immune system.

But organoids are not ready to represent complex neural networks, says Maria Leptin, the biologist who leads the European Research Council. "You cannot study the function of the brain and its interconnections, even though you can grow brain organoids," she says. "It will be a long time before questions that require organ interactions or perception can be studied in this way."

German pharma group Merck decided in 2020 to phase out animal testing, although it has not set a deadline for completion. All teams developing new drugs must present alternatives to animal experiments where possible, and the company is already making limited use of organoids, tumouroids and

drugs before administering a new compound to humans. "That is really the Holy Grail," he says.

Swiss drugmaker Roche is also investing heavily in new tools to reduce reliance on animal testing. In the long run, Roche hopes to create a model of Alzheimer's disease and all the key cell types that are involved in immune regulation in cancer.

Matthias Lutolf, scientific director at Roche's Institute for Translational Bioengineering, warns that animals will remain central for some time. "We're still working very hard to mimic organ-level complexity and function. Then you add the other layers of the organism — multiple organs that interact like the gut-brain axis," he says. "This will be the long-term effort of the entire field."

Question of safety

The most important reason to test drugs on animals is to ensure they are safe — and it will take a lot of data to convince regulators to use human technology instead.

"It is important to realise that it's going to take longer for safety than for efficacy but we are on that path," says Hickman of Hesperos. "The last test that's going to go is systemic toxicity [which measures toxic effects on the whole body]. Now, the FDA requires a small animal model and two large animal models for safety. What we're trying to do is replace one of the large animal models with one of these systems."

But the field of toxicology is also changing. When Platz started work in the late 1990s, toxicologists were doing basic calculations based on adjusting for body weight, exposure to the drug and tracking changes in organs. Now, the discussions are focused on the level of each molecule, how it is distributed in the body and whether it could bind to places where it is not wanted.

This creates more data for new algorithms searching for reasons why a drug might not work. By using modelling and artificial intelligence, AstraZeneca has cut its failure rate in the first stage of human trials dramatically. In 2011, 30 per cent of drugs failed in phase 1 on safety grounds but, in the past seven years, none have.

Only a few of the most advanced organoids have been used in safety testing — and then in narrow circumstances. AstraZeneca has made most progress replicating bone marrow in the lab, validating it with human and animal data.

For example, when researchers were testing a potential new cancer drug in combination with an existing leukaemia treatment, they wanted to understand whether giving both together would cause problematic side-effects. Tests on bone marrow organoids showed they needed to give the drugs a week apart. This sped up the process by many months — and meant fewer animals were used.

Regulators are learning more about how organoids work and how to compare them with their animal alternatives. The FDA has been able to use its own labs to explore the technologies in-house, helped by the US National Institutes of Health, which has been working for 10 years on tissue chips.

The US regulator is so committed to advancing the field that its employees made up about a tenth of the attendees at the first World Summit on Microphysiological Systems, held at the end of May in New Orleans, according to Hartung, one of the organisers.

Industry insiders predict it could take a couple of decades or more to ditch the mouse. Indeed, Holmes does not believe there will be complete replacement in his lifetime. "These systems face several barriers to adoption," he says. "There are issues of validation and a lack of standards that need to be addressed. But organisations like NC3Rs are work-

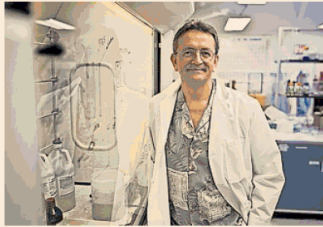


to create 3D tissue in a dish resembling miniature human organs; heart organoids beat like the real thing, for example. Organs-on-a-chip are plastic blocks lined with stem cells and a circuit that stimulates the mechanics of an organ.

"We need to move away from animals in a systematic way," says Salim Abdo Karim, South Africa's leading infectious disease expert. "That... involves regulators being given the data to show that non-animal biological systems will give us compatible, if not better, information."

Nathalie Brandenburg co-founded Swiss start-up Sun Bioscience in 2016 to create standard versions of organoids, which makes it easier to trust that results are comparable, and convince

treatments for rare diseases



animals or reducing animals, these systems fill a void where animal models don't exist."

what:

"By enabling real biological tests far earlier in the drug discovery process, you could get to a position where instead of writing off 90 per cent of R&D, you could write off 50 per cent, which would be transformational for profitability initially and, downstream, the cost of therapies," he says.

**Holy Grail**

Stefan Platz, the senior vice-president of clinical pharmacology and safety sciences at AstraZeneca, is keen to stress that animal models have saved millions of lives. But in the past four or five years, scientists' growing ability to interpret human genomes and to study deep data on areas such as proteins have raised

organs-on-a-chip, as well as animal and human tissue to test the effect of compounds on cartilage.

To begin modelling more extensive human systems, Merck is collaborating with Israeli start-up Quris, which is experimenting with predictive AI technology called "patients-on-a-chip".

The companies "are actually simulating the patient, not just the key organs on a chip", says Danny Bar-Zohar, Merck's global head of healthcare R&D. This allows them to assess "what will be the impact of this small molecule - if it is metabolised in the liver and after it crosses the blood-brain barrier and gets into the brain".

The method could also allow Merck to test interactions between dozens of

"It is important to realise that it's going to take longer for safety than for efficacy but we are on that path"

ing alongside researchers, industry and regulators to accelerate their adoption where there is scientific evidence to support it."

