FINANCIAL TIMES



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Putin makes nuclear threat as he mobilises army reserves for war

◆ Russia seeks 300,000 more troops ◆ Biden blasts 'outrageous acts' ◆ Mobilisation 'sign of weakness'

Vladimir Putin has ordered the mobili sation of army reservists to support Moscow's ailing campaign in Ukraine and warned that he would use Russia's nuclear arsenal if its "territorial integ-rity" was "threatened", declaring: "This is not a bluff."

is not a bluft."
The warning, which sparked alarm in
Washington and elsewhere, came as
Putin claimed the west wanted to
"weaken, divide and destroy Russia" as
he pressed on with plans to annex
swaths of Ukrainian territory.

swaths of Ukrainian territory.
Joe Biden hit out at Putin's "overt
nuclear threats against Europe [and]
reckless disregard for the responsibilities of a non-proliferation regime",
attacking the referendum and mobilist
ino plansas "outrageous acts".
The US president added in a speech
to the UN General Assembly: "This war is
about extinguishing Ukraine's right to
exist as a state. Julain and sim-

exist as a state, plain and sim-ple... That should make your blood run cold." Moscow announced the "partial mobilisation" of 300,000 reservists ahead of heavily stage-managed votes in four occupied regions of Ukraine to join Russia. Western officials have estimated that there are between 150,000 and 190,000 Russian forces on the ground in

The results of the "referendums" controlled areas of Donetsk, Luhansk, Kherson and Zaporizhzhia are in effect a foregone conclusion, with the Kremlin in charge of the vote. It insists up to 90 per cent of the local populations want to join Russia. "Russia can't give up people close to her to be torn apart by ciose to ner to be torn apart by execu-tioners and fail to respond to their desire to determine their own fate," Putin said. In his reference to Russia's nuclear capability, he added: "If its terri-torial integrity is threatened Russia will use all the propers tit discovel."

use all the means at its disposal."
Nato secretary-general Jens Stoltenberg attacked Putin's "dangerous and reckless nuclear rhetoric", adding: "He knows very well that a nuclear war



should never be fought and cannot be won, and it will have unprecedented

Other western officials said the rapid annexation plan and partial mobilisa-tion were signs of Putin's weakness.



'Putin's sabre-rattling is an admission of the huge error he has made in invading Ukraine . . . but his nuclear threats should not be dismissed: if mishandled, they risk catastrophe'

Biden said the war in Ukraine violated the UN charter, vowing to continue sup-porting Ukraine's efforts to defend itself. Russia seemed to acknowledge that advanced weaponry such as the US-made Himars rocket launchers had begun to turn the tide on the battlefield.

begun to turn the tide on the battlefield.
"We are not at war with Ukraine, but
with the collective west," defence minister Serge is foliog usaid in a state television interview. He added that Moscow
would only call up reserves, rather than
deploy the conscript army. This would
add 300,000 people to Russia's fighting
force, he said, asserting that those called
up would have combat experience as
well as millitary specialisations.

well as military specialisations.

"These are not people who've never

en or heard anything about the army,"

"We're not talking about the mobilisa-"We're not talking about the mobilisa-tion of any students ... They can calmly keep going to class," Shoigu said. He added that after reserves were called up, Russia would only have used 1 per cent of its mobilisation potential. Russia's invasion has faltered, with

invading forces retreating from central Ukraine in the spring and then ceding huge swaths of territory in the eastern Kharkiv region following a counter-offensive by Ukrainian forces earlier

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Japan's sensitivity to yer weakness shows clear shift

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

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The Federal Reserve yesterday raised its benchmark interest rate by 0.75 percentage points for the third time in a row as the US central bank signalled its intention to keep monetary policy tight as it tries to prevent the American economy from overheating.

COLBY SMITH - WASHINGTON

The Federal Open Market Committee lifted the federal funds rate to a new tar-get range of 3 per cent to 3.25 per cent following its two-day policy meeting, advancing its most aggressive monetary tightening campaign since the early 1980s. "Inflation remains elevated, reflect-

"Intiation remains elevated, reflect-ing supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures," the committee said follow-ing the rate rise.

The FOMC, which said the rate rise was unanimously supported by policy-makers, added that it "anticipates that ongoing increases in the target range will be appropriate".

The US central bank also published an updated "dot plot" compiling red officials' individual interest rate projections until the end of 2025, which reinforced their commitment to a "higher for longer" approach. The projections signalled further large rate rises this year and no cuts before 2024.

In June, the last time the dot plot was updated, officials predicted the fed funds rate would reach just 3.4 per cent to ythe end of the year and 3.8 per cent in 2023, before declining in 2024. At that time, the median estimate for the unemployment rate was 3.9 per cent in 2023 and 4.1 per cent in 2024.

Yesterday officials directly acknowl-

edged the economic costs associated with their efforts to tackle inflation, pencilling in higher unemployment and lower growth.

in june, policymakers projected that as inflation falls closer to the Fed's target of 2 per cent, growth would slow to 1.7 per cent. Most economists now expect the US economy to tip into recession next year.

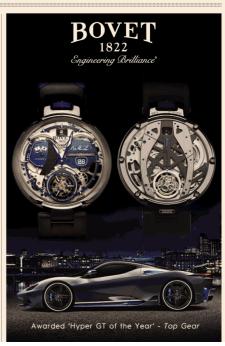
the US economy to tip into recession nextyear.

The September meeting marked an important juncture for the Fed, which has faced questions over the past few months about lis resolve to restore price stability after Fed chair Jap Powell suggested the central bank was starting to worry about overtightening.

However, at the annual symposium of central bankers in Jackson Hole, Wyoning, Powell sought to counter that narrative by declaring the Fed "must keep at it until the job is done".

World Markets

			CURRENCIES						GOVERNMENT BONDS			
Ī	Prev	%chg	Pair	Sep 21	Prev	Pair	Sep 21	Prev	Yield (%)	Sep 21	Prev	Chg
Г	3855.93	0.52	\$/€	0.988	1.000	€/\$	1.012	1.001	US 2 yr	4.01	3.96	0.05
Г	11425.05	0.37	\$/£	1.133	1.141	£/\$	0.883	0.876	US 10 yr	3.56	3.57	-0.01
	30706.23	0.49	£/€	0.872	0.876	€/£	1.147	1.142	US 30 yr	3.56	3.57	-0.02
Г	1595.81	0.82	¥/\$	144.125	143.735	¥/€	142.374	143.656	UK 2 yr	3.42	3.35	0.07
Г	3467.09	0.74	¥/£	163.314	164.051	£ index	76.616	76.498	UK 10 yr	3.31	3.29	0.02
	7192.66	0.63	SFr/€	0.953	0.964	SFr/£	1.094	1.101	UK 30 yr	3.58	3.58	0.00
,	3947.56	0.66	CRYPTO						JPN 2 yr	-0.06	-0.07	0.02
Г	5979.47	0.87	CRIPIO		Sep	21	Prev	%cha	JPN 10 yr	0.26	0.25	0.00
	12070 02	0.76			oep	41	1104	/culy	IDM 20 ur	1 21	1.21	0.00





Nikkei	27313.13	27688.42	-1.36
Hang Seng	18444.62	18781.42	-1.79
MSCI World \$	2554.02	2580.55	-1.03
MSCI EM \$	946.17	938.53	0.81
MSCI ACWI \$	594.58	599.53	-0.83
FT Wilshire 2500	5026.91	5086.63	-1.17
FT Wilshire 5000	39262.93	39730.71	-1,18

· · · · · · · · · · · · · · · · · · ·	19891.19	100000.00	2.07				
				GER 2 yr	1.74	1.70	
hereum	1348.99	1322.94	1.97	GER 10 vr	1.89	1.92	
OMMODITIES				GER 30 yr	1.83	1.92	
	Sep 21	Prev	%chg				
IWTI\$	83.36	83.94	-0.69				
l Brent \$	90.17	90.62	-0.50			Prices are late	est for
old \$	1664.15	1664.65	-0.03			Data provided by	Morn

Battista Tourbillon

INTERNATIONAL

Putin raises stakes as he runs out of options in Ukraine war

Russia gambles on call-up of reservists and atomic weapons posturing after setbacks



POLINA IVANOVA — BERLIN
As he addressed the nation yesterday to
announce a "partial mobilisation" of
300,000 reservists, president Vladimel
Putlin framed kussia's war in Ukraine in
stark, existential terms.
The nation was defending itself
against a west that wanted to "weaken,
divide and destroy Russia" and it was
prepared to use nuclear weapons in
ressonse.

response.
The apocalyptic threats are intended to coerce Ukraine and its western allies to accept Russia's gains in the conflict. The hasty staging of "referendums" in occupied areas this weekend is supposed to set a line that Ukraine and the west must not cross.

The first offer annexing large parts of

west must not cross.

By in effect annexing large parts of southern and eastern Ukraine, Putin wants to dissuade Kylv and its western allies from attacking what the Kremlin now considers Russian territory — layallies from attacking what the Kremlin now considers Russian territory — lay-ing the groundwork for full mobilisation or even nuclear conflict if they persist. Putin's escalation is a gamble that underscores his shrinking room for manoeuvre on the battlefield in Ukraine

and domestically in Russia

"The whole world should be praying for Russia's victory, because there are only two ways this can end: either Russia wins, or a nuclear apocalypse," Kon-stantin Malofeyev, a nationalist Russian

tycoon, said in an interview.

"If we don't win, we will have to use nuclear weapons, because we can't lose," Malofeyev added. "Does anyone really think Russia will accept defeat and not use its nuclear arsenal?"

On the defensive after losing thousands of square kilometres of territory to Ukraine in recent weeks, Putin's ouncement was an attempt to change the calculus at a time when Mos-cow had even fewer options, said Rob Lee, a fellow at the Foreign Policy Research Institute.

Research Institute.

A successful Ukrainian counter-offensive this month has not only pushed
Russia out of the Kharkiv region in
north-eastern Ukraine but is also now
threatening territories it seized in the
Donbas — the eastern industrial heartland whose "liberation" Putin has

land whose "liberation" putin has defined asthe main good of the war. "If they start losing territory that they just gained there, it raises all sorts of questions and there's no way they can easily brush it off. It quite clearly is a military and political failure if that happens". Lee said.

By declaring these areas Russian territory, Putin is probably hoping he can halt Ukraine's advance and deter the west's appetite for sending weapons, because it would demonstrate that "any offensive here by Ukrainian forces or by offensive here by Ukrainian forces or by Nato weapons will get interpreted as an attack on Russian territory", Lee said. But western leaders have condemned

the referendums, reiterated support for Ukraine's attempts to recapture its ter-ritory and restated their willingness to provide Kyiy with high-tech weapons

provide Kytv with high-tech weapons. Russia's gamble was unlikely to pay off, said samuel charap, a senior political scientist at the Rand Corporation. "I don't think Putin fully internalises the consequences of this," he said. "What happens when Ukraine 'occupies' 'Russian territory'?" Then the next step is declaring war if Ukraine retakes it

ny analysts are also sceptical that a partial mobilisation will have a rapid impact on the battlefield, because it could take several months to train reservists and to create new units with commanders and logistical support.

Seven months since Putin sent troops into Ukraine, Russia's heavy losses put its forces at a manpower disadvantage, particularly in terms of well-trained sol-diers. Moscow originally deployed

particularly in terms of well-trained sol-dlers. Moscow originally deployed about 180,000 troops for its invasion, according to western estimates. Defence minister Sergei Shoigu said only 5,937 Russian soldiers had died in the conflict – less than a tenth of the casualities Moscow claims were suffered by Ukraine. The US said in August that Russia had suffered "proba-bly . . . 70,000 or 80,000" killed and

ly . . . 70,000 or 80,000 kined and counded since February. The Russian reserve has a notional

'If this is meant to scare Ukraine and the west into capitulating, it's not going to work

2mn former conscripts and contract sol-diers, according to the Institute for the Study of War, but few are actively trained or considered ready to fight.

A 2019 Rand study estimated that sia had only 4,000 to 5,000 reserv ists in the western sense of receiving reg ular monthly and annual training, although in 2021 it launched an initia-

tive to create a standing reserve force.
"If this is meant to scare Ukraine and the west into capitulating, it's not go to work. When it fails, Putin will have even worse choices," Charap said.

But even as Russia escalated its standoff against the west, the Kremlin pted to reassure Russians that life would mostly go on as normal. In a pre recorded statement aired after Putin's speech, Shoigu said Russia would only call up reserves, rather than deploy the conscript army, and stressed that stu-

conscript army, and stressed that students would be exempt.

Throughout the invasion, Moscow has avoided introducing martial law or conscripting Russians into the armed forces and insisted on calling it a "special military operation" – a term evoking far-off conflicts rather than stirring Russians' memories of brutal wars.

The attempt to project calm for the domestic audience – presenting the war as a necessary but distant battle – has been successful so far.

"Over the past six months, an adapta-

"Over the past six months, an adapta-tion has taken place to the new condi-tions, people calmed down," said Denis Volkov, director of the Levada Center, Volkov, director of the Levada Center, an independent pollster in Moscow. Spending increased, and polls showed Russians increasingly saying that the situation was developing in the right direction. But the announcement of even a partial mobilisation brings the war closer to home. "I think if the Krem-lin could have avoided it, it would have," Volkov said. "But the conflict has its own logic, and it has led them to take an unpopular decision."

Some Russians have already voted

with their feet: flights to Yerevan and Istanbul, two of the few available destinations after western countries closed airspace to Russia, were sold out within tes of Putin's announcement

But the effect on public sentiment would be gradual, said Tatiana Stano-vaya, founder of political consultancy R. Politik. "Mobilisation will be gradually expanded. Society will slowly become irritated and indignant — do not expect mass protests, but rather waves of indig-nation," she said. "This is the erosion of Putin's power in its purest form."

Additional reporting by Ben Hall in Kyiv

See The FT View

President's speech. Rising rhetoric

West shrugs off nuclear threat by Moscow

Allies play down Kremlin's

risky escalation strategy,

saying Nato remains united

HENRY FOY — BRUSSELS

Russian president Vladimir Putin's Russian president Vladimir Puttin's moves to significantly escalate the war in Ukraine with a thinly veiled reference to his willingness to use nuclear weap-ons came with a theatrical flourish. "When the territorial integrity of our

country is threatened, to protect Russia and our people, we will certainly use all the means at our disposal," he said. "It's

announcements yesterday to threaten a nuclear strike, mobilise hundreds of thousands of reservists and annex parts of Ukraine were a desperate attempt to test the strength of western support for Kyiv, said officials and analysts.

test the strength of western support for Kyöx, said officials and analysts. But the nervousness of western capitals about the possible use of weapons of mass destruction by the world's second-biggest nuclear power, as well as the threats of a drawn-out war and a prolonged period of higher energy and food prices, is outweighed by their resolve to call Putin's bluff, they added.

"This is probably the most delicate phase of this decades-long game of chicken," said a senior European diplomat. "He is actively trying to sow discord. His hope is to drag it out until winter and use the social discontent to actually widen the very real rifts — both intra-EU and transatlantic — that for now stay below the surface."

Western officials who questioned the seriousness of Putin's nuclear warning referenced a similar threat he made days of the invasion if the west were to "hinder" Russia.

That order for missiles to be put on "special alert" resulted in no change to the readiness of the country's nuclear forces, according to western intelligence officials, even as vast amounts of western weapons were shipped to Kyiv. Us at ellits monitor Russia's 'nuclear forces for signs of activity.

Moscow is also well aware of the catachysmic cost to Russia its elff if intilated a nuclear conflict. "[Putth] knows well that a nuclear war should never be well that a nuclear war should never be well that a nuclear war should never be well as the property of the put of the catachysmic cost to Russia its elff if intilated a nuclear conflict. "[Putth] knows well that a nuclear war should never be well as the property of the put of the

clysmic cost to Russia Itself if It initiated a nuclear conflict. "[Putin] knows very well that a nuclear war should never be fought and cannot be won, and it will have unprecedented consequences for Russia," Nato secretary-general Jens Stolenberg, said yesterday. Russia has 1,588 deployed nuclear

missiles in silos, on submarines or at air bases, the second-largest arsenal after the US, according to the US-based Center for Arms Control and Non-Proliferation. Its nuclear doctrine fore nuclear strike in the event of a conve tional attack that the Kremlin believes eopardises the state's exister

Officials also pointed out that Putin's threat of escalation if Ukraine were to



v parade: Russia has more

bluster given Kyiv's forces have struck targets inside Russia for months, with no significant change in Moscow's mili-

Support from the US, UK, EU and other allies in the Nato military alliance, in the form of tens of billions of dollars worth of finance and, especially, weap-ons, has been integral to Ukraine repel-ling Russian forces since Putin launched

a full-scale invasion seven months ago. But while the backing has increased the risk of a full-blown conflict between Russia and Nato, European leaders brushed off Putin's threats as the flailing of a man running out of ideas. Dutch prime minister Mark Rutte called it "a

prime minister Mark Rutte called it, sign of panie," while British defence secretary Ben Wallace said it was "an admission that his invasion is failing", "All of it screams: we're losing . . . It's desperate stuff," said Lawrence Freedman, emeritus professor of War Studies at King's College London and a nuclear weapons expert. "The west will not change its policy because of that speech."

change its poncy userans.

Putin had already tried and failed to swed wishon among allies by "weaponising" Russia's hydrocarbon exports to drive up energy prices, Freedman said.

"Mobilisation and nukes are really the only things he has left."

By annexing vast swaths of Ukraine through referendums in the Luthansk, Donetsk, Zaportizhzhia and Kherson regions this weekend, Putin could frame

'All of it screams: we're losing . . . It's desperate stuff. The west will not change its policy

not change its policy'

Ukrainian efforts oretake territory as a direct attack on sovereign Russian territory. This would allow him to legitimise a scaled-up military response against Ryiv — or potentially its Nato supporters — possibly using nuclear weapons. Western officials said they would neither recognise the referendums nor shy away from continuing to arm Ukraine. Putth's threats "are supposed to signal that he will not accept defeat in Ukraine, and hence discourage [western] support", said a senior European defence official. "Recently everybody started to agree that the only way to shorten the war is to step up the assistance, so he is attacking this notion."

While describing Putin's stance as a very dangerous nuclear gamble". European Commission spokesperson Peter Stano said that the EU was considering an Increase in its spending on arms for

Stano said that the EU was considering an increase in its spending on arms for Ukraine. Officials from the bloc's 27 member states had already met to discuss how to respond to Moscow's increased aggression, he added.

Officials from Nato countries privately admit to "Ukraine fatigue" among some members. But Kyiv's coent successes in recapituring thou-

recent successes in recapturing thou-sands of square kilometres in north-east

sands of square kilometres in norm-east Ukraine buoyed capitals and provided freshimpetus to the support effort. Western diplomats pointed to French president Emmanuel Macron's speech to the UN General Assembly on Tues-day, given just hours before Putin's

cusy, given just hours before Putin's announcement, as the best example of the hardened support for Ukraine. "Those who are silent now on this new imperialism, or are secretly complicit with it, show a new cynicism that is tear-ing down the global order without which peace is not possible," Macron said.



FINANCIAL TIMES

Italy at risk of turning its back on Brussels, warns industrialist

Italy risks shifting its alliances to east

fought in court for more than two decades, said: "Meloni is too close to Hungary and Poland and we will end up badly las a country if Berlusconi does not ditch the coalition." Berluscon in has never doubted Italy's EU membership and alliances. A Meloni-led government. . . will shift our alliances toward the Visegra'd bloc ... This is what most Italian enterconnection of the country in the country of the coun

coalition where the dominant element is Meloni," said De Benedetti, who was also the vice-president of powerful industrial trade body Confindustria for eight years until 1992. "The business community is wrong in taking the approach that they deserve to be tested."

De Benedetti is the publisher of pro-EU daily newspaper Domail. His familie balding said GEPU peaks group.

publication "continues to stand out as a

publication "continues to stand out as a pro-EU progressive voice even after the election and the ascent of the right". Italy's centre left has warned that with a Brothers of Italy-led government the country could plunge back into the fascist era. Meloni, who refers to herself as a centre-right conservative, has refused to disown the roots of her party. Meloni's rivals and sections of the Italy media children a consummant lad human and the standard of the section of the Italy media children as consummant lad human and the sections of the Italy media children as consummant lad human and the sections of the Italy media children as consummant lad human and the Italy in a consummant lad human and the Italy in th

teo outwin a League and Name prime minister Silvio Berlusconi's Forza Italia — are expected to win the election. Both Meloni and Salvini have previously criticised the EU with a particular focus on the imposition of rules that they say are against the national interest.

Meloni, who aims to become Italy's first female prime minister as leader of the coaliton's biggest party, has vowed not to backtrack on the foreign and fiscal policy stances adopted by Mario Draghi, the departing prime minister whose resignation in July triggered the election. He had agreed reforms with the EU to receive £200bn from the bloc's coronavirus recovery funds.

bloc's coronavirus recovery funds. De Benedetti, who has long been asso-ciated with the centre left and is an

year-old billionaire, referring to a group of eastern European countries compris-ing Poland, Slovakia, Hungary and the Czech Republic.

Czech Republic.
Earlier this month, chief executives attending the Ambrosetti Forum, an economic conference in Cernobbio, asked politicians to ensure Italy's commitment to the EU-funded €200bn

mitment to the EU-funded €200hn.

However, beyond that specific concern, many business leaders across the country have signalled that a centreright coalition, which has pledged to slash taxes and the cost of labour, is their preferred election outcome.

"This is a leap in the dark because this would not be a liberal centre-right government, this is a fully fledged rightwing

the publisher of leading centre-left Italian daily La Repubblica, to the Agnelli family holding in 2020.

He has vowed to ensure his Domani



her party would amend the constitution and roll back civil liberties.

But De Benedetti disagreed with that prediction. "The conditions for a return to a fascist dictatorship do not exist and [Democratic party leader] Enrico Letta made a mistake to focus on the threat to

made a mistake to focus on the threat to our democracy, as opposed to discussing his policy proposals," he said.

De Benedetti said he saw the greatest risk in the potential deterioration of tally's relationship with Brussels.

Evoking Italy's role in the western alliance against Russial's Invasion of Ukraine, he said: "The country we need is the one we saw represented in that photo of Draghi on a train with the leaders of France and Germany on their way to Kyiv."

Thursday 22 September 2022 FINANCIAL TIMES

INTERNATIONAL

Taiwanese tech tycoon pledges \$100mn funding to repel Beijing

Chip billionaire aims to train civilian fighters and develop military drones

KATHRIN HILLE - TAIPEI

Robert Tsao loves a good fight. In his 50year career, the Taiwanese tech tycoon has duelled with industry rivals, challenged the Taipei government, strug-gled with prosecutors and clashed with

Now he is wading into the greatest Now he is wading into the greatest battle of his life: taking on China. After Beijing intensified its intimidation of Taiwan with unprecedented military exercises last month, 75-year-old Tsao pledged a \$100mn donation to strengthen the country's defences, switched his citizenship back to Taiwan from Singapore and vowed to fight for his land until his death.

his land until his death.

"What I want to do is ensure quickly,
within two or three years, that nobody is
a fraid and that we are all ready to
resist," Taso said in an interview with
the Financial Times.
He argued that Taiwan could survive
even extended bombing and missile
strikes as long as it kept Chinese soldiers
off its territory, "You have to train
everyone to be mentally were yet group.

everyone to be mentally very strong. Look at the German bombing raids on



British cities in the second world warmorale remained high," he said.

Tsao has earmarked the first \$30m
of his pledge for training hundreds of
housands of civillan fighters. The
tycoon also wants to finance the development of military-use drones.

He said he was in talks with Taiwansee drone makers to form an industry
alliance for quickly producing 1mn
attack drones at low cost. "if the Chinese
communitis want to bring their troops
ashore and a fleet of ships comes over
hestrati, we can assault them," he said.

He rejected the argument that such
fefforts might be too little, too late.
"Although it is very urgent, we still have
a little time," Tsao said. "It is like global
awarming, You have to remain optimistic."

The founder of United Microelectron-

tic." The founder of United Microelectron-ics Corporation, Taiwan's first privately owned chipmaker, seems an unlikely candidate for Tallying the country to arms against China. After all, he over-saw UMC's circumvention of Taiwan government restrictions on investment inchina

in China.

Born in Beijing in 1947, Tsao moved to
Taiwan aged 18 months. His father had
come to teach Mandarin — part of
efforts by the Kuomintang, the Chinese
nationalists, to Sinicise Taiwan when it
took control of the island after half a

century as a Japanese colony. "We were brainwashed then," Tsao said about his childhood under martial law and an ideology that presented the KMT regime as the true China and the Communist

the true China and the Communist party as bandits.

"But although I slowly realised that, later I also realised the KMT was right about the Communist party and how brutal and barbarousit is." Growing up in poverty, Tsao was the first of the family's six children to study

at the prestigious National Taiwan Uni-versity. With electrical engineering and management degrees, he joined the gov-ernment's Industrial Technology Research Institute, which spawned the country's now mighty semiconductor industry, and in 1980 founded UMC.

The young entrepreneur's views of China were first challenged when he vis-ited Beijing in 1988. Chen Sheng-tien, ited Beijing in 1988. Chen Sheng-tien, chair of appliances maker Sampo, a UMC Shareholder at the time, "dragged met osee [then top Shanghai official and later Chinese president] Jiang Zemin," Tsao recalled. "It thought those peoples hands were full of blood, shaking hands with them felt so dirty."

As China began to open up, Tsao recalled, "many people had a lot of hope for the future". But "that was naive. Only a year later, Tiananmen happened."

But that did not deter Tsao from betting on China in business. Little more

omy a year later, intanamien happened:
But that did not deter Tsao from betting on China in business. Little more
than a decade after Beijing's bloody
crackdown on pro-democracy protesters, he backed UMC engineers setting up
a chipmaker in China. "China started
offering good incentives, I hoped that we
could co-operate and not have head-on
competition. So I helped," Tsao said.
That move cost him dearly. In 2006,
Talwan prosecutors indicted Tsao and
his deputy, John Hsuan, on charges of
breach of trust and violations of
accounting laws, and they had to resign
helf UMC posts.
When prosecutors sought to have the
case retried after initial not guilty verdicts, Tsao abandoned his Taiwanese
citizenship and became as lingaporean.
"10ffended al ot of people, and I though to
case retried after initial not guilty verdicts, Tsao abandoned his Taiwanese
citizenship and became as lingaporean.
"10ffended al ot of people, and I though
to more on might look for a pretext to
come after me," he said.
Although he was cleared of all charges
in 2010, the case meant he was viewed
as being pro-China.
More than a decade later, Beijing's
2019 crackdown on Hong Kong pushed
him toget involved in politic again.
"Such peaceful demonstrations, such
rational demands, but such cruel suppression — it infuriated me. So I decided
to never go to the mainland, Hong Kong
or Macau again and to start fighting the
communists," he said. "I want to tell the
Taiwanese loudly: pay attention! Once
you get to the point where Hong Kong is
now, there will be no way out."

European businesses slim down operations in China

YUAN YANG — FRANKFURT

The warning was issued as the EU



'If the Chinese communists want to bring their troops ashore and a fleet of ships comes over the Strait, we can assault them'

On manoeuvre tanks take part in a military exercise in Taiwan last yea Taiwan last ye simulating the defence of the island against a Chinese invasion Ceng Shou Yi/NurPhoto/



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European companies are being forced to "reduce, localise and silo" opera-tions in China as the country loses its attractiveness as an investment destination, executives said in a bleak report on operating conditions in the world's second-largest economy.

The assessment from the European Union Chamber of Commerce in China is by far its most pessimistic since its founding in 2000, executives said, citing President XI Jinping's regulatory crack-downs and the enforcement of draconian lockdowns and travel restrictions to combat Covid-19 outbreaks.

to combat Covid-19 outbreaks.
"Ideology trumps the economy," said Jörg Wuttke, chamber president. "Predictability has been challenged by frequent and erratic policy shifts, particularly when it comes to Covid."

In what Wuttke described as the chamber's "most dark [position] paper ever," the organisation warned that "European firms' engagement [in China] can no longer be taken for granted". It added that China was losing "its allure as an investment destination" and that China and the EU were "driftingfurther and further apart". ingfurther and further apart"

relationship with China. Brussels and Beijing have hit an impasse on a pro-posed trade agreement after exchanging sanctions over china's mass detention of Uyghur Muslims in Xinjiang. EU repre-sentative Josep Borrell described the sides' annual summit in April as a "dia-logue of the deaf".

logue of the deal". Xl's zero-Covid policy has also made it all but impossible to visit the country, halting travel by executives and leading to an exodus of foreign staff frustrated with conditions in China. Since the beginning of the coronavirus pandemic, no new EU businesses have moved into ese market, according to the

chamber.

Beyond pandemic-related challenges, the chamber described a growing political gap, with companies coming under "increasing scrutiny" at home for their practices in China.

Russia's invasion of Ukraine and sub sequent sanctions have also made EU companies in China fret about invest-ments in the event of a Chinese invasion of Taiwan. In a survey by the European chamber in April, a third of respondents said the war in Ukraine made China a



INTERNATIONAL

NY attorney-general files Trump fraud suit

Ex-president accused of cheating lenders with misleading statements

HUA CHAFFIN — NEW YORK

JOSHOM CHAFFIN — NEW YORK
Letitia James, New York attorneygeneral, yesterday sued Donald Trump
and his adult children for what she
called an "astounding" fraud to falsely
inflate the value of assets held by their
family business, the Trump Organization, for their own financial gain.
James is seeking penalties that could
effectively end the former president's
real estate career and would imperil the
Trump Organization, which was started

by his father in Queens in the 1920s.

by his father in Queens in the 1920s. These include banning Trump and his children – Donald Jr, Ivanka and Ericfrom ever again serving as an officer of a New York-registered company. The attorney-general is asking a court to force the Trumps to repay at least \$250mm in what she claims were illegotten proceeds. She said her office would refer evidence to the justice department for possible criminal charges. *Mr Trump though the could get away with the art of the steal, but today, that conduct ends,* James said, alluding to the 1987 memoir that helped hone Trump's image as a property mogul with a Midas touch, The Art of the Deal.* We must hold former presidents

to the same standards as ordinary

Americans."
The Trump Organization called the suit "political harassment".
The lawsuit represents an extraordinary legal action against a former US president who remains the most powerful figure in the Republican party and is contemplating another run for the White House.