One hurdle, according to Bar-Zohar of Merck, will be to persuade the medical community to rely on data gathered without animal experiments. "Convincing physicians that you can start a clinical trial on your patients... based on data that came from a chip, we won't be able to do that overnight," he says.

"I don't anticipate we'll be relying completely on alternative technologies any time soon," agrees Abdo Karim, "but if we don't make those baby steps now, we'll never get to the point of phasing out animals altogether."

The FT View



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

ft.com/opinion

Let the wheels of American justice turn for Trump

*Former president should be held to account under the law if the case merits it*

There has been some suggestion that the US judicial system should rein back its investigations of Donald Trump, or drop them altogether. American social peace, they argue, is more precious than the blind pursuit of justice. If the price of stability is forbearance, so be it.

Thankfully, Merrick Garland, the US attorney-general, took an oath to the US constitution, not to the roulette wheel of political risk forecasting. It is entirely plausible that the US Department of Justice's probes, which stepped up last week with the FBI raid on Mar-a-Lago, Trump's Florida residence, could result in his indictment.

The same applies to other criminal investigations of the former president by attorneys in New York, Atlanta and Washington DC. It is also conceivable

that any one of these, or the methods of the investigators themselves, could spark revenge violence by Trump supporters. Trump is already using the trope of his persecution to shore up his 2024 electoral fortunes. These are the possibly unavoidable side-effects of the pursuit of justice. It would send a terrible signal were America's legal system to cave in to intimidation or fear of unintended consequences.

One of the more outlandish smears against Garland is that he is the spear of a revenge operation by the US deep state on behalf of President Joe Biden. There is not a jot of evidence for this conspiracy theory. Garland has gone out of his way to restore the DOJ's independence from political interference - a principle on which Biden campaigned.

There is no reason to disbelieve the White House's statement that it was not informed in advance of the FBI raid. Garland only broke the DOJ's traditional silence on the investigation last week because Trump had publicised the FBI

search and badly mischaracterised it. There is no evidence that material was planted at Mar-a-Lago.

Moreover, reliably pro-Trump media figures had endangered the lives of federal agents by comparing them to the Gestapo. Garland had little choice but to present the DOJ's side of the story and call on Trump to permit the release of the warrant that enabled the raid.

It turns out that Trump had indeed retained troves of highly classified and top-secret material at Mar-a-Lago, which posed a national security risk and was in potential violation of America's Espionage Act. We know little of Trump's motives for why he took the material and what he intended to do with it. It would be irresponsible to speculate.

It also turns out that Trump had failed to comply with a grand jury subpoena issued several weeks ago to hand over the documents. This could have been resolved without publicity. Last week's raid was a final resort.

It is hard to believe that a figure as cautious as Garland would have approved such a momentous step unless he suspected the alleged crimes were serious

So where does the Trump investigation drama go from here? There are two possibilities. The first is that this particular investigation peters out. This now seems less likely than the second, which is that there will be sufficient evidence to indict Trump for breaking federal laws. Of course, the DOJ could still decide not to make that unprecedented move. But it is hard to believe that a figure as cautious as Garland would have approved such a momentous step unless he suspected the alleged crimes were serious.

Either way, the US is in for a very bumpy ride. The pressure on the attorney-general to call off the hunt, or to pull back at the last minute, is likely to intensify. Biden will feel it too. The justice department's ultimate determination should be based solely on the weight of evidence and the rule of law. The strength of a liberal democracy is measured by the independence of its institutions. The world is watching how America's hold up.

Opinion SoftBank CEO

Son sounds a warning for vision-peddlers

Maria Hergueta



**Leo Lewis**

The most disconcerting thing about Masayoshi Son at the announcement of SoftBank's quarterly results was not the record-breaking \$23bn loss, the promise of ferocious cost-cutting or even, two days later, the historic sell-down of the company's stake in Alibaba.

It was how much he looks and sounds like the 65-year-old chief executive of a Japanese company: a conservative cash-hoarder in full protective mode, wary of the future and wearily trimming dreams to reflect the here and now.

Over the years, with rocket-fuel panache and confidence, Son the transformational dealmaker and Vision Fund founder has done everything to avoid this perception. When set against almost every other large Japanese company, he has been more aggressive in his bets, more creative in his use of debt and more committed to

questions by referring to SoftBank's "defensive mode" and its emphasis on piling up and retaining cash. Parts of the company's vast debt will naturally mature, he noted, and be paid down during this phase. Overprotectiveness, he said in a striking break with the image he has fought so hard to sell, is an accusation worth wearing to ensure survival. If, as some suspect, this is all rather more of an act than a true change of character, it is an impressive bit of misdirection.

"It's definitely heavy rain," concluded Son, every bit the dispirited unicorn-hunter. "How deeply will the rain damage our asset value? We don't know. Therefore, we cannot take too much risk."

Defence. Survival. Cash. Indefinite risk aversion. The problem with these words, when spoken by a Japanese CEO, is not their necessity in the face of clear and present danger. Although he provided reassurances that his vision remained unchanged, Son knows better than anyone the direness of the situation his mighty Vision Fund technology portfolios are now in, and how extensively global events and markets could continue to annihilate fortunes. He highlighted China, where SoftBank still sees big opportunity but has been forced by a variety of factors to turn particularly cautious.

The problem, as great swaths of corporate Japan have spent decades demonstrating to the fundamental cost of innovation, entrepreneurialism and the broader economy, is that defensiveness and cash-hoarding can become unshakably addictive in the longer term. For many, the collapse of the 1980s bubble was the crisis that started the habit; for others it was the financial crisis of 1997 or 2008. The current "correction" could well take

We will soon see a tug of war between his addiction to risk and that of Japan to its avoidance

selling investors on the idea that his Big Picture is the biggest and most picturesque in the market.