White House.
It marked the culmination of a three-year investigation that has featured bitter clashes between the attorney-general and the Trumps and their lawyers.
Trump has repeatedly accused James, a Democrat, of undertaking a "political witch hunt" to end his career.
Many of the details in James' suit were

previewed in earlier legal filings. It centres on the annual "statement of finan-cial condition" that Trump and his advisers prepared to detail his net worth for lenders and business partners. James accused the Trumps of rou-inely inflating the value of assets such as office towers and golf clubs in order to secure exonomic benefits, including access to financing on more favourable terms. They would, in turn, minimise the value of the same assets to reduce their tax bills, it is claimed. "With the help of Donald Jr, Eric, Ivanka and other defendants, Trump variously unlawfully inflated and deflated his net worth by billions to obtain and satisfy loans, get insurance

benefits, and pay lower taxes," James stated. Among the many examples in a filing that ran to more than 280 pages was Trump's penthouse apartment. He aduled it at \$327mm in 2015 – at a time when no apartment in the city had ever sold for above \$100mm. The Trumps justified this by nearly tripling their estimate of its actual square footage. Some lawyers have questioned the strength of James' case, noting that the parties Trump dealt with were major lenders, such as Deutsche Bank, and so should be expected to perform their own due diligence before extending loans. A parallel criminal probe by Manhattan district attorney Alvin Bragg has stalled.

Morality police

At least seven killed in Iran protests over arrested woman's death

At least seven people have been killed in protests across Iran, officials said, as thousands of people have taken to the streets in recent days in anger at the death of a young woman arrested for her alleged fallure to properly observe the Islamic dress code.

officials blam foreign and opposition forces for the deaths, which include one member of the Iranian security forces. Kurdistan police chief Brigadier-Gerral All Azadi confirmed four protestand died in the province since Saturday. "Hostile groups have committed these crimes," Azadi told Tasniam news agency, which is affiliated to Iran's Revolutionary Guard. "We urged the youth not to take part in the gatherings as we had credible

httonary Guard.
"We urged the youth not to take part
in the gatherings as we had credible
information that these groups had infiltrated [into protests]."
Shahram Karami, the prosecutor of
the western Kermanshah province, said
two protesters were killed by antiregime forces and that the bullet used
to kill them were not the ones used by
Iran's security forces.
"We urge families in Kermanshah to
prevent their youth from taking part in
these gatherings," he said, according to
the semi-official Mehr News Agency.
"They emotionally get into these
gatherings but the anti-revolution
forces seek to create death cases [to fan
the crisis]." the crisis]."

The governor of Kurdistan province, Esmaell Zare'i Kousha, said the protest-ers there had been "killed by the ene-mies of the system", according to Mehr News Agenc, "This is definitely the for-eign enemy's scenario as their details and pictures were immediately broad

cast on [opposition] satellite channels."

In the city of Shiraz, one security official was killed, the city's governor told the state news agency IRNA, and four others were injured. Lotfollah Sheibani added that 15 protesters were arrested on Tuesday night. Police in the northern province of Gilan said 68 protesters were arrested, while 43 members of the security forces were injured.

The protests were sparked by the death of Mahsa Amini, a 22-year-old from the Kurdish town of Saqqez. She was arrested last week by the morality police, a branch of the Iranian force that seeks to promote virtue. She wore a long black coat and scarf, but arresting officers said her clothing was not appropri-ate. She collapsed at the morality police centre in central Tehran, went into a coma and died on Friday.

The nationwide protests are one of the few demonstrations against the wearing of the hijab since the 1979 revolution that created the theoretatic state.
Women have burnt their scarves during protests, with some calling for the abolition of the compulsory high.
Demonstrations on Tehran university campuses continued yesterday, according to yides posted on social media.

campuses continued yesterday, according to videos posted on social media.
"We will kill anyone who killed our sister," students in the Science and
Research Branch of the Islamic Azad
University chanted. The governor of
Tehran province said yesterday that
intelligence suggested that about 1,800
of the aerotects in the next in the More

Amazon, Deforestation

Colombia warns jungle is 'disappearing'

Country's first leftwing leader blames war on drugs and rich nations' thirst for resources

JOE PARKIN DANIELS AND GIDEON LONG

In a fiery speech at the UN General Assembly, Colombia's first leftwing president did not mince his words about the destruction of the Amazon rainfor-

the destruction of the Amazon rainfor-est, 6 per cent of which lies within his country's borders. "Destroying the jungle, the Amazon, has become the slogan followed by states and businessmen," said Gustavo Petro, who took office last month after campaigning on a platform of social and environmental justice.

In front of world leaders at the UN on

Tuesday, he blamed the war on drugs and rich countries' thirst for natural resources for the increasing forest loss and called for a global fund to protect and caned for a global time to protect the Amazon, as well as debt-for-nature swaps that Bogotá could use to invest in environmental projects. "The jungle is disappearing with all its life," he said. Colombia lost more than 174,000 hec-

tares of woodland in 2021 - an area 30 times the size of Manhattan - with ille gal clearances fuelling the surge. It was the country's worst year for deforestation since 2018 and the second year in a row the amount of land lost increased, putting the country's climate targets, indigenous communities and countless species of flora and fauna at risk.

Petro's strategy to tackle deforesta-tion would target land grabbers who cut down the forest to turn it into cattle ranching land that can be sold off, said Susana Muhamad, the country's new environment minister. "We will tackle the drivers of deforest-

ation and not only those who are cutting down the trees," said Muhamad, a prominent environmental activist. "It's illegal land grabbing and that's where

illegal land grabbing and that's where well apply a strategy determined by the armed forces."

In the past two decades, Colombia has lost 3.1mn hectares of forest, 1.8mn of which are in the Amazon, a crucial absorber of carbon dioxide emissions and one of the world's most biodiverse habitats. The first three-quarters of this year sawan increase of 11 per cent of forest loss in the Colombian Amazon com-



trees to plant coca crops Colombia. Illegal land

Muhamad said the government grabbing and would aim to improve the traceability of Colombian beef, 80 per cent of which is of uncertain origin. Other catalysts of deforestation include agriculture, logging, unauthorised con-struction, mining and coca production.

Up to 2014, large swaths of Colombia's woodlands were in the hands of guerril-las and paramilitary groups and off-limits even to the most intrepid chainsaw

Colombia has failed to slow the pace of destruction of its forests Accumulated deforestation (mn hectares)

wielding loggers. But that changed when lutionary Armed Forces of Colombia (Farc), the largest guerrilla group, agreed to a ceasefire that paved the way for a 2016 peace deal.

"Once Farc lost de facto control of its

territories, we saw deforestation increase quickly," said Bram Ebus, increase quickty, said Bram Edus, author of a 2021 report on Colombian deforestation for the International Cristian Group. "Other non-state armed groups filled the void left by Farc. The state never showed up and wasn't able to protect its own forcest." to protect its own forests."

Muhamad said that fully implement

ing the 2016 peace accord would pave the way for rural development programmes that boost eco-tourism and reforestation. "In the end, it will be more profitable to be with the rule of

more profitable to be with the rule of law than to be involved in illegal econo-mies," the minister said. In 2019, Iván Duque's conservative government launched Operation Artemisa, tasking the military with going after those responsible. Last year, the government passed leg-islation making it easier to prosecute

never showed up and wasn't able to protect its own forests'

operation has targeted them unfairly offered Colombia combined financial incentives of up to \$260mn if it could show a sustained reduction in deforestation and emissions by 2025. But after the increase in destroyed woodland over the past couple of years, the country risks missing out on that money.

The state aims to reduce forest loss to 100,000 hectares a year by 2025 and to zero by 2030. But Margarita Flórez, head of Ambiente y Sociedad, a Colom-bian environmental NGO, said "it's very unlikely" the final target, agreed at the

unlikely" the final target, agreed at the COP26 climate summit, would be met.
"It takes just one day to destroy a hectare of rainforest with a chainsaw," Carlios Correa, former environment minister under Duque, told the Financial Times just days after leaving office. "But it takes 25 years to restore it." Deforestation can have a devastating effect on indigenous communities. Isaac Paez, who grows plantains in Cartagena del chiaria, a deforestation hostpot, said his community, which opposes unregulated cattle ranching, had received

2001

people for deforestation, with jail sentences of up to 15 years. Smallholder farmers, however, complain that the threats from armed groups. "Unless we put a stop to large-scale cattle farming, it's going to continue."

day "had records of taking part in previ-

Indigenous players

Racism scandal shakes Aussie rules football

A racism scandal involving the separa-tion of indigenous players from their partners and pressure on at least one couple to abort a child has rocked Aus-tralia's most popular and lucrative sport, Aussie rules football, just days before its grand final.

before its grand final.

Indigenous players in the Australian Football League alleged they had their Sim cards removed to cut them off from their families, while one athlete said he was pressured to tell his girlfriend to terminate a pregnancy, according to the findings of a review stretching back more than a decade. "I'A club official bold me to kill my unborn kid," the player told state broadcaster ABC.

Hawthorn Football Club, one of the most successful teams in the AFL's excent history, commissioned the report this year following allegations of abuse of its indigenous players as far back as 2005. The findings at the Melbourne-based club, which were revealed by an investigation by ABC, have resurrected memories of the mistreatment of the Abortiginal community.

The league is one of the most lucrative in the country and counts Toyota, which has a reported a A\$18.5mm (US\$12.5mm) a year deal with the league, Coca-Cola, Continental Tyres, McDonald's, Telstra and Irish gambling company Flutter Entertainment among its corporate sponsors.

A recent broadcasting deal highlighted the sport's commercial status, valuing its media rights at A\$4.5bn over seven years despite its lack of international appeal.

ABC reported yesterday that the

seven years despite its lack of interna-tional appeal.

ABC reported yesterday that the review at Hawthorn had unearthed a culture of bullying and coercion. The head of the competition's governing body said the findings were 'challeng-ing, harrowing and disturbing'.

The report has convulsed the league ahead of Saturday's final between the Sydney Swans and Geelong Cats in front of more than 100,000 spectators in Melbourne.

The AEL has adouted various

neigourne.

The AFL has adopted various neasures to improve its relations with the indigenous community in

league. It has introduced an indigenous round, where players don Aboriginal-

round, where players don Aboriginal-designed jerseys and every game is pre-ceded by an acknowledgment of the original inhabitants of the land where the match is being played. That outreach, however, has been undermined by a series of controversies over the past decade that has included the booing of indigenous player Adam Goodes and racist incidents involving the Collingwood and Adelaide football clubs.

clubs.

Tim Soutphommasane, Australia's former race discrimination commissioner, said the treatment of the indigenous players by Hawthorn "smacked of paternalism and the politics of another age" when Australia's government separated Aboriginal children from their families.

heir families.
"This is deeply upsetting. It evokes
memories of politics from the past that
re thought were behind us," he said. "Its
svery clear there are systemic issues of
acial discrimination within the AFL."

Bank chief attacks misconduct investigation

The president of the Inter-American Development Bank has attacked his own institution over its investigation into allegations that he had an undis-closed relationship with a senior staffer, arguing that an external report had not substantiated the "false" claims.

substantiated the "false" claims.

Mauricio Claver-Carone, a Trump-era
nominee who leads Latin America's
main development bank, told the
Financial Times that the IDB had broken its own rules on confidentiality, privacy and due process "over a dozen
times" during the investigation.

The Washington-based institution
hired US law firm Davis Polk to investigate anonymous allegations made by a
whistleblower against Claver-Carone
and the senior, female staffer in March,
which also included accusations of
excessive expense claims for travel.

The report was delivered to the bank's
board of executive directors this week
and has not been published.

"The bottom line is that there have
been over a dozen violations of the
bank's rules on confidentiality, privacy

and due process against me, and zero actual evidence to substantiate any vio-lations by me," Claver-Carone said. "The score is 12-0 against those trying to smear me and my staff." In a public statement, he said he had "supported and participated in this unprecedented investigation, which, as

'There have been over a dozen violations of the rules on confidentiality, privacy and due process'

expected, does not substantiate the false and anonymous allegations that were made against me or IDB staff in the press". He added: "It would welcome the opportunity to officially respond to the investigation's findings in accordance with bank rules and international standards.

The main development bank for Latin America and the Caribbean, the IDB last year lent directly a record \$13.1bn to fund infrastructure and improve health, education and sustainability in the

region as its trugges to recover from the coronavirus pandemic. Several larger Latin American coun-tries, led by Argentina, opposed Claver-Carone's appointment in 2020 on the grounds that he was a partisan figure in his previous role as Trump's top adviser

grounds that he was a purtisan ingure to his previous role as Trump's top adviser on the region. They also objected that he was a US nominee, when the bank had always been headed by a Latin American. But Claver-Carone won by a large margin, with support from the region's smaller countries, particularly in Central American duthe Catibbean, which have traditionally been under-represented in the institution's top ranks. "Now, their ongoing effort [against me] is based on loosely fabricated allegations that have already been dismissed," Claver-Carone told the FT. Friends of the accused senior staffer said they believed the allegations against her were false and largely based on opportunistic testimony from her exhausand, which they said had been discredited.
"The board are wasing assumments."

credited.
"The board are waging asymmetric warfare against her," one friend said.

FINANCIAL TIMES

Play safe Tencent gains approval to launch an educational video game as Beijing cracks down on sector content of companies

Companies & Markets

French tycoon Niel builds 2.5% holding in Vodafone

- UK telecoms group faces shake-up
- Atlas investment valued at £750mn

ANNA GROSS, LEILA ABBOUD AND SARAH PROVAN

French billionaire Xavier Niel has scooped up a 2.5 per cent stake in Voda-fone, paving the way for the telecoms entrepreneur to potentially shake up

entrepreneur to potentially shake up the underperforming UK group. Niel, who bought the stake through his investment vehicle Atlas Investissement, hinted at his intent in a statement that said there were "opportunities to accelerate... the streamlining of Vodafone's footprint and the separation of its infrastructure assets", as well as improve profitability.

The unexpected move comes after nivel took his telecoms group Iliad private last year and picked up the pace of acquisitions in Poland and elsewhere to

'[There are] opportunities to accelerate . . . the streamlining of Vodafone's footprint'

Vodafone's footprint'
reach about 50m active subscribers
and €10bin in revenues.

It remains to be seen if he will add to
his stake or ask for representation on
the board, but he has already shown
that he has a record of acting like an
activist investor. He bought a small
stake in French real estate group Duhbail
in 2020 and quickly added to it, acting
with an ally to oust the CEO, change the
group's strategy and join the board.
"He would have to get a lot more
involved to ask for a board seat," said
Robert Grindle, an analyst at Deutsche
Bank. "By default, he's an activist
now... even if he doesn't call himself
one. Anyone who wants to buy the stock
now [will] see catalysts."
Niel's investment in Vodafone comes
after another French telecoms billionalre, Patrick Drahl, gradually built an 18

per cent stake in BT last year. That

per cent stake in BT last year. That prompted widespread speculation that the veteran dealmaker may eventually try to wrest full control of the company. Grindle added that the two billionaires were likely to have seen "lots of value" in telecoms assets that the "public markets were not valuing. . . right". The 2.5 per cent stake that Atlas has built is worth about £750mm at current market prices, although it was not disclosed whether the stake was all in shares or partly inderivatives.

Vodafone in February rejected an €11bn bid for its Italian business from Illad, a provider in France, Italy and Poland owned by Niel, and private equity fund Apax. That offer represented about seven times earnings before interest, tax, depreciation and amortisation.

Vodafone's share price gained 2.5 per

before interest, tax, depreciation and amortisation. Vodafone's share price gained 2.5 per cent, but was still down 3.5 per cent in the year to date, at 108.8p.

The global telecome group has been under pressure since it emerged that Cevian Capital, Europe's largest activist investor, had built an unspecified stake in the company, and was angling for an overhaul of what investors believed to be a convoluted business model. Cevian has called for the company to shed poorly performing parts of the business and complete mergers or acquisitions in markets in which chief executive Nick Read has said he is looking to do deals. He UR, Italy and Spain. Read is also aiming to sell a significant stake in the group's marts business, Vantage Towers, that was listed last year and has received interest from multiple private equity groups, according to a

private equity groups, according to a person briefed on the discussions.

Last month, Vodafone agreed to sell its Hungarian business for \$1.8bn to 4iG and Corvinus Zrt, a Hungarian state holding company.

Fare deal Investindustrial spends €200mn on majority stake in luxury food retailer Eataly



Fine dining: an Eataly outlet. The plan is for the company to expand a

SILVIA SCIORILLI BORRELLI — MII AN

European private equity firm Investindustrial is buying a control-ling stake in Eataly, the Italian luxury food and drink group, with plans to further expand the business around the world.

The firm said yesterday that it would acquire 52 per cent of the company, founded by Oscar Farinetti in 2007, with an investment of €200mn and share purchases from existing share-holders.

olders.
The remaining 48 per cent will emain with current investors includremain with current investors includ-ing the Farinetti family and Italian private equity firm Tamburi Invest-ment Partners. As part of the deal, the Saper and Bastianich families, two US investors, will sell their holdings. Nicola Farinetti, the founder's son

and current chief executive, will become the company chair and a new chief will be appointed.

"The investment will allow Eataly to retire net financial debt and maximise financial flexibility for the group's global expansion plans," Investindustrial said in a statement. Andrea Bonomi, the founder of Investindustrial, said that Eataly had grown "thanks to a visionary's idea and was now in need of a strong investor with a penchant for Italian companies around the world to back its expansion".

Eataly's first store opened in Turing and the control of the state of

expansion".

Eataly's first store opened in Turin in 2007. It was soon followed by New York, Rome and Paris. In 2021, another flagship store opened in central condens.

tral London.
Over the past 15 years, the company has opened more than 40 stores, which sell luxury Italian food and wine, across the US, Europe, Asia and the Middle East.

Investindustrial and the other shareholders are looking at further expansion of the business through

the World — Robents Sensity pure Penticeph Images
new flagship stores and other outlets
in large cities across the world. "We
can complement the current megastores with small ones which can fuel a
broader expansion," said Bonomi.
The private equity firm's founder,
Milan-born Bonomi, said investindustrial was targeting food brands in
laty and the US because the sector
had growth potential.
Earlier this year, the firm took over
the Italian food manufacturer La
Doria, which delisted from the Millan
stock exchange.
It also announced the acquisition of
US-based private label distributor
Treehouse Foods and ingredient manufacturer Parker Foods.
The private equity group, which

ufacturer Parker Foods.

The private equity group, which manages more than £11bn in assets, has invested more than £2.5bn in the food sector over the past two years.

Other investments include Italcanditi, an Italian ingredients maker, and Dispensa Emilia, a restaurant chain.

Schneider in £9.5bn deal for software group Aveva

French industrial conglomerate Sch-neider Electric has agreed to buy all of Aveva, in an offer that values the UK software developer at nearly £9.5bn but has been met with disappointment among some minority shareholders.

The French group said yesterday it would pay £31 a share in cash for the 40 per cent of Aveva it did not already own – a 41 per cent premium over the com-pany's closing share price in late August, before Schneider said it was considering an offer. It aims to close the deal in the first quarter of 2023. The buyout is one ints quarter of 2025. The buyout is of of the biggest UK acquisitions this year, but will leave the London stock market with just a handful of tech companies of any size. Late last month, Canada's OpenText struck a £5.1bn deal for UK software developer Micro Focus Inter-national.

software developer Micro Focus International.

Top-20 Aveva investor M&G, which owns 0.75 per cent of the group, said it opposed the deal and would vote against it, adding that it undervalued the longer term potential of the company.

"M&G is materially underwhelmed with the opportunistic £31 offer from Schneider Electric for the remainder of Aveva, and we're disappointed that the Aveva board has recommended the bid to shareholders,' said Rory Alexander, UK equity fund manager.

He said Aveva's share price was "trading at depressed levels due to the combination of low technology valuations, macroeconomic uncertainties and a complex business model evolution from licence to subscription based revenues."

Schneider's offer was recommended to the UK software maker's minority shareholders by a committee of Aveva directors judged to be independent.

The deal is structured through a scheme of arrangement and will need support from at least 75 per cent of minority investors taking part in a vote in November.

Spun out of Cambridge university in

in November.

Spun out of Cambridge university in the 1960s, Aveva is one of Britain's oldest technology companies. Its software has focused primarily on the energy, infrastructure and manufacturing sectors – areas Schneider covers as well – although it has expanded beyond that.

The French company has owned 60 per cent of Aveva since a £3bn reverse

takeover in 2017 that saw Schneider fold its software assets into the UK company, which retained a London listing

UK faces an awkward choice over its golden share in OneWeb



he UK went against advice from senior civil servants when it rescued satellite broadband pioneer broadband pioneer
OneWeb from bankruptcy
avesting \$500mn alongside
nate Sunil Bharti Mittal.

It argued at the time that the move

indian magnare shum inaru Mutau. It argued at the time that the move was strategic; it gave the UK a platform in the hotly contested region of low earth orbit (LEO) and national security rights over how OneWeb could be used.

Even though the government has changed, it is still under pressure to show that the investment has been a success, say officials. The proposed combination with Eutlesta, part-owned by the French state, relieved the UK of responsibility for helping to fund oneWeb's second generation satellites.

But now the question is whether the ultimate price of success will be to require that the UK adjusts its golden share in OneWeb — one of only three companies operating high-speed com-

companies operating high-speed con nication services from LEO. This

munication services from LEO. This could dilute Britain's options for using OneWeb as a strategic global asset. Last week in Paris, the chief execu-tives of Eutelsat and OneWeb appeared to suggest that some adaptation would be necessary for the company to com-pete in one of the biggest space tenders around: the EU's proposed €6bn satel-lite broadband constellation. Officials in

Brussels remain hostile to OneWeb, saying the UK's golden share means the EU cannot have sovereign control over the service. The golden share gives the UK "a range of national security rights, including use of the OneWeb network for national security purposes."

In an interview at the annual World staellite Business Week, Eva Berneke, chief executive of Eutelsat, told me that the government "wants the customers just as much as the rest of the shareholders". It was up to "the UK government to accept that those rights are being kind of waived on certain customers, because that's the only way for those customers to be part of OneWeb".

Nell Masterson, chief of OneWeb, said it would be possible to organise a "proxy structure" that would meet the EU's sovereignty requirement.

structure that would meet a control of the control the Department of Defence . . . the realms of government of Defence... There's no reason why that model cannot be transand business services exactly the segment targeted by One Web targeted by One Web

Maybe. I doubt that Thierry Bretor Maybe. I doubt that Thierry Breton— EU commissioner for the single market and the main opponent to using OneWeb for Europe's satellite project— would agree to any such tinkering around the edges. But even a proxy structure could still require the govern-ment to reinterpret its golden share. Any decision to make an adjustment should be based on a sound understand-ing of what the covernment wants to set

ing of what the government wants to get out of its investment. Does it see OneWeb as a strategic asset that could provide capability useful to strategic partners and allies? Should it be the platform for the UK space industry to

tance itself from the venture with mynum embarrassment and hopefully a bit of profit?

"It is not an easy decision," said one official. Nor should it be. Onewb a valuable assets— such as global priority rights over the spectrum in which it operates. It is also one of the few operators already delivering connectivity. But OneWeb still requires significant investment to realise its potential.

Meanwhile, Elon Musk continues to race ahead with his Starlink constellation. As well as serving ordinary consumers, Starlink is fast moving into the realms of government and business services—exactly the segment targeted by OneWeb.

by oneWeb.

A study last month by satellite expert
Tim Farrar concluded that any new constellation would struggle to compete on
a commercial basis. Vast numbers of
satellites would be required to provide
adequate coverage and, just as importantly, to help drive down the costs of
customer terminals. That means the
costs of development would be prohibitive. For OneWeb, he concluded, the EU
contract could be vital.
For Brussels, too, OneWeb offers

contract could be vital.

For Brussels, too, OneWeb offers advantages. After all, it already has operational satellites and spectrum, which could save the EU billions. But given Starlink's expansion, the UK government has little time to decide

OK government has intue time to decide what it wants from its investment. Commercial success under Eutelsat is likely to mean surrendering some control. That will limit OneWeb's potential as a strategic UK asset. The longer the new government takes to come to a conclusion. sion, the more difficult it will be to prove the investment has been a success.

peggy.hollinger@ft.com

171.29 acres (69.32ha) Woodland (70 acres) & Land (101 acres)

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FINANCIAL TIMES

COMPANIES & MARKETS

Danes plan quantum leap for life sciences

Foundation to develop superfast computers for biomedical research

Denmark's Novo Nordisk Foundation is to spend \$200mn developing what it says will be the first practical quantum computer for life sciences research, with applications ranging from creating new medicines to finding links between genes, environment and disease.

The non-profit foundation, majority owner of the Novo Nordisk pharmaceutical group, joins a crowded field of uni-

versities and tech companies seeking to convert the theoretical superpowers of quantum computing into useful devices. But it says its seven-year programme, based in Copenhagen, stands out because it will evaluate competing tech-nologies before deciding which one to proceed with.

proceed with.
"The other major initiatives globally have already chosen their platforms and are trying to optimise them but we product that many will run into a dead end," said Peter Krogstrup, who will lead the programme from the Niels Bohr Institute at the University of Copenhagen. "We would rather spend seven years finding the platform that offers the

greatest opportunity to build a usable quantum computer."

Some prototype quantum computers manipulate electrons, others photons (light particles). But all today's devices, whether electronic or photonic, "are noisy, fault-intolerant machines that cannot solve any problems relevant to humanity", said Mads Krogsgaard Thomsen, chief executive of the Novo Nordisk Foundation.

"It's a very exciting initiative, with its co-ordinated effort on the hardware and software side," said Professor Garrett Morris, a computational chemist at Acsford university who is not working with the foundation. Simulations in his

parts.

"Quantum computing could revolutionise so many aspects of science — if
they can pullit off," Morris added.
Quantum theory was formulated in
the early 20th century, with Niels Bobt
in Copenhagen playing a leading role,
but technology did not enable researchers to start applying it to computing
until almost 100 years later.
Unlike the binary bits of classical
computing, which are either zero or
one, quantum bits, or qubits, exploit the

counterintuitive properties of quantum physics to be both at the same time. Quantum computers will exploit this "superposition" principle by carrying out vast numbers of calculations simulaneously, an ability that promises to be particularly useful for modelling chemical reactions, designing new materials and searching huge databases. "Within the life sciences, for example, we can accelerate development in personalised medicine by letting quantum computers process the enormous quantity of data available about the human genome and diseases," said Lene Oddershede, senior vice-president at Novo Nordisk Foundation.

Europe lenders make slow progress at top on gender diversity

SIDDHARTH VENKATARAMAKRISHNAN

European banks are making slow progress on gender diversity, with women in just over a quarter of execu-tive roles and 37 per cent of board seats last year, compared with 20 and 35 per cent respectively in 2020.

The research by DBRS Morningstar, based on data from 43 banks across Europe and the UK, also showed consid-erable variation between countries, with German and Portuguese banks at the bottom for women on boards and in executive teams

the bottom for women on boards and in executive teams. Quotas "may have helped to boost female board representation, but mangement positions and positions of executive decision making continue to show higher participation by mero wrote the DBRS Morningstar analysts. Nordic countries showed the greatest gender diversity on boards, with 55 per cent being women in Denmark, though only 15 per cent of Danish bank executives were women, and 50 per cent for the Norwegian banks. By contrast, only 25 per cent of board members in Portuguese banks were women, and 29 per guese banks were women, and 29 per centin German ones. Just five banks — UK bank NatWest

and building society Nationwide, Nor-wegian lender DNB, Sweden's Han-delsbanken and Bank of Ireland – had female chief executives in 2021. Only four had a female chair, with DNB the only institution to have both. Across the

'[We want] to ensure our workforce reflects the customers, colleagues, and communities we serve'

entire sample of banks, only 26 per cent of executive roles were held by women. In executive teams, Norway led the way with 50 per cent of roles held by women, while Dutch banks had 40 per

cent female executive teams.

Pressure on the financial services sector to improve diversity has increased in to to improve diversity has increased in recent years. Since April, the UK's Financial Conduct Authority has required listed companies to disclose information about how they are performing against targets including 40 per cent female representation on their board. Norway, Italy, France and Spain

Automobiles

reputation for safety with car sensors rollout

PETER CAMPBELL - LONDON

effort to cut serious accidents involving its vehicles by a fifth, becoming the first carmaker to roll out the technology across its entire fleet.