Son, uniquely for Japan, had the knack of turning vision into an asset class. The question he will have to

Letters

It's too late to be tinkering over climate policy

I have read again and again recently that we must adapt to climate change (Report, August 8).

But adaptation is not the most important action and there is no guarantee that we can adapt.

Stopping burning fossil fuels is the most important action plan needed, as quickly as possible, even if it means rationing power. That is what should be at the heart of every government decision and it needs a global effort.

Why? Because it is not just us who have to adapt, it is every element of our

living ecosystem which has to adjust.

None of it evolved to live in the sort of climate that we have already built. It evolved to cope with temperatures governed by CO<sub>2</sub> at less than 300 parts per million. We are at 416 and rising.

We need our ecosystem. It provides the oxygen we breathe. It provides the food we eat. It helps mitigate adverse weather. It's an intrinsic part of the water cycle helping provide rain into the heart of continents.

We do not even know what temperature we are adapting to if we

do not get control of the problem. Is it 1.5 degrees (likely missed that), 2.5 degrees (looking dubious), 4 degrees (quite possible)? So what infrastructure should be built to cope with which temperature?

You can tinker around the edges, but we are not doing well with just 1.2 degrees of temperature increase and yet our leaders still think we should be fracking for gas and opening coal mines. Madness.

Lesley Ellis  
Cull, Aberdeenshire, UK

Some sobering thoughts on prospects for growth

The recent warning by the governor of the Bank of England about where the economy is heading is alarming, but not alarming enough ("BoE delivers shock with pessimistic outlook", Report, August 5).

Like both candidates in the contest for Conservative leader and the Labour leader, Andrew Bailey has joined the chorus of conventional economists, businessmen and pundits saying that the solution to the present crisis is a return to growth. What do they inhabit?

Growth - endlessly increasing consumption - is what has brought the world to its present unsustainable state. Going for more of the same surely qualifies for Einstein's definition of madness.

It is clear from what is going on around the world that the Earth is barely able to sustain the present level of consumption, let alone more - especially with a population set to grow from the present 8bn to 11bn by the next century.

Anyone who thinks the Earth can support a population of that size with a level of consumption anywhere near that prevailing in the most prosperous countries is living in cloud cuckoo land. Global warming and its consequences make it impossible. And if we don't stop it the Earth will - with fire, flood and famine, mass migration, pestilence and war.

Like it or not, the economic order based on endless growth that has prevailed since the industrial revolution has run its course.

The future is more likely to be one of contraction than growth. If not the upcoming recession, then the next one or the one after that is likely to be permanent



Champion: Australia's Margaret Court won 24 Grand Slam singles titles

vulnerable, while allowing increasing prices to reduce energy use and make investment in energy-saving measures more worthwhile.

And instead of a windfall tax, a better idea would be to sequester excess fossil fuel profits into a fund to which households could apply for loans or grants to support installing energy-saving equipment such as insulation, heat pumps, solar panels or electric vehicle chargers.

Robin Cooke-Hurle  
London SW11, UK

Why Mandelson's warning has a touch of Machiavelli

Your online headline "Gutsy" Liz Truss is a potential nightmare for Labour, say party strategists" (Report, August 12) was wonderfully naive. Surely the boost for Truss offered by Peter Mandelson and other Labour bludge-

Washington's aim is to exploit Beijing's missteps

Regarding your Big Read ("Squeezing Taiwan", August 6), US House Speaker Nancy Pelosi defied warnings and proceeded with the trip for strategic considerations. Washington calculated it could not be seen as kowtowing to demands and threats from Beijing, risking creating the perception of weakness and setting precedents for future actions by China.

Pelosi's visit is strategically warranted - although it involves delicate diplomatic and security implications.

Viewed from south-east Asia, it seems consistent with the Biden administration's decision to disregard Beijing's demands and actions in the South China Sea through the continuing execution of the Freedom of Navigation operations.

But China's hard hitting military response designed as a timely distraction from its current internal crises risks backfiring by threatening its future stability.

Washington is relying on exploiting Beijing's missteps, to seize the moral high ground to exert more containment measures on the Xi regime. For Beijing to act dangerously in response to this trip will be seen as an unnecessary escalation and confrontation.

A new spectrum of tactical competition between Beijing and Washington has begun.

Collins Chong Wee Keat  
University of Malaya  
Kuala Lumpur, Malaysia

Here's another task for the Pensions Regulator

Professor David Blake (Letters, July 6) suggests that the Pensions Regulator ought to establish the extent of liability driven investment (LDI) strategies used by pension schemes and the level of leverage deployed.

I agree and would add a further item. Pension trustees have been encouraged to use LDI products to hedge inflation and are told that this is more straightforward than buying index-linked gilts as LDI is readily available and index-linked gilts are in short supply.

If index-linked gilts are in short supply for pension schemes they are in short supply for everyone, including those providing the hedging behind the LDI products. The identities of the ultimate counterparties on these deals remains opaque. As inflation rises, the regulator needs to establish the facts.

Stephen Pugh  
Adviser to the Adams Pension Scheme  
Adams Brewery, Southwold, Suffolk, UK

Recalling the psychologist who invented flow theory

In reference to Jimima Kelly's column "In praise of the bearable lightness of boredom" (Opinion, August 11), the opposite of boredom is that state of full absorption in a task that the late Hungarian-American psychologist, Mihaly Csikszentmihalyi, described as a state of flow. The person is engaged in something challenging enough to consume their attention but not so challenging as to overwhelm them.