The upcoming electric version of its flagship sport utility vehicle, the EX90, will feature a lidar sensor that allows it to see "a black tyre on a black road at

sions by 9 per cent, and fatal or injury-inducing accidents by a fifth, he added. Rowan said the company intends to fit similar lidars to all future models, allow-ing Volvo to bolster its industry-leading

Rivals including Mercedes-Benz and BMW have announced plans to use lidar sensors in some models, as the industry supmarket players try to build features into their cars that they believe will help set them apart in the fiercely

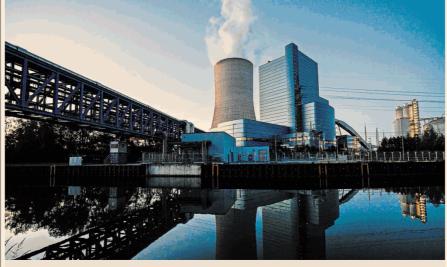
Volvo boosts

Volvo Cars intends to install laser-based sensors in all future models in an

120m ahead, or a pedestrian at 250m", said Volvo boss Jim Rowan. Using the system will reduce colli-

Rivals including Mercedes-Benz and

win help set them apart in the netcey competitive premium segment. While lidar systems are common in self-driving vehicles, few carmakers have installed them into regular road cars, in part because of the cost. The use of safety sensors is going to become more common, particularly



Bailout Berlin throws €29bn lifeline to Uniper

nationalise Uniper in a deal that takes the utility's bailout cost to €29bn after it was on the brink of insolvency following Russia's invasion of Ukraine. Berlin's lifeline for the country's

biggest importer of natural gas is the biggest corporate bailout in Germany since the global financial crisis in 2008, when the government provided a

of the stabilisation package announced in July was necessary against the backdrop of the further intensification

of the energy crisis."
Once Europe's biggest importer of
Russian gas, Uniper was brought to the
brink of collapse after Moscow cut
supplies to Europe, forcing it to buy
more expensive gas on the spot market
in order to meet its supply contracts.
"The male of one in Throne of the Contracts."

later, in a deal initially fiercely opposed by Uniper's manageme and finalised only in 2020.

and linalised only in 2020. The Uniper deal, undertaken by previous chief executive Pekka Lundmark, who now heads Nokla, is widely regarded as one of the worst in Finnish business history. Fortum paid e7bh for its 73.5 per cut equity stake. In return, it received e900mn is distributed by the control of t

with the EO requiring an cars to have emergency breaking capabilities if they detect a stopped object ahead. Volvo's new safety set-up will also monitor drivers inside the vehicle, sens-

ing if they are about to fall asleep, or detecting changes in breathing patterns that might mean the car needs to stop,

that might mean the car needs to stop, an advancement on a previous eye-tracking system demonstrated in 2019. Rowan said the company had yet to decide whether to license the new technology to other carmakers, a move that ould echo its decision to make its seat belt patents free during the last century

carmakers install more crash voidance features, the industry is debating which sensors offer greatest perception at a reasonable price. Volvos will feature cameras and radar

Volvos will feature cameras and radar systems, but using lidar allows the car to see beyond darkness, Rowan said. "You'll see maybe 60m with lidar ahead in darkness," he said. "That becomes really meaningful, that gives an extra at least three to four seconds." While Volvo will buy the lidar from Luminar, a company in which it has invested, the carmaker has developed

invested, the carmaker has developed the software for processing images using a team of in-house developers.

48000 menne to the banking sector Germany, which had already planned to take a 30 per cent stake, is now completely "buying out" Uniper's previous owner Fortum for €480mn. Berlin will also take on a €7.5bn credit

Berin win asso take on a C-30n Credit line previously provided by the Finnish energy company to Uniper. At the same time, the government would recapitalise the struggling utility with E8bn, German economy minister

with £8hn, German economy minister Robert Habeck said yesterday. The move comes on top of a £15hn government credit line that was already provided to Uniper this year. Before the Ukraine war, Uniper was procuring half of all German gas imports. Policymakers had feared its failure would trigger a collapse in gas supplies and economic chaos. The £8hn capital increase

supplies and economic chaos. The e8bn capital increase underwritten by the government will be at a 65 per cent discount to Uniper's closing share price on Tuesday. Uniper shares have plunged almost 90 per con-since the Utraine invasion in February. Uniper's chief executive Klaus-Dieter Maubach said yesterday that the agreement allowed the utility to "fulfil our role as a system-critical energy

our role as a system-critical energy supplier". He added: "The amendment

The role of gas in Europe has fundamentally changed since Russia attacked Ukraine, and so has the outlook for a gas-heavy portfolio," said Markus Rauramo, Fortum's chief

The role of gas in Europe has fundamentally changed since Russia attacked Ukraine

executive. "Under the current

executive. "Under the current circumstances in the European energy markets and recognising the severity of Uniper's situation, the divestment of Uniper's situation, the divestment of Uniper is the right step to take, not only for Uniper but also for Fortum." He added that Fortum would retreat to "clean" power generation, including nuclear neergy, in Nordic countries. Rauramo acknowledged that past strategic decisions had turned out to be "liabilities". He said: "We now have to face and mitigate the impact of those decisions."

decisions."

Uniper, which also operates coal- and gas-fired power plants, was spun out of German utility Eon in 2016. Fortum's ill-fated takeover was launched a year

in dividends and will receive only €480mn from the German government for its remaining shares.

"It's clear we can't be happy with what has happened," Rauramo said. The Finnish group will also be repaid a &4bn loan to Uniper and be released from a &4bn loan guarantee. Shares in Fortum were

guarantee. Shares in Fortum were up more than 14 per cent yesterday. Uniper's woes have become politically controversial, with Finland's rightwing opposition tabling a vote of no confidence in the country's centre-left coalition over its handling of the matter. The ernment is set to survive owing to its parliamentary majority. "Fortum's board has made an

inevitable decision in an exceptionally uncertain situation,' exceptionally uncertain situation," Tytli Tuppuralen, minister for the EU and state-owned companies, said. "Fortum must protect its financial position in a way that preserves the company's ability to run its core business." Old Storbeck and Madeleine Speed in Frankfurf, Richard Milne in Oslo and Surah Provan in London aiso require listed companies above a certain size to have at least 40 per cent

female board representation.

In Germany, listed companies have been obliged to have a 30 per cent female supervisory board since 2015. Most banks have set their own inter-

nal targets. In May, Deutsche Bank announced targets to increase the share of female staff among its thousands of managing director, director and vicemanaging director, director and vice-president roles to 55 per cent perpesitation to by 2025. Earlier this year, Spanish lender BBVA set a target of 55 per cent representation in management positions by 2024, from 31.4 per cent at the end of 2021. Trade body UK Finance said that the industry was "committed to taking action to ensure our workforce reflects the customers, colleagues and commu-nities that we serve".

the customers, colleagues and commu-nities that we serve."

DBRS Morningstar also noted a corre-lation between higher female represen-tation and stronger credit ratings, although it added the small sample is a made it hard to establish whether diver-sity promoted strong credit ratings or vice versa. The analysts added diversity "implies a wider range of skills, experi-ences, managerial approaches and orefences, managerial approaches and pref-erences which can contribute to good corporate governance".

EY revenues hit record as break-up vote nears

EY reported record annual revenues of \$45.4bn as its 13,000 partners prepare to vote on a break-up of the Big Four accounting firm in what would be the industry's most radical overhaul in two

Global revenues climbed almost 14 per cent in the year to June, the fastest pace in nearly two decades, while EY's total headcount Jumped 17 per cent to 365,000. EY's advisory practices, which offer consulting and deals advice, drove the expansion as companies sought strategies on how to reshape their operations and technology in response to the pandemic.

pandemic.
Revenues in the consulting unit rose
24.5 per cent to \$13.9bn in the period,
outstripping the audit and assurance

Rescue remedy: Germany is now completely 'buying out' Uniper's previous owner Fortum for €480mn – ha Fastbender/AFPIGettv

unit where revenues jumped 6 per cent to \$14.4bn thanks to higher fees.
The proposed break-up, which partners at EY's member firms are due to start voting on in November, would see the consulting division split from the audit business. EY's bosses believe the consulting business will grow more quickly on its own because it will be unshackled from conflicts of interest rules that prevent it from working for the firm's audit clients.

A break-up would also allow the con-

the firm's aidit clients.

A break up would also allow the consultants to form potentially lucrative alliances with tech groups such as Amazon and Google, which are currently off-limits because EY audits them. Carmine 15 išbio, global chair and chief executive, said in July that such partnerships could help EY to win up to \$10bn a year in extra fees in the longrun.

Revenues at the tax department,

most of which would be spun off as part of the advisory business if the planned split went ahead, rose 7.9 per cent to \$11.3bn. Advisers in the strategy and transactions team, which are not included in the consulting division increased sales more than a fifth to \$5.9bn.

Sales in the Americas, EY's largest region, were up more than 19 per cent, about double the growth of any other area.

onder the planned split, EY's stan-dalone advisory business would begin with revenues of \$25bn and earnings before interest, tax, depreciation and amortisation of \$4.4bn, according to fig-ures shared with partners. The audit and assurance unit, which is expected to keep the EY brand, would remain struc-tured as a partnership after the spin-off of its advisory practices.

Warner Music hires YouTube veteran as chief

Billionaire Leonard Blavatnik has hired Robert Kyncl as the new chief executive of Warner Music, opting for a tech executive steeped in experience at YouTube and Netflix to lead the world's

Kyncl will in 2023 replace Steve Cooper, Kynci will in 2025 replace Steve Cooper, a corporate turnround specialist who steered Warner Music through the music industry's transition to streaming, Cooper oversaw a return to growth for the label, which represents artist including Lizzo and Ed Sheeran.

Blavatnik said Kynci was "the right CEO to meet this moment. His command of technology to serve creativity will unlock new opportunities at scale for artists, songwriters and their teams."

The appointment of Kynci, who had been chief hutpess officers of Wortheast Worthwhee

comes as streaming fuels double-digit revenue growth for the big record labels. Warner and its peers, however, fast an inevitable slowdown from the explo-sive growth during the early years of spotify and have been searching for new sources of revenue – such as licensing their songs for use on Tiktok, Peloton bikes and even therapeutics apps.



er Lizzo, who is represented by Warner Music record label

Until recently, Kyncl spent years as the recipient of criticism from the music industry, which had slammed the Google-owned online video platform for paying too little for use of their songs. But Kyncl will cross over from tech to music as the industry's stance towards YouTube has softened, after YouTube has softened, after YouTube has softened, after YouTube alunched its own paid music streaming service and paid more to rights holders. Kyncl previously worked at Netflix and helped transform it from a DVD-bymall business into a streaming service. Blavatnik bought Warner for \$5.3bn in 2011, when the industry was in the doldrums. It paid off for the Ukrainian-born billionalize the company is now valued at \$13bn. However, shares in Warner Music dropped more than 40 per cent this year, as the broader stock market fell and investors worried streaming growth would slow.

ng growth would slow

Thursday 22 September 2022

COMPANIES & MARKETS

Tencent turns to 'healthy' video game after Beijing rewrites sector rule book

Chinese tech group navigates crackdown on content by winning approval for an educational title

PRIMROSE RIORDAN AND GLORIA LI

When Tencent received its first game approval in China in more than a year last week, there were neither great expectations among investors nor keen anticipation from players that another blockbuster title was on the way. The tech giant had earlier revealed

The teen giant nad earner revealed that Defence of Health was a tame educational affair compared with big moneymaking hits such as Honor of Kings, its fantasy multiplayer mobile game where players kill opponents to gain abilities and gold, and win by destroying the

and gold, and win by destroying the enemy'stowers.

Tencent said at its annual game release event in 2021 that Defence of Health, where players learn about the human body and prevent the invasion of viruses, would be part of its "social service" to "promote public health knowledge" and "explore more positive social values".

knowledge" and "explore more possuve social values". Developed by little-known subsidiary Nanjing Wangdian Technology, controlled by Tencent executives including cofounder Pony Ma, the mobile game was one of 73 approved by the National Press and Publication Administration, in the fifth batch of licences granted this year. The approvals represented a gradual thawing for the industry after the country's media watchdog froze licensing of games in August 2021, as part of a wider social and economic campaign to remake Chinese society around Communist party ideals.

remake Chinese society around Com-munist party ideals.
Daniel Ahmad, from Asian video game analyst firm Niko Partners, said he expected more "healthy" games that align with the government's social policy goals to be approved, even though Tencent would make little money from the likes of Defence of Health.
"We don't work the like of Defence of "We don't work the like of Defence of the like of the li

eaun.
"We don't expect it to be a high-level
venue generator for Tencent, and neiier does Tencent," Ahmad said.
Reiiing has restricted access to games



Tencent revenue growth reverses course Year-on-year change in quarterly revenue (%)

China anti-addiction moves hit young ga Estimated number of gamers aged 6 to 17 (mn)



falling, value added services, the business segment that includes gaming, made up 52 per cent of Tencent's revenue last year, the lowest in 10 years and well below the decade high of 80 per

cent in 2014. cent in 2014.
This year, Tencent has stopped growing. The company registered its first quarter of negative growth in the three months to the end of June and said it had reduced its headcount.

reduced its headcount.

A management consultant advising the company, who did not wish to be named, said the consolidation of departments and cost-cutting was probably

named, said the consolidation of departments and cost-cutting was probably not over yet.

Delays in approvals mean the Chinese market may have moved on to new types of games, and with such uncertainties, Trencent has focused on expanding existing franchises such as Honor of Kings and League of Legueds.

"Tencent's advantage lies in its ... existing 19rs and existing approvals. It can rely on these older products to final the content of t

the joy has gone out of the business. He said he had lost his inspiration and felt

Technology

White House urged to ban Chinese chipmaker

DEMETRI SEVASTOPULO — WASHINGTON

Top US lawmakers are urging the Biden administration to put Chinese semi-conductor company Yangtze Memory Technologies Co on a blacklist for allegedly violating export controls by sup

edly violating export controls by supplying Huawei.

Democratic Senate majority leader Chuck Schumer told the Financial Times that he was concerned about a report, obtained by the FT, that showed YMTC has provided Nand memory chips for the Mate Xs 2, the new flagship foldable phone from Huawei, the Chinese telecomes equipment giant.

"This report is extremely troubling and further underscores the need for the administration to act swiftly to add YMTC to the entity list." Schumer said, referring to the commerce department blacklist that bars US companies from selling technology togroups on the list. YMTC is one of many Chinese technology companies under scrutiny in the US over security concerns. Washington is also implementing measures to boost the US chip industry while making it harder for China to access technology, particularly for cutting-edge chips.

According to the report from IP Research Group, a consultancy that analyses electronic devices, YMTC is providing Huawei with chips for the phone, suggesting a possible violation of the US Foreign Direct Product Rule.

The rule, introduced by the Trump administration in 2020, bars companies from supplying Huawei with technology that is made in America.

The White House described YMTC as a Chinese "antional champion". US lawmakers and officials are also concerned that as YMTC produces more advanced chips, it will dump them at below-market prices, putting pressure on US, European and other Asian manufacturers.

A commerce department of ficial declined to comment or YMTC but said

A commerce department official declined to comment on YMTC but said declined to comment on YMTC but s: the Bureau of Industry and Security w "conducting a review of existing polic related to China and will potentia seek to employ a variety of legal, regu

in other ways in the past year, such as banning minors from playing them for more than three hours a week. It has also enforced new anti-monopoly measures against tech companies.

Along with the recent economic downtum, china's decision has wiped billions of dollars of the listed valuation of Tencent, although it remains the country's most valuable company by market capitalisation.

Gaming has been a massive source of profits in raising the company's position. The integration of games with its ubiquitous super app Wechat, which the vast majority of the population uses, instantly gave it access to a huge player base.

But China's new anti-addiction me ures appear to have cut Tencent's ba at least among children. New resear

Waiting game: Tencent staff prepare to greet visitors at an 'Honor of Kings' event in Beijing. The company has just had its first new game approval in more than a year

from Niko Partners found 77 per cent of under-18s had reduced the time they spend playing each week, while the number of overall youth gamers slid from 122mn in 2020 at its peak to 82.5mn this year.

With added scrutiny of content and titles that allow players to communicate within a game, there is also a danger of hurting games' appeal.