It is a paradox. They know they are making the effort required but the activity feels effortless, as if it is unfolding of its own accord and they are riding it like a wave. The person is deeply involved, but not frustrated; engaged, but not spent.

Social media is no substitute. Just another form of channel surfing in front of a TV set. It is seductive because it is easy but in the end it cannot satisfy.

Humans are designed to be craftsmen, not onlookers. And so, Lucy Kellaway ("The anxiety exams", FT Weekend, August 6) is right to encourage her students to stick with honing their skills at the craft that is their schoolwork, both as a mental health measure and so that they keep their future options open.

At the same time, she can remind them that their exams are what they do, not who they are. Exams measure skill, not worth.

Margaret McGee



...THE QUESTION IS WHO WILL HAVE TO answer – on behalf of vision-peddlers around the world – is whether that particular alchemy survives a prolonged tech rout, higher interest rates, inflation and disruption or only ever works in a bull market flooded with cheap cash. These are very early days, but the signs are not good.

Son's presentations, with all their deliberately anti-tradition aplomb, have complemented his efforts to stand apart from the rest of corporate Japan. Any company can stick staccato sales projections on a PowerPoint slide: Son's is the only one that can, to a sage nod from analysts, throw in a telepathic dog or an artist's impression of how we will cuddle one another in the distant future.

But last week's presentations were all mud and no stars. In front of the media, he adopted the agreed choreography of Japanese CEOs in a bind: chastened acknowledgment of previous hubris and a prominent show of batten-down-the-financial-hatches.

To analysts and investors, the message of risk aversion was even stronger. Repeatedly, son answered

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**Energy plan for poorest and most vulnerable**

Less than 12 months ago, at COP26, the UK government stressed the urgent need to reduce fossil fuel use to tackle climate change. Yet today that same government is proposing to subsidise energy use for every UK household, which at the margins is bound to originate from fossil fuels ("Confronting the reality of the UK energy crisis", FT View, August 10).

A much better solution would be a very affordable price cap on the first X kilowatt hours of electricity and Y therms of gas supplied each month for every household, with X and Y set at the usage levels of the poorest 20 per cent of households, and let the market decide the rest.

The effect would be to protect and subsidise the poorest and most

**Way to combat China is to shun its IoT products**

Alexi Drew draws attention to the possibility of making effects of using Chinese products in the Internet of Things ("Chinese technology in the Internet of Things poses a threat to the west", Opinion, August 11).

She suggests that "individuals should educate themselves about how their data can be used".

But surely individuals might also usefully refuse such IoT products as "the smart plug on your coffee machine [that] comes on just before you wake up".

Am I alone in being able to make coffee, turn on lights and draw curtains all by myself?

**Alan Jessop**  
Barnard Castle, Durham, UK

**That lady with those championships**

...that tally largely comprised wins at Second Division level ("Tennis star Williams to retire after US Open", Report, August 10). Your correspondent (and others) make out that Serena Williams has been on a "quest to break Margaret Court's record of 24 career Grand Slam titles", even though Court's were mostly closed amateur and Serena's were all open professional.

Even granting that Court won a bevy of doubles and mixed doubles Grand Slams and sometimes the whole lot in one go (the so-called Grand Slam bag set), Serena does not lack for those, and she adds a bunch of Olympic golds (with her sister Venus), including both singles and doubles at London 2012 at Wimbledon.

And never once was her path to a title cleared, as happened at the onset of the professional era, by all the best players being shunted up to a higher division.

You cannot be serious: Serena stands alone.

**Peter Doyle**  
Washington, DC, US

**Boredom is just as much a problem for the elderly**

If Jimina Kelly elects to write another piece on the subject of boredom, I would strongly urge her to shift attention to those who long ago said farewell to their youth. Says me, who celebrated, with varying degrees of gaiety and regret, my 80th this June. Boredom is no less of a problem for us elderly. Perhaps more so.

**John Starrels**  
Former Senior Staff, IMF  
Cherry Chase, MD, US

**An appreciative reader welcomes Banx's return**

A week of FTs without Banx on the letters page is like a bouquet of beautiful roses with no scent. Thankfully, today's FT (Cartoon, August 9) illustrates the drought is over. Yea.

**William Heck**  
Newton, MA, US

# Opinion

## Chips Act debate shows how far Republicans have moved



A first glance, Republican opposition to the Chips and Science Act, through which Congress approved more than \$70bn in support for the American semiconductor industry and roughly \$200bn for scientific research, appears a straightforward story – of course the GOP resisted "big government" and "picking winners and losers".

But the criticism actually came from the opposite direction. Republicans showed an appetite for intervening in markets, confronting corporations, and unwinding globalisation.

To appreciate how sharply America's economic debate has swerved, one must dive into the legislative details – where plaudits about "strengthening America" and "helping working families" give

way to trade-offs that force the application of abstract principles to decisions.

With Chips, the main argument was over "guardrails". The bill would offer semiconductor manufacturers billions of dollars in grants to build new fabrication plants in the US. But those grants came with strings attached. Any company accepting federal money for an American project had to agree not to make any new high-tech capacity investments in China.

Despite sounding simple, such guardrails have parameters. What counts as "high-tech", and who decides? Should the definition be fixed, or should it evolve? Intel and others, determined to both take federal money and invest aggressively in China, lobbied to weaken the guardrails – and here they served come into view.

Historically, Intel might have expected a sympathetic hearing from Republicans. It is a large corporation seeking to maximise profits and make investments to further that goal. Isn't that the GOP formula for a rising tide that will lift all ships? No longer. When the Democratic majority in the Senate was swayed by chipmakers' advocacy

and modified the bill accordingly, the Republicans were incensed.

Their frustration is expressed in the memo quickly released by the Republican Study Committee, the largest caucus of conservatives in the House of Representatives. Entitled "Chips for China", it warned that "it is especially critical to understand how [the bill] fails to protect US taxpayer dollars intended

**The party's stance evinces a crossing of the Rubicon towards full decoupling from China**

to boost semiconductor production from flowing to China".

Kevin Robet of the Heritage Foundation appeared on Fox Business to decry subsidising "the construction of semiconductor factories in China". But keep the money in America, he told an audience at the Intercollegiate Studies Institute's American Economic Forum later that week, and he would be "all in".

The question is not whether federal spending should go towards construction in China. The Chips Act unambiguously specifies that a company can only receive a grant for a project in the US. The Republican claim is that a company benefiting from a federal programme should not be able to invest in China at all. And if supporting an entity that does business there constitutes "helping China", then everything helps China. By this metric, a tax cut to encourage investment by multinationals is an impermissible pro-China subsidy.

What Republicans are saying is not really specific to Chips – rather, it evinces a crossing of the Rubicon towards full decoupling from China. After all, it hardly makes sense that an American semiconductor company making new, publicly supported investments in the US should be barred from investing in China, while one refusing to invest domestically is free to partner with the Chinese government. The underlying logic of the GOP criticism is that investment in China is not in the American interest and the implication is that federal policy should respond,

paens to "free trade" be damned. Legislation under consideration would restrict investment flows to and from China – for instance, implementing more stringent reviews, limiting Chinese access to US capital markets, and prohibiting the transfer of sensitive technology. But if Republicans don't want intel investing in China, they presumably feel the same about Apple, Tesla, Goldman Sachs, Pfizer – and Harvard. Recent GOP rhetoric suggests they are less interested in subjective standards and reviews than outright bans. If they do well in November's midterms, expect rapid advances in this direction.

A more aggressive industrial policy could also follow. The rationale behind the Chips Act will hold for other critical industries like communications equipment, rare-earth minerals and biopharmaceuticals. Conservative interest in rebuilding America's industrial base may finally be overtaking the free-market fundamentalism that once dominated the centre-right.

*The writer is executive director of American Compass*

## Services will wither unless the UK makes hard tax choices



For more than a decade, the British state has been in retreat. This ragged withdrawal has been unplanned and inconsistent, felt most keenly in the poorest places and by people who lack loud voices. Until this Conservative leadership contest prompted echoes of Margaret Thatcher's call to "roll back the frontiers of the state" among Liz Truss supporters, it has also been largely overlooked.

Local government services, often the area where cuts have the most impact on the ground, receive little attention from decision makers concentrated in the well-resourced capital. Library closures and reduced bus timetables don't dominate Prime Minister's Questions or front pages. Even hungry children needed the celebrity campaigning of Marcus Rashford to be noticed.

Fresh revelations of inadequate policing might make the question of where to set the boundaries more salient. What does the public have a right, even minimally, to expect? The victims commissioner notes that serious crimes, such as rape, are rarely even prosecuted. Last week, the police inspectorate criticised burglaries and robberies routinely going unsolved. Fit a tracker to your car or cameras to your home and provide actionable evidence and they might investigate. If not, case closed.

The starkest failing is fraud. Stealing money via cards, phones or the internet has in effect been decriminalised, so poorly is law enforcement equipped to respond. When money was taken from my account, the bank's fraud team was

## Braver leaders would tell voters there is more they can raise, especially from inflated property values

startled when I suggested contacting the police: "People usually don't bother."

The next place where the retreat will be sounded is schools facing falling rolls and high energy bills. Here, again, affluent areas suffer less, as parents can raise funds to make up the difference. But will even this prompt a debate about what can be left to private funds or charities? The self-sufficiency demand of citizens when services are left to wither may sound like David Cameron's "Big Society" but the retreating state is not ultimately down to the former prime minister and his austerity agenda. It's the result of structural failings in the way we raise and spend money.

Local government finance isn't just inadequate, it's broken. Ludicrously, council tax is based on property values made in 1991 but no politician dares extract money from housing assets that have had decades of unearned growth.

And an unreformed health and care system expands inexorably to serve (increasingly badly) an ageing popula-

## At 75, India is finally ready to join the party



Today, India marks its 75th birthday, no richer relative to the rest of the world than it was at independence, but very much on the upswing. India started out as the world's sixth-largest economy, fell to 12th by 1990, and has since staged a comeback – to sixth place. Its average income was 18 per cent of the world average at independence, but that figure fell until the early 1990s, before climbing back up – to about 18 per cent.

This distressingly V-shaped development path is a legacy of India's original choices. In other Asian nations, the state often granted people economic freedoms first, political freedoms later, as the country grew richer. In India, the state granted a poor national political freedom first but in a socialist economy that has never fully embraced economic freedom.

India's comeback started in the 1990s as, recognising its early failures, it began to ease socialist controls – partially – and to allow the private sector more room to breathe. The nation has moved up gradually in the Heritage Founda-

As late as 1990, India and China were gross equals, in terms of total gross domestic product and average income. Both pushed economic reform. But China pushed harder, encouraging mass migration to more efficient jobs in cities, and mass firings at inefficient state factories. India since 1990 has seen GDP grow tenfold to \$3.2tn and average income per capita rise more than fivefold to \$2200. But China grew much faster on both measures, and today it is five times bigger and richer.