"It restricts the gameplay of many games through these methods," said Ryan Li, a former game developer at Tencent. "For example, red blood cannot appear in the game, and religion cannot appear."

'We don't

tory, and, when relevant, enforcement tools to keep advanced technologies out of the wrong hands".



Deputy General Manager

Basel, Switzerland

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16 October 2022

US lenders threaten to quit net zero alliance

Wall Street banks including JPMorgan, Morgan Stanley and Bank of America have threatened to leave Mark Carney's financial alliance to tackle climate change because they fear being sued over increasingly stringent decarboni-sation commitments.

In tense meetings in recent months. some of the most significant members of the Glasgow Financial Alliance for Net Zero have said they feel blindsided by tougher UN climate criteria and are orried about the legal risks of partici pation, according to several people involved in internal discussions.

"I am close to taking us out of these global green commitments — I'm not going to allow third parties to create legal liabilities for us and our shareholders. It is immoral and irresponsible," one senior executive at a US bank said. "What if we get it wrong, make a mis-take or someone lies? Then the bank can be sued, that is an unacceptable risk."

European banks including Santander

ave also expressed misgivings. The potential loss of some of the

world's biggest and most influential banks would be a serious blow for Car-ney's Gfanz group, which was formed last year and took centre stage at the COP26 climate talks in Glasgow in November. More than 450 finance companies accounting for \$130tn of assets have joined Gfanz, which is co-led by the Canadian ex-Bank of England governor and current Brookfield Asset Manage-

gas introduced over the summer by the UN's Race to Zero campaign, a net zero i's Race to Zero campaign, a net zero ndard-setting body that accredits

pledges made by Carney's alliance. The body will soon be able to take action against financial companies for failing to hit targets, which could lead to them being kicked out of Gfanz, the FT

Banks' legal departments are particu-larly anxious about tougher US Securities and Exchange Commission rules around climate-risk disclosures and commitments proposed by SEC chair Gary Gensler in February.

The SEC will soon require formal dis-closures in annual reports about govwith respect to climate change. Compa-nies will also have to disclose and be held accountable for any targets or commitments made, with detailed plans on

A European bank executive said that "there is no way we are joining any new ESG groups, we don't control them" and echoed their US counterpart's fears



Gfanz has faced pushback since its inception. Banks successfully resisted committing to the most explicit road map for cutting greenhouse gas emissions to net zero by 2050, refusing to end financing of all new oil, gas and coal exploration projects immediately.

Bankers say that the demands placed

duce and yet the data.

of extra a

on them are not supported by equally robust government action, nor does the technology exist on which hitting some of the net zero targets will rely

Bankers say that the proposed SEC rules could add hundreds of pages to

nnual reports and require a small arm of extra accountants and lawyers to pro

expect

revenue generator

Tencent'

They also point out the lack of Gfanz members from China, Russia and India – three of the world's top carbonemitting countries. Of the 116 banks that have signed up to the Net Zero Banking Alliance (NZBA), the Gfanz banking subsidiary, none is from China or India, while Sovcombank is the only Russian lender. By comparison, Liech-

tenstein has three members. Bank of America, JPMorgan, Morgan Stanley, Santander, Race to Zero and the UN Environment Programme Finance Initiative, which helps run the NZBA, declined to comment. The SEC and Gfanz did not respond to requests for

Glanz did not respond to requests for comment.
US banks have also come under pre-sure from domestic politicians, notably in the Republican party, over their sus-tainability commitments. Red states such as Texas and West Virginia have been openly hostile to financial institu-tions that they feel do not offer enough support to the fossil fuel industry.

FINANCIAL TIMES sday 22 Sentember 2022

COMPANIES & MARKETS

Currencies. Historic shift

A weak yen is no longer an unmixed blessing across Japanese industry

Lower exchange rate has more nuanced effect than the export boon it was once considered

LEO LEWIS, KANA INAGAKI AND ERI SUGIURA — TOKYO

The Japanese yen has tumbled a fifth against the dollar this year, but broad shifts in the country's economy mean its impact on Japan Inc is far more uneven than the last time the currency traded at

such weak levels 24 years ago.

Japanese companies had long struggled to match the cost competitiveness of rivals in China and South Korea when manufacturing products in their home market, having historically endured a strong currency as well as high electric-ity bills and labour costs.

The landscape is now shifting as the yen has tumbled 20 per cent this year against the US dollar, reaching a low of nearly ¥145 last week. The real effective exchange rate, a measure of the cur-rency's strength against those of trading partners adjusting for price levels, has reached its lowest level since 1970, according to Bank of Japan data. Japan last week sharpened its verbal

intervention against the weakening yen. The Bank of Japan contacted banks to check on currency rates, which has in the past been a precursor to a market intervention, which would be ordered by the finance ministry. While officials may be growing more



tomers in foreign markets. As such, the offshoring is likely to continue as Japan's domestic markets continue to shrink. "[Exchange rates] cannot be a big factor to choose production location. At least mun vehicle production is needed for a market to sustain production technology," said Koichi Sugimoto, analyst at Mitsubishi UFJ Morgan Stanley Securities.

Even with a smaller benefit from the Even with a smaller benefit from the weaker yen, Honda still upgraded its annual guidance last month as the cur-rency tailwind helped offset a rise in raw material costs. Companies are still grap-pling with supply chain disruptions and a slowdown in the global economy, but analysts say Honda's case suggests there is more room for upgrades in the coming quarters for corporate Japan.

Fast Retailing: Asia's biggest clothing brand

In April, Tadashi Yanai, chief executive of Uniqlo owner Fast Retailing, warned the weak yen had "no merit whatsoever". That may have been true 15 years ago when its Uniqlo business was ainly domestic. But with the stores now generating nearly half of annual profits outside Japan, a depreciation of ¥1 against the dollar increases profits by ¥1.2bn when repatriated. The costs of imported materials are still higher with

a depreciation of ¥1 against the US dol-lar wiping ¥4bn off Uniqlo profits. Since Asia's largest clothing retailer has used hedging tools called foreign

nervous about a weak yen, its effects are far more muanced than in years past. Historically, a weak yen has been a boon for Japan Inc. It provided a boost to the sprawling export sector by making Japanese goods cheaper for foreign buyers. But corporate Japan has changed since the last time the yen was this cheap in 1998. Almost a quarter of man-ufacturing has shifted overseas and old relationships with an exchange rate that

once ruled supreme have been broken.

"Relative to Asian competitors, it has never on record been as cost-competitive as it is now," said Nicholas Smith, Japan strategist at CLSA, who added that the Chinese real effective exchange rate had almost doubled since 1994 as Japan's has been in long-term decline. There has also never been a time when Japan has been as price-competitive as it currently is relative to South Korea.

Here are five cases showing how the weak yen is having a more nuanced effect across Japan's \$5tn economy.

Sony: tech and entertainment

For Sony, with its diverse range of busi-For Sony, with its diverse range of businesses, the weaker yen is a mixed blessing. The Japanese electronics and gaming group began outsourcing the production of its Palystation consoles and consumer electronics products in the past few decades. For these businesses, a weaker yen is negative since it increases the dollar-denominated costs of manufacturing as well as the prices of raw materials and components purchased in dollars. This prompted an unprecedented price rise for the PlayStation 5 last month. But for image sensors that

Japan to sell to Apple and other phone-makers, the yen's decline is a boost for its overseas exports. Overall, the net currency impact is only "slightly posi-tive" for the group's three businesses.

"The weaker yen impact is still there, but clearly it isn't what it was," said longterm Sony analyst Pelham Smithers.

Hova: world leader in lenses

nst trading partners

2000 10 22

Optical glass specialist Hoya manufac-tures almost all of its products outside Japan. With the company generating about 75 per cent of its sales outside its home market, it benefits from the weaker yen when profits made overseas

Japan's currency is trading at historically Japanese exports have become

-140 - 120

100

80 60 40 are repatriated and converted into yen. In fact, the gain was significant enough that Hoya announced a ¥60bn share buyback programme af reporting a 17 per cent year-on-year boost in net profit for the April to June

quarter.
"A lot of our cash is held in foreign currency, so when there was an increase in yen basis, we decided we should be paying back to our shareholders when we can," its chief financial officer Ryo oka said.

The big question, said Macquarie ana lyst Damian Thong, was whether com panies would continue the repatriation. "If Japanese companies decide not to invest in Japan by bringing the mon back to take advantage of Japan's gro ing economic competitiveness, and decide to use it for [mergers and acquisi-tions] or to build factories abroad, then the yen could remain under pressure with no benefit to the Japanese econ-

my," he said. The ratio of overseas production for Japan manufacturing groups has risen from an average 3.8 per cent in 1990 to 17 per cent in the post global financial crisis period of 2008-12 to more than 22 crisis period of 2008-12 to more than zz per cent recently. These decisions have been made by manufacturers which, historically, benefited most strongly when a weakening yen improved the competitiveness of their products.

Honda: Japan's offshoring pioneer

Among carmakers, Honda has been one of the most aggressive in pursuing off-shoring, with the ratio of its overseas production rising from 68 per cent in 2008 to 85 per cent last year. As a result, a depreciation of ¥1 in the yen against the US dollar increases its operating profits by ¥10bm (\$70mm), compared with a nearly ¥20bn boost itreceived 15 years ago.

These offshoring decisions were not, in general, made to chase cheaper labour but to more effectively catert to the demands of cusong carmakers, Honda has been one



team gives you market-moving

24 hours a day

a result of the weaker yen," said Credit Suisse analyst Takahiro Kazahaya. Nitori: Cut price furniture for a deflationary generation

ening yen will only seriously start to bite in 2024. For the fiscal year ended in August, the group is forecasting record profits. Going forward, Uniqlo has already announced price rises for some of its products and its overseas sales are expected to grow further. "It's wrong to assume that all retailers will do badly as

The discount furnishing group gener ates most of its sales in Japan so the weaker yen impact is negative due to the rising cost of imported materials. Until the end of this month, the company has the end of this month, the company has foreign exchange forward contracts locking the dollar-yen rate at ¥115. But for the rest of the fiscal year until the end of February, Nitori will be buying materials at market prices since it had assumed the yen would strengthen by the year-end due to a recession in the US. A depreciation of ¥1 against the US dollar decreases its profits by ¥20h. Like Uniqlo, it could also raise prices to offset risine/imnort bills.

Uniqo, it could also raise prices to oriset rising import bills.

"A price increase poses two issues: there is the question of whether the products will sell if Nitori transferred the costs to consumers, and there is also a time lag until it can transfer the costs," asid Kazabaya

and a rainser the costs and a rainser the costs and Kazahaya.

The lag is especially long for Nitori since it will need to sell all its old products before it can raise the price of its new furniture. Either way, the company will have no choice but to transfer some of the costs to consumers.

Goldman Sachs hunts for new revenues with push into EU transaction banking

1970 80

Goldman Sachs is rolling out its trans action banking services to the EU with a new team based in Frankfurt, as it es to diversify beyond its trading and advice services.

ing and advice services.

Since launching the business — which specialises in services for corporate treasuries — in the US in 2020 and expanding into the UK a year ago, Goldman has attracted more than 400 clients with \$65bn in deposits.

Jim Esposits, co-head of Goldman's investment bank, told the Financial Times that the bank was also considering opening transaction banking offices in Amsterdam and Japan in the near term as it attempts to gain market share from leaders such as JPMorgan and Citigroup.

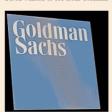
"We need to get various banking licences and regulatory approvals," he said. "But we're doing this with intent, in a very purposeful fashion, to get as global as we need to be."

The expansion into transaction banking is part of a group-wide strategy under chief executive David Solomon to grow beyond the investment bank's core areas of trading and advisory, where it is a market leader, and into business lines that provide stable and recurring reve-nue streams.

nue streams.

The group's transaction banking platform, known as TxB, offers services such as cash management and treasury to businesses. Esposito said most of the clients it had picked up were already customers of the bank.

"This is a perfect case study for what David wanted to see from Goldman



Goldman Sachs is looking for growth beyond lending and advisory activity

1995 2000 05

Sachs," Esposito said. "It fits like a tight glove. This is new growth, with sticky, durable and recurring revenues."
The global expansion is part of a push to offer deposit and payment services to clients in more than 160 countries and 20 currencies.
The expansion comes as Goldman is in the process of restarting its annual cull of underperforming bankers, which is expected to lead to the dismissal of hundreds of employees
The process – which was paused at the height of the coronavirus pandemic as banks struggled to keep up with the workload – typically results in 1 to 5 per cent of company-wide employees losing their jobs, with the impending review set to result in dismissals towards the lower end of that range.

lower end of that range. The planned dismissals are indicative of broader concerns in finance of job cuts amid a drop-off in dealmaking activity and a slowdown in economic growth in the US and Europe. At the end of June, Goldman had

47,000 employees across investment banking, trading, asset and wealth man-agement, consumer banking and operational functions

Commodities

200 China

Japan

10 15 22

Abu Dhabi state oil group holds talks to acquire stake in trading house Gunvor

TOM WILSON, DAVID SHEPPARD AND LESLIE HOOK — LONDON

Abu Dhabi National Oil Company has held talks with Gunvor about acquiring all or part of the trading house in a deal that would significantly increase the United Arab Emirates' reach in global

The talks are at an early stage and may not result in a deal, according to two people familiar with the discussions. However, any investment in Gunvor would be in line with Adnoc's strategy to diversify its revenue streams and build out its trading division.

Gunvor chief executive Torbiörn Törnqvist, who controls almost 90 per cent of the company, has been consider ing a sale for some time. He held unsuc sful talks in 2019 with Algeria's state cessin taiks in 2019 with Angeria's state-backed energy company Sonatrach and discussed potential tie-ups with other trading houses in the past, according to people familiar with the discussions. In March he told a Financial Times

conference that he would consider sell-ing part of the company to help fund its growth. "For us to go and really, shall I say, exploit the potential of the com-

pany, it would be desirable to explore additional equity," he said. "We are open to find an alliance which could increase the corresponding of the country." ne size of the company." He added: "It has to add something —

it may be adding capital . . . or you car find some other strategic relationship, somebody who adds another dimension ess itself."

Adnoc established its own trading

Sultan Ahmed Al Jaber has said he wants to help the UAE to future-proof itself through diversification

arm two years ago and chief executive Sultan Ahmed Al Jaber has frequently stated a desire to improve margins through investments in refining and

through investments in refining and trading capacity.

Jaber told the FT last year that he wanted to "stretch the value" of every barrel of oil and help the UAE to future-proof its economy through diversification. Adnoc and Gunvor both declined to comment on the talks, which were first reported by Bloomberg.

Gunvor, founded in 2000 by Törnqvist and Russian businessman Gennady Timchenko, is one of a handful of large-scale independent commodity traders including Trafigura, Vitol and Mercuria that play a significant role in global energy trading, acting as middlemen and operators of infrastructure such as terminals and refineries usch as terminals and refineries.

Last year Gunvor's trading volumes grew 25 per cent to 240mn tonnes, earning 57.26mn in net profit on turnover of \$4.35bn. It enjoyed an even stronger start to this year, earning net profit of \$4.41mn in the first six months of 2022, boosted by soaring volatility in oil and natural gas markets following Russia's invasion of Uctaine. nvasion of Ukraine. In 2014, shortly before Timchenko

In 2014, shortly before Timchenko was sanctioned by the US government for alleged ties to President Vladimir Putin, the Russian trader sold his stake to Törnqvist and has since left the group. Törnqvist awarded himself a special dividend of \$1bn in 2016 that he used to

pay off a debt to Timchenko related to the sudden sale of his co-founder's stake two years earlier.

Additional reporting by Harry Dempsey
and Arash Massoudi in London

COMPANIES & MARKETS

The day in the markets

What you need to know

- Dollar rises to highest level since 2002 as pound and euro retreat ▶ S&P 500 climbs a further 0.6% while
- Nasdaq Composite gains 0.5%

 Hong Kong, China and Japan bo

The dollar hit a new 20-year high yesterday as investors braced themse for an interest rate decision by the US

To all interest in the presence of the greenback against six peers rose almost 0.8 per cent to its highest level since 2002. The pound fell 0.4 per cent to \$1.33 and the euro lost 0.9 per cent to consolidate below parity

to its highest level since 2002. The pound fell OA per cent to 5x133 and the euro lost O9 per cent to consolidate below parity at 50988. An MSC Index of merenting market currencies slipped O.3 per cent. Those moves came ahead of the conclusion of the latest meeting of the US central bank yesterday, where read-setters were expected to raise borrowing costs 0.75 percentage points — marking the third consecutive increase of such magnitude. The FedS current target range stands at 2.25 to 2.5 per cent. Victoria Scholar, head of investment at the fund supermarket interactive investor, said that a combination of haven demand and the FedS expected rate rise were driving demand for the dollar against most major currencies. "The dollar is railying more aggressively against the euro than the pound given that the Bank of England on Thursday is expected to follow the



point] hike from the Bank of England."
Wall Street's S&P 500 share gauge v
up 0.6 per cent by the late morning in
New York, after closing the previous
session 1.1 per cent lower. The Nasdaq
Composite rose 0.5 per cent. In Europe
the regional Stoxx 600 rose 0.9 per ce
and London's FTSE 100 rose 0.6 per ce

the first time since 2007, extending gain from the previous session. The yield on the 10-year Treasury note was steady at 3.56 per cent. Cose to an 11-year high. John Vells, foreign exchange strategis for the Americas at BNY Mellon, said he expected the Fed would ralse interest rates as high as 5 per cent early next yes above the 4 per cent peak curry priced in by market. The Fed's new

Choose the right alternative to pricey investments

Cliff Asness

Markets Insight



same thing (private equity is still equity, for example).

The alternatives industry, while a varied bunch, can be very roughly categorised as: 1) strategies where most of the return relies on exposure to market factors such as private equity and private credit and 2) strategies where returns are mostly unrelated to the overall performance of capital markets, such as emmearo hedge funds, equity market neutral strategies and managed futures.

The first type, privates, has seen stupendous growth over the past decade—not surprising given those strategies, by and large, have posted very strong

Many strategies posting above-average returns in the past decade are now likely to underperform

require compensation. Nevertheless, a long-term low-return environment for equities cannot be hidden from forever. In comparison, the second type of alternatives has not had the same tail-winds. If anything, a strong trailing decade for stocks and bonds has led many to reduce their exposures to the truly diversifying types of investment due to disappointing relative returns (an unfair comparison, but that does not mean it does not happen). We collectively seem to learn and unlearn these lessons in a painfully cyclical manner. Now, back to today. Markets are still offering much less than normal, and the first type of alternative is in this same boat. Frankly, many of the strategies that posted above-average returns over the past decade are more than likely underperform over the next decade. However, this is not the case for the second type of alternative. Because they mainly try to generate returns regard-less of market direction, these strategies

10-year Tre

s FTSE All-W

OII - Bre

Markets update

change on day

mainland CSI 300 fell 0.7 per cent. Japan's Topix lost 1.4 per cent. In government debt markets, the two-year US Treasury yield added 0.04 percentage points to hit 4 per cent for

•

10-year JGI

Z

forecasts would probably imply "a sustained period of high interest rates instead of a quick "pivot" to monetary easing early next year, he said. Chris Flood and Nikou Asgari

(

-0.33 Real per \$

letals (LMEX)

10-year bo nd all limes (Asia), Inursda
all we have seen this year, markets may
finally be cheap.
Unfortunately, they are not. Yes, markets are not as expensive as at the start
of the year, but a few months of cheapening after a decade-plus of richening is
a tiny drop in an awfully large bucket.
We still live squarely in the world of low
expected returns over the long term for
most traditional investments.
What is the solution? Something
investors probably already know, but
may have abandoned during an exceptionally long bull market: diversification, we need to be careful, Just because
something appears different does not
mean it is diversifying, and just because
something is called an "alternative"
does not mean it is not basically the

ay, September 22, 2022
returns. But why? Undoubtedly, many
of these managers are skilled, but the
historically strong environment for
stocks and bonds also helped. Any stratergy with returns that are conomically
tied to markets should do well when
markets do well, particularly if the bets
are leveraged.

Privates also benefited from reported
volatility that often understates the risk
of the actual assets — something I have
checklicy called "volatility laudering".

This understatement of risk has been
so successful in attracting investors that
it has perhaps inverted the typical Illiquidity premium (the return boost
from being willing to own illiquid
assets) into a headwind. In effect, Illiquidity has become a feature you would
pay for, not a bug for which you would pay for, not a bug for which you would

may prove to be the more valuable in the decade ahead. Given that these are our strategies, we are arguing here with boyious self-interest. But I would note that market-neutral strategies that go long cheap and short expensive stocks are actually at close to record levels of cheapness. Another self-serving shoutout should go to managed futures, which often trails when beta — or tracking the market — is king but then shines when it is not (as in 2022).

The current environment is giving plenty of short: and long-term reasons to diversify. When investors are looking to alternatives, just make sure they are actually an alternative.

Cliff Asness is a founder and chief invest-ment officer at AQR Capital Management



Wall Street

Better than expected results sent Gener Mills to the top of the S&P 500 benchmark. The company behind Cheerios cereal and Häagen-Dazs ice cream reported earnings of \$1.11 a share for its fiscal first quarter, which was 11 cents above the Refinitiv-compiled extimate.

estimate.

Jeff Harmening, chief executive, said the group's ability to navigate a "highly volatile operating environment" gave it the leeway to raise its "full-year outlook for net sales, operating profit, and EPS

Europe

Uniper plummeted on news that it was being nationalised.

being nationalised.

Finnish energy group Fortum, which
owns a majority stake in Uniper, agreed
to sell its entire holding to the German
government for €1.70 a share, which

to sell its entire holding to the German government for 6:170 a share, which equated to about €500m. Uniper has been under considerable pressure this year following a large reduction in gas deliveries from Russia. RBC Europe said his development was effectively a sorry, but almost ineutiable, end to Uniper as a listed entity. Italian fashion group OVS jumped after chief executive Stefano Beraldo declared an 'excellent' half-year performance. Sales climbed 18 per cent compared with the same period in 2021 and was up 8.5 per cent against the pre-parising first half of 2019. Beraldo expected "full-year results to significantly improve over the previous year" and said OVS would be returning more money to investors through a €20m boost to its share buyback programme.

Programme.

Paris-listed OL Groupe, the parent
company of Olympique Lyonnais, rose
sharply following media reports that the
Lique I fotobla I leam was set to be taken
over. Sports newspaper. L'Equipe said US
investor John Textor was getting help
from financier Mark Affolter in his effort

London

S4 Capital, the digital marketing group run by ex-WPP chief Martin Sorrell, rallied off the back of half-year results that settled "nerves", sald Citi.
S4 reiterated its full-year guidance, having cut its earnings outlook in July in a move that sent its shares tumbling at the time. Even after yesterday's Jump, S4 remained more that 70 per cent lower this year.

this year.

The group forecast "a significantly stronger second-half performance with a weighting to the fourth quarter".

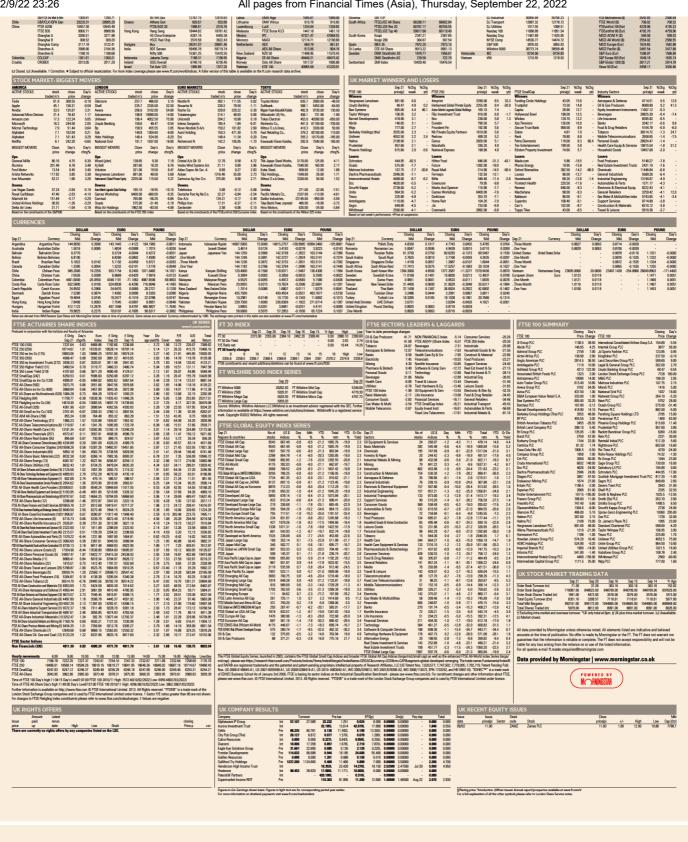
Vodafone climbed on news that French billionaire Xavier Niel had bought a 2.5 per cent stake in the telecoms operator.

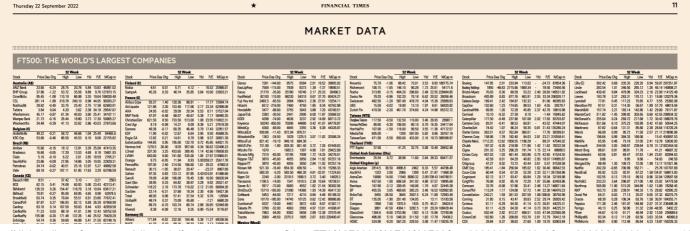
25 per cent stake in the telecoms operator.
A statement from the investment vehicle that bought the holding on behalf of Niel suggested he planned to shake up the group, stating there were "opportunities to accelerate" such as the streamlining of Vodafone's footprint. Fantasy figurines manufacturer Games Workshop sank despite raising its dividend. What soured sentiment was a slide in pre-tax profit to 259mn for the quarter against £45mn for the same period last year.
Rumours that chancellor Kwasl Kwarfeng planned to cut stamp duty on properties at this week's minl budget lifted housebuilders Persimmon, Taylor Wimpey and Barratt. Ray Douglas

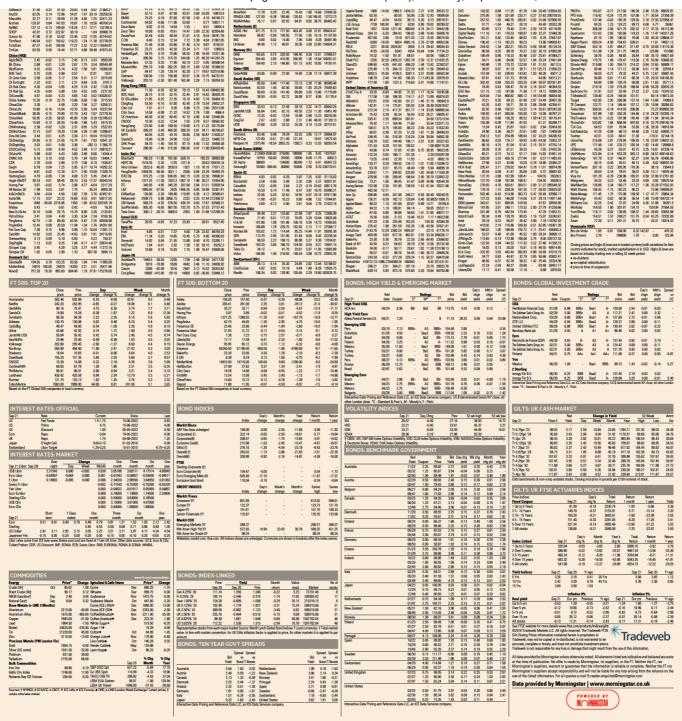


FINANCIAL TIMES Thursday 22 September 2022

MARKET DATA WORLD MARKETS AT A GLANCE ious day's trading (%) FTSE 100 Gold \$ FTSE All World \$ Oil Brent \$ Sep -1.36% -0.04% -0.03% -0.701% -0.457 nts over last 30 days, with the FTSE All -World in the same curre Stock Market m AMERICAS cy as a cor **EUROPE** Month ¾-8.36% Year > -10.39% New York FTSE Eurofirst 300 lbex 35 * Hang Seng Nasdaq Composite o∎ IPC Mexico City Europe Madrid Hong Kong FTSE Straits Times Singapore Month > -9.76% Year 4-23.79% Year > -7.83% Year 4-8.03% Month > -5.59% Year 4-10.149 nth × -6.73% Year > -26.00% . Year ≠ 6.39% Dow Jones Industrial New York Box São Paulo CAC 40 FTSE MIB Shanghai Com BSE Se Mumbai Previous 147929.75 7030.00 6806.40 5384.40 2870.59 3549.95 9307.12 112516.91 1172.64 Cyprus Czech Republic Denmark Egypt Estonia Finland France Philippine Poland Portugal 14549.30 1638.59 3277.50 9251.11 2355.60 7192.66 6487.52 3947.56 6028.50 10420.90 419.56 3467.06 1161.16 9196.96 392.00 1595.8 3127.86 2439.16 1456.00 Wig PSI 20 Romania Bussia







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began rehearsals for Moira Buffini's Handbaggad, Queen Elizabeth II was on the throne and Boris Johnson was prime minister. The show opened last week to a new monarch, a new PM and a period of national mourn-ing. Suddenly a droll comedy about the elasticachin between the Grown and here relationship between the Queen and her premier (in this case Margaret Thatcher) took on sombre new weight and the creative team was in doubt about whether to proceed at all.

Thankfully, they decided in the affirmative. For while charmingly irreverent. Puffinite also in the charming the charm

animative. To while charmingly free-erent, Buffini's play (first shown in 2013) is far from disrespectful: behind all the comic exchanges lies a measure of sympathy for those in high office and the portrayal of the Queen is witty and affectionate. Meanwhile the issues Buffini considers — the role of the constitutional monarchy, the machinery of state, the limitations on each leader feel particularly current

In essence, the playwright does what Shakespeare and others have done before her, using dramatic licence to peep behind the curtains of power. Like Peter Morgan's 2013 play The Audience, Handbagged focuses on the private weekly meeting between the monarch and prime minister and the intriguing fact that no one else is in the room when it happens. That's meat and drink to a dramatist: a chance for imagination to slide in and fill the gaps. But Buffini also brings self-deprecat-

ing mischief to the task, undercutting her own narrative by having characters her own narrative by having characters argue with one another or step out of the action to dispute the drama's priorities. Here there are two Queens and two Thatchers, the older versions often disagreeing with their younger selves. "Philip and I had put money on the [election] result." confides the young Queen to Mrs T. "No we had noti" cries the older monarch, aghast.