The era of miracle growth – 7 per cent or more – is now gone. Rising debt, declining trade, falling productivity and the decline in working-age population growth are slowing economies everywhere, including in China. As growth peaked in the mid-2000s, more than 50 economies were expanding faster than 7 per cent a year; in the 2010s that fell to fewer than 10, mostly small ones. Today, a more plausible target for lower-income economies is 5 per cent.

That's do-able for India. One of its main strengths is a strong entrepreneurial culture, which is reflected in one of Asia's oldest stock markets. It has generated 12 per cent annual returns in dollar terms since 1990, more than twice the global average, drawing in more and more investors from all over the world.

Over the past decade, nearly 800 emerging market stocks rose by 500 per cent to a market value of more than \$1tn. Of those, more than 150 are in India, the second-highest figure after



plus stocks, representing the highest concentration of big success stories in emerging markets.

Fortunes have followed this trend. The number of Indian billionaires rose last decade from 55 to 140 – now third highest after the US and China. While this fuels concern over inequality, dig deeper and it reflects competitive dynamism rather than stagnation at the top.

Strikingly, more than two out of three Indian billionaires are new to the list in the 2010s. Of the 55 on there at the start of the decade, more than a third fell off. And many of the new billionaires rose in productive industries such as technology and manufacturing, which were previously a weakness for India. But, quietly, manufacturing has been expanding and now amounts to 17 per

**Many of the billionaires rose in productive industries such as tech**

cent of GDP – no match for China but progress all the same.

Alas, India's private sector vitality is matched by its public sector incompetence. State-owned companies accounted for 25 per cent of the Indian stock market a decade ago, but that has fallen to 7 per cent, and not due to state-led privatisation. Government mismanagement was destroying value and taxpayer wealth.

In other ways, however, the government has made progress. In 1985, the prime minister Rajiv Gandhi observed that of every 100 rupees spent on the poor, only 15 rupees made it to those in need. The rest was lost to corruption and bureaucracy. Now, the government is digitally transferring benefits to recipients directly, via apps that have expanded rapidly to cover much of the population.

The more efficient welfare state reflects a digitising economy. Revenues from various digital services have a growth rate of faster than 50 per cent,

age – a welcome boost in a time of slowing global growth.

To grow faster than 5 per cent, India would have to adopt more radical reform. Only 20 per cent of women are formally employed and doubling that to 40 per cent – merely average for a lower-middle income country such as India – would be transformational. So would encouraging internal migration to better jobs, as China did, given that nine out of 10 rural Indians still live in the district where they were born. But India is as diverse and democratic as China is homogeneous and autocratic: imposing disruptive reform is not on the cards.

More likely, 5 per cent growth is now the base case. Even at that pace India will be a breakout star in a slowing world: on track to surpass the UK, Germany and Japan to be the third-largest economy by 2032. At that point India may not yet be a middle-income country, but it will be moving in the right direction, rising gradually in the world.



tion's economic freedom rankings, but still falls in the bottom 30 per cent.

China. Moreover, this group accounts for nearly 40 per cent of India's \$1bn-

industries such as tech and manufacturing

above the emerging world average and nearly triple the developed world aver-

The writer is chair of Rockefeller International

tion. On current trends, health will absorb half of all day-to-day departmental spending, leaving every other part of the state fighting over what's left. Without major change, the only result can be further fraying of state provision.

The structural shortfall in public services arises from an awkward truth of British politics: we want to pay American taxes and expect European services. Truss's champions splutter that the UK tax burden is the highest for 70 years. True, but Britons still pay significantly less tax than most of those Europeans who enjoy more generous services.

Few politicians even try to bridge the gap in our expectations on tax and services, much less confront voters about dissonant demands. They offer comforting stories of lower taxes and a better NHS — nothing on debt interest that will soon cost more than the health service. Braver leaders would tell voters there is more revenue they can and should raise, especially from inflated property values. And that there is fat to trim, starting with universal giveaways that needlessly favour the fortunate. Bankers' infants don't need free school meals. Their grandparents don't need winter fuel payments. These families would save even without tax relief.

Politics comes down to hard choices. Tax better and spend better. Or accept the further retreat of the British state, in ways that more voters will notice — and resent.

The writer is director of the Social Market Foundation think-tank

# Engagement with Afghanistan will promote broader US strategic goals

Annie Pforzheimer

Since the Taliban's violent takeover of Afghanistan one year ago, the country's 40mm inhabitants have faced a hellish existence of political repression and economic crisis.

For the US and other allies that supported Afghan progress for 20 years, this nightmare scenario prompts the question: how do we help relieve the immense suffering of Afghans after abandoning them and surrendering most of the levers of influence we previously wielded?

To begin with, we must remain engaged with, if not in, Afghanistan. That requires facing up to our painful role in enabling last year's traumatic turn of events. That history is something Americans want to forget, and the Taliban's active repression of media and human rights defers make it hard

for even the closest observers to see the full extent of their iron rule.

We have a moral obligation to the Afghan people we left behind to endure the rule of the Taliban. We also have a strategic self-interest in preventing Afghanistan from becoming, once again, a destabilised environment where terror groups freely live, train and recruit.

Moving ahead, our engagement should be multilateral, principled and clear in its application.

The era of unilateral US policy leadership on Afghanistan is over. The UN, World Bank and Asian Development Bank are examples of the appropriate faces of international community involvement with Afghanistan. Imperfect as these institutions are, they at least represent broad world opinion and include Afghanistan's neighbours and other regional actors.

The US is, admirably, the top financial donor to Afghanistan, but it is not now in a position to cut the best deals. The US should therefore get out of the way of those who can make effective contributions. It must throw its weight behind a

well co-ordinated international effort.

We also have to stick to our principles as indivisible elements of policy. Having an "ideology" is not only the Taliban's prerogative. We should fight without reservation for the essence of the UN's Universal Declaration of Human Rights, which Afghanistan signed decades ago and which calls for respect for human rights, freedom from fear and individual liberty.

We have a moral obligation to the Afghan people we left behind to endure the rule of the Taliban

Finally, Afghanistan has to be clearly linked to, and nested within, broader US strategic goals. Beyond the siloed and unworkable vision from the past of either total success or complete policy failure in Afghanistan alone, we should incorporate it back into our other international imperatives. These include stability in the nuclear-

armed neighbourhood of south Asia, counterbalancing Chinese and Russian influence in central Asia, worldwide counter-terrorism co-operation, atrocity prevention, global principles of women's rights, peace and security, and diversification of mineral and energy sources.

To achieve these ends, we should match our remaining tools of influence in Afghanistan as precisely as possible to the outcomes we want.

Getting the Taliban to respect human rights in Afghanistan should be coupled with a range of diplomatic tools that measure out the legitimacy it wants. We should provide the Taliban with neither bilateral diplomatic recognition nor a UN seat until they honour international human rights norms.

A recent UN report that spelt out appalling violations of human rights in Afghanistan suggests that the Taliban are frighteningly far from meeting that goal.

Counter-terrorism and stability goals are best matched to tools like the current UN sanctions regime, aimed at mitigating the rise of terror groups. Not

only should we deny any sanctions relief until the Taliban truly address the issues of terrorism and national inclusion, we should consider additional sanctions against those who are creating suicide units within the security forces and recruitment-focused madrassas to take the place of schools.

As for the sorely needed goal of putting Afghanistan's severely broken economy back on track, our efforts must be matched with Taliban acceptance of the international community's oversight of cash assistance and release of frozen assets. There also needs to be transparency about where their own funding comes from and how they spend it.

We have a mess to clean up in Afghanistan. And it is in our interest to do so as a part of the larger world system, with principles guiding our actions, and by advancing our broader international security agenda.

The writer is a former acting US deputy assistant secretary of state for Afghanistan and a member of the steering committee of Alliance in Support of the Afghan People



Generation game  
Managing wildly varying age cohorts takes a special skill  
WORK & CAREERS

## Only fools are stuck at work in August



Pilita Clark  
Business Life

Instead of going on a hike with friends in the summer sunshine last Sunday, I sat inside and grumpily wrote an article that had to be finished by Monday. Annoyingly, the only person I could blame for this was me.

I could have done the work earlier if I had not had a gossipy lunch with a former boss, or rooftop drinks with people from work, or a three-hour fight with the FT's violently user-unfriendly expenses system.

All these things were done deliberately as part of my plan to WTA, or Work Through August, a month when you can get on with loads of paperwork and catch-ups without distraction.

Or so I thought. Two weeks into the programme, I am having a rethink and as things stand I am coming to the view that only idiots work in August.

Part of the problem is that in the northern hemisphere this is a year, a lot of other people seem to be on the same WTA plan. Maybe they are keen to make up for lost business and get back into the swing of things as the pandemic eases and the risk of recession looms. Perhaps they want to avoid the worst of the travel chaos



gripping airports around the world. It is possible that, like me, they have personal reasons for taking leave in July or September, when in any case air fares are cheaper and beaches emptier.

Either way, my expectations have been shaken, starting with the vision of cycling to work through quiet London streets and gliding straight to the best bike parking spot at my office before finding a last-minute table at a summer-emptied eatery. It turns out that neither the streets nor my favourite restaurants are empty, and the office bike racks are still rammed.

When I get to my desk I am not surrounded by a sea of empty seats but by companionable colleagues who, unfortunately for them, I am prone to distract. This distraction takes time that might otherwise be spent doing things like finishing articles due in on a Monday.

The result is unsettling. Not long

●● A lot of striving and great work goes unnoticed when one's boss is doing what bosses tend to do in August: lie on a beach ●●

after working on that sunny Sunday, I overheard a colleague telling someone on the phone, "I'm here till the middle of August and then I'm away on leave". This made me jealous, even though I had just had two perfectly good weeks off in July.

At first I thought I was the only one with an unexpectedly active office. But others in the city have the same problem. One friend who had his hopes of a quietly productive August dashed by office business blames the rise of hybrid working. Now that remote working is more acceptable, he thinks people are clocking on in August while also being at the coast with their families. Elsewhere, I have heard familiar gripes that remind me how good it was to take all my summer holidays in August last year.

First, there are the losers in the race for summer leave who must fill in for absent poolside colleagues, on top of normal workloads. This should be good news for young strivers or anyone keen to make their mark. The trouble is, a lot of striving — and excellent work — goes unnoticed when one's boss is doing what bosses tend to do in August: lie on the beach.

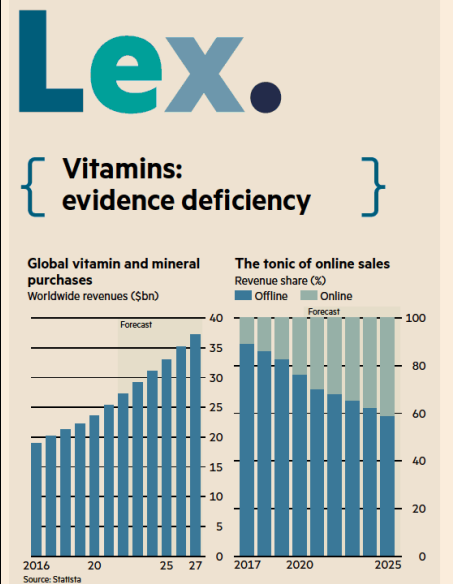
Even more unfairly, the same

managers often come roaring back in September, fizzing with ideas. The sight of an empty desk irks them, even if it has been vacated by an exhausted August toiler finally freed from holding the summer fort. In fact, I know of August workers who wait until October to take a holiday, only to have a clueless manager bark: "What? You're going on holiday again?"

All up, it strikes me that the world would be more civilised if there were wider recognition of summer serfdom. I recently came across a law in Iceland that entitles workers to extend their holidays by 25 per cent if their employer requires them to work through the official summer period.

When I asked the relevant government department in Reykjavik whether there were any signs that this idea was catching on in other countries, a helpful person said they were not aware that it was. It seems a stretch to imagine much enthusiasm for the move in these economically uncertain times. So, it is probably best to gird oneself, embrace the inevitable and make very sure that next August, you are nowhere to be seen.

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Buying good health is an alluring idea. Popping a multivitamin pill requires less effort than eating vegetables and taking daily exercise. Last year, Americans spent over \$48bn on vitamins and dietary supplements, according to Grand View Research.

That is up from \$45bn the year before. The money is going to waste. America's love of multivitamins can be traced back to the early 1990s when the Dietary Supplement Health and Education Act allowed supplement creators to claim they supported health without seeking approval from the Food and Drug Administration.

More than half of all US adults now take dietary supplements. There are close to 100,000 to choose from. Vitamin C is thought to ward off colds, vitamin D to improve bone health and collagen powder to improve skin.

The fitness industry has increased demand for protein powder while faddish diets such as keto recommend extra calcium and magnesium. On Instagram, brands such as Sugarbear Hair sell gummy bear vitamins they claim can improve hair strength.

Demand for vitamins is more impressive than evidence that they work. This summer, the United States Preventive Services Task Force looked

at 84 studies into vitamin impact and concluded there was insufficient evidence that taking multivitamins or single supplements prevented cancer or heart disease in otherwise healthy people. Some studies go further. In 2011, a trial found that men taking vitamin E were at higher risk of prostate cancer.

Not all supplements are rebuked. People who are pregnant are advised to take folic acid. Those with vitamin deficiencies due to ill health may benefit from particular supplements. But vitamin-rich fruits and vegetables are a better source.

It is true that taking expensive vitamins may trigger placebo effects, which can be curiously efficacious even if you suspect their existence.

But a cup of cheap herb tea could also do the trick. If you spend heavily on vitamins and supplements you really are flushing your money away. Vitamin takers might claim their own good health is proof. But in the US, this group tends to already be on the healthy and wealthy side. Vitamin buyers are less likely to smoke and more likely to exercise and have health insurance than the general population. Bodies will naturally expel excess nutrients they do not need. For most people, expensive vitamin regimes are a waste of time.

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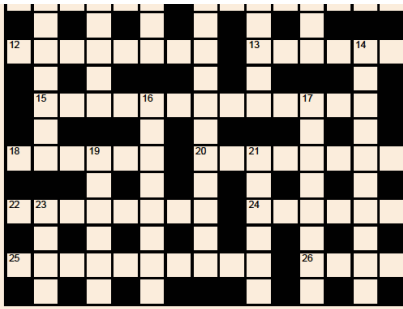
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ACROSS  
7 Clue is success, Neo at first admitted (4)  
8 Remark written about university duty (10)  
10 A lawyer goes over info in schedule (6)

IPR Incorporated by Royal Charter

FT FINANCIAL TIMES





- 11 Sadly no bunker is still in one piece (8)
  - 12 Famine upset good man – that's plain (8)
  - 13 A French model by Parisian street's dishonest (6)
  - 15 Something on a heathland one might trip on? (5,8)
  - 18 Tempt nurse with piece of topaz and diamonds (6)
  - 20 Fellow involved in robbery is playboy, perhaps (8)
  - 22 Fiery old bird (8)
  - 24 Compass attachment in brig I'm balancing? (6)
  - 25 Test run inn put out in measuring device (10)
  - 26 Nothing close to unbeatable Egyptian runner (4)
- DOWN
- 1 Awful long mink worn by South African swimmer (4,6)
  - 2 Reputation of substitute appalling ultimately (8)
  - 3 Earl stuck under waste metal in sticky situation (6)
  - 4 Spray that a coiffeur might use in Bow? (8)
  - 5 Bring in fortified wine after one slice of Manchego (6)
  - 6 Cat you lost at some point in the past (4)
  - 9 Where some old American leaders appear stony-faced? (5,8)
  - 14 Must-see broadcast sublime as filled with touch of nostalgia (10)
  - 16 Neat crop if conservative thin on top (5-3)
  - 17 A mentor excited, having acquired new trinket (8)
  - 19 Hot friend one put into a cooler? (6)
  - 21 Unpleasant type breaking underworld fingers (6)
  - 23 Country estate (4)

JOTTER PAD

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