At the play's heart is the fascinating image of these two women, the same



Power – elected and enduring

elected but transient, the other inherited but enduring. The play swoops in and out of Thatcher's 11 years in office, touching on major political events and sketching in a relationship that was rumoured to be prickly. Meanwhile, huge issues roll through the comedy, including the partiality of historical account: Romayne Andrews and Rich-

including the partiality of historical account: Romayne Andrews and Richard Cant, playing all the men in the drama, argue about the alternative histories that have been left out.

Richard Kent's set, a skeletal union jack structure, hints at the cage of high office, and the performances are a delight in Indhu Rubasingham's production. Abigail Cruttenden brings a wry sense of humour and quiet scepticism to the upright young Queen, while Marion Bailey is very funny as the older,

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For the second year in a row, renewable energy is the top sector by capital investment, accounting for \$85.2bn

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the Financial Times.



Anjali Jay and Samar Khan in 'The Cherry Orchard' – Johan Pers

more worldly-wise monarch; Naomi Frederick's pinched young prime minis-ter contrasts with Kate Fahy's older, bat-tle-hardened Iron Lady. It's certainly a play that's tougher on Thatcher than on the Queen, who

Thatcher than on the Queen, who emerges here as a champion of social equality — it could apply greater scruinty to both the monarchy and the electoral system. But it's clever, drolly enjoyable and has now acquired a new layer of poignancy, as the events it depicts slip further into history. To October 29, kilntheatre.com

Seismic social change also underpins Chekhov's 1903 masterpiece The Cherry Orchard, as the aristocratic Madame Ranewskaya fails to deal with the economic disaster facing her country estate. Vinay Patel's inventive version pitches the story into the future. Here the action unfolds on a spaceship spinning towards an elusive destination. We are hundreds of years into the mission: the ship is crewed by cloned humans (all of south asian heritage) who never saw the Earth and various, now antiquated, but the store that the store of the original, has become Feroze, a glitchy android servant, brilliantly played by Hari Mackinnon.

The cherry orchard still exists, but in an arboretum. It constitutes a link back to Earth, as does the ship's rigid social hierarchy, which keeps the lower deck workers toiling in the dark. But the mission has become selerotic tensions are brewing between the decks, and the discovery of a nearly habitable planet brings everything to a head. As in the original, pragmatic engineer Abinash Lenka (Lopakhin in Chekhov) urges Captain Ramesh to change course but ends by taking charge himself.

ates as a stinging metaphor for a s ates as a stinging metaphor for a society too stuck in its ways to make essential change, with the setting bringing a cau-tionary element. The mapping onto Chekhov's play can feel convoluted, par-ticularly in the first half, and invites comparisons that aren't quite fulfilled.

comparisons that aren't quite fulfilled.
But it grows into something more
poignant, partly thanks to Patel's writing, partly thanks to the skill of director
James Macdonald and his cast and creative crew. There's terrific work from
Anjali Jay as the obdurate Ramesh and
Maanuv Thiara as the exasperated Abinash. Rosie Elnille's rotating spaceship
with its puckish central control column
is a joy while Max Pappenheim's sound
design and Jai Morjaria's lighting create
a reflective mood. The melancholy sight
of the receding planet at the end, as the
abandoned Feroze spins off into space,
makes this an elegiac reminder of the
beauty of our own planet.
To October 22, they until heatre.co.uk

In a sense, The Snail House, the debut play from renowned director Richard Eyre, brings us a Chekhovian situation.
A family of four are forced together by a
formal dinner to celebrate the birthday of paediatrician Sir Neil Marriot (Vincent Franklin), recently knighted for his pandemic advice to government. Son Hugo (Patrick Walshe McBride) is a witty political adviser; activist daughter Sarah (Grace Hogg-Robinson) seethes with anger; long-suffering wife Val (Eva Pope) attempts to keep the peace. Assembled in a school dining room,

'Handbagged' swoops in and out of Thatcher's 11 years in office, touching on major political events

they squabble while the catering staff urge them to attend to the unseen guests gathering in the hall. Eyre, who also directs, brings to his

play a lifetime of working on socially engaged state-of-the-nation drama and the issues here are piping hot: Brexit, cli-mate change, class, integrity . . . A huge disclosure about the former relationdisclosure about the former relationship between Marriot and the catering manager (played with quiet, formidable dignity by Amanda Bright) raises serious questions about medical ethics.

As a bruising summary of the many problems besetting current Britain and of nolarised nublic debate it's snot on

of polarised public debate, it's spot on. As a play, it is much less satisfying. The characters too often sound like mouthcharacters too often sound like mouth-pieces and there is way too much on the table that plot-twist deserves a whole play. Plus it's hard to care much about a central four that are so spiky and one-note, though the cast depict them with froil humour and Franklin brings poignancy to Marriot's late admission of wrongdoing. There's great work too from Raphel Famotibe and Megan McDonnell as the young dig-economy cateers, witnesses to this privileged family charade. But for all it bubbles with issues, this show is sady flat. To October 15, hampsteadtheatre.com



Thirteenth-century adolescence made fresh

FILM

Leslie Felperin

Lena Dunham, creator and star of the 2012-17 HBO series *Girls*, is a divisive figure for all kinds of reasons. But while people may object to her personal style, her fudging of the lines between autobi-ography and fiction, her white privilege and more, the fact that she has real talent as a maker of TV and film is much less in dispute. The evidence is there in Girls, which she shaped as star, show-runner, key writer and sometime director, but also in her early features Creative tor, but also in her early leatures Creative Nonfiction (2009) and Tiny Furniture (2010). Reports from Sundance Film Festival earlier this year suggested that her down-and-dirty comedy Sharp Stick is both problematic and disappointing, but the research to descent the forward.

ner down-anic-dury comedy Snarp Sutes is both problematic and disappointing, but now comes the firework bang of purejoy that is Catherine Called Birdy.

It's a more mainstream work than of firls or Dunham's previous features. Like the acclaimed 1994 book by Karen Cushman on which it is based, the film centres around a 14-year-old protagonist living in 15th-century England, and is aimed more at fans of Young Adult fiction than the kinds of actual young Adult fication than the kinds of actual young Adult for adults found in Gifs. The challenge of adapting another writer's work and the raised stakes of a higher budget may have curbed some of Dunham's more provocative instincts. But with a story that touches on menstruation, a young woman's first exposure to sex, her incestuous desire for her uncle, the threat of sexual abuse and harrowing scenes of

have always had a great eye for new tal-ent, and that's as true again here, with such discoveries as Rita Bernard-Shaw as snorty-laughed maid Meg, Michael Woolfitt as goatherd Perkin and others, while the rest of the roles are filled out with established names on cracking childbirth, it still meshes with Du

childbirth, it still meshes with Dun-ham's usual preoccupation with the sticky bodily facts of being female. That might make it sound like a YA version of Game of Thrones-spin-off House of the Dragon, but without the dragons or, thankfully, the dour self-sedragons or, thankfully, the dour self-ser-riousness. It does have thrones' break-out star Bella Ramsey (who played a tiny but fierce clan head) in the lead role of Birdy, an irrepressible imp who pre-fers playing in mud to learning to be a lady. This greatly annoys her father, Lord Rollo (Andrew Scott), who needs Lord Rollo (Andrew Scott), who needs to marry her off quickly to bolster his estate's dwindling finances. Birdy's per-manently pregnant mother Aislinn (Bil-lie Piper) and nurse Morwenna (Lesley Sharp) are quietly on her side but are powerless to avert the onset of adult-hood. In her desperation, Birdy conspires to sabotage every introduction her father arranges with either histrion-ics, blackened teeth or plain rudeness. Dunham and her casting directors

hip cover versions of pop songs and cos-tumes that channel boho-boutique chic. In UK and US cinemas from September 23; on Amazon Prime Video from October 7

form, including Sophie Okonedo as a saucy aunt by marriage and Paul Kaye

as a loathsome suitor. But it's Ramsay who owns or steals every scene, a petite combustible package bursting with fury, pleasure and potential. It may go down as one of the all-time great teen performances.

The film taps into that youthfulness as Dunham and her team create a medieval world, encapsulated in a sleepy corner of Lincolnshire, that feels fresh, contemporary and effortlessly cool with

temporary and effortlessly cool, with

as a loathsome suitor. But it's Ram

Star: Bella Ramsey is at the helm of 'Catherine Called Birdy

Thursday 22 September 2022 FINANCIAL TIMES

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The secretive field of ransomware negotiation has become big business in recent years after hacking proliferated in the pandemic. But the playbook for dealing with attacks is thin – and still being written. By Hannah Murphy, Dan Clark and Sam Joiner

ax Bevilacqua was just 18 years old when he was forced to learn the deligrame of the search of the says, of the time he successfully talked an acquaintance down off a ledge. The experience would lead Bevilacqua, now 33 and founder of Max Negotiating, into the increasingly sought-after profession of ransomware negotiation, haggling with cyber criminals who lock up a company's data or computer systems until desperate victims agree to send them a payout.

Over the neast few years: ransomman.

until desperate victums agree to some them a payout.

Over the past few years, ransomware has exploded into a multimillion-dollar global enterprise for cyber gangs. The number of ransomware attacks globally has more than tripled since 2019, hitting businesses, government entities, hospi-tals, schools and colleges and even char-ities of all sizes. Global ransomware damage is predicted to cost its victims more than \$250 ha year by 2031.
Fighting back, Bevilacqua and others in his field help clients communicate with the hackers with the aim of regain-ing control of their valuable data — at minimal cost — and returning to busi-ness assusual.

ness as usua.
"I work as the threat actor," he says. "I
think of what they would do — [of] a situation where I wanted to make as much
money as possible — and try to go backwards from there."

wards from there."
It is an awkward craft, and one shrouded in secrecy. Western authorities generally advise against paying hackers in any ransomware situation, several US states already ban government entities from paying ransoms to attackers — and others are mulling over similar problistions.
That leaves the industry's legitimacy victime more problems to the property of the property of the property of the problems.

in a grey area. Victims generally try to avoid disclosing embarrassing hacks if

'The attackers want their money quickly so they can move on to the next attack, so slowing them down is crucial'

they can help it, demanding discretion on the part of negotiators, who are themselves careful not to share too much insight into their strategies, lest cyber criminals use that information

For Bevilacqua, the rules of engage-ment are far trickier than in the other types of consulting work that his firm offers, such as advising lawyers and human resources staff on how to reach an agreeable resolution on workplace

matters.

The main problem is that cyber criminals simply "don't care", he says. "They don't have the reputational cost that binds them to good behaviours, such as

Writing the playbook

The playbook for negotiators is thin and

Writing the playbook
The playbook for negotiators is thin and
Just starting to be written. Ransomware
groups proliferated during the Covid-19
pandemic, in part because the transition to remote working left businesses
more vulnerable to opportunistic outsiders. The FBI said last year it was montioring more than 100 gangs.
Full data sets are scarce, as many victims do not disclose if they have been
hacked, let alone paid hackers, but
demands run from the thousands into
the multimillions of dollars — and are
rising. According to Palo Alto Networks,
35 fresh groups sprung up in 2021. A
March report by the cyber security company estimated that the average ransom
demand in cases handled in 2021 rose
144 per cent to \$2.2mn compared with
the previous year. Meanwhile, the average payment increased 78 per cent in
2021 to \$41,010.
Fuelled by such lucrative business,
many hacking groups have professionalised. In some cases, they mirror corporate organisations, with designated
hierarchies, salaries and revenue targets
for staffers to hit. "The operational
sophistication of these groups continues
to grow," says Bill Slegel, chief executive
and founder of incident response firm
Coveware.

While smaller outfits remain easy

Coveware.
While smaller outfits remain easy prey for attackers, there have also been debilitating attacks on high-profile targets, such as the 2021 attack on Colonial Pipeline, which supplies almost half of the motor fuel consumed on the east coast of the US. The hack caused the pipeline to be shut down for five days, triggering a run on petrol supplies as motorists rushed to fill their tanks.

Incidents of attacks on this scale have fallen slightly recently as law enforce-ment has circled, according to Siegel. "We are seeing [fewer] truly disruptive hacks," he says, but he also notes that many criminal groups have started employing new and brazen tactics to



How to fight back against a cyber hack





'I think of what they would do - a situation where I wanted to make as much money as possible - and try to go backwards from there

ations — albeit on softer targets. This includes so-called double extortion ichiffing from merely holding a victim's data hostage to also threatening to publicly leak the information) as well excashing a victim's public websites or calling their customers to embarrass them, Siegel says.

Much like in the approach to traditional hostage estinations. Us and UK

Much like in the approach to tradi-tional hostage situations, US and UK governments recommend that victims do not interact with cyber criminals. "It

do not interact with cyber criminals. "It doesn't guarantee you or your organisation will get any data back. It also encourages perpetrators to target more victims and offers an incentive for others to get involved in this type of illegal activity," the FBI website says.

But the issue remains hotly debated, with some local governments taking a more hardline stance. The US states of North Carolina and Florida have explicitly banned state and local government agencies from paying or even communicating with ransomware hackers, with others such as Pennsylvania, Texas, Arizona and New Jersey weighing similar moves. Meanwhile, New York is proposing banning businesses, as well as government agencies, from paying ransons.

The thinking is that these laws will

as government agencies, from paying ransoms.

The thinking is that these laws will make the states "less attractive targets to ransomware groups", according to Allan Liska, intelligence analyst at US cyber company Recorded Future. But he adds that this could "backfire" and in fact "incentivise ransomware groups to go after victims in those states [as a] sort of 'challenge accepted' moment."

Brett Callow, analyst at the cyber security group Emissloft, maintains that many victims pay a ransom to combat the threat of potential legal action from their users, rather than to restore operations. "It's a matter of being seen to do everything they can to appease the people whose data has been stolen — to prevent class action suits," he says.

ple whose data has been stolen—to pre-vent class action suits," he says. But many victims feel like they have no choice but to pay. "I don't think you can criticise a family business for wanting to save their livelihood," Bevi-

Live attack

One weekend in March 2021, Sir Daniel Moynihan, chief executive of the Harris Federation and his IT staff were making frantic calls for help.

His multi-academy trust — based in

London and Essex and made up of more than 50 schools catering to 40,000 youngsters largely from disadvantaged en hit by Russia-linked payment of at least \$4mn in cryptocur

rency, he says. Staff had been forced to rency, ne says. Start nad been forced to shut down its computer systems to stop the virus spreading further. The conse-quences were already dire. The schools' teaching materials and registration sys-tems were down; students' medical details could not be accessed, neither world sweether.

details could not be accessed, neither could payroll.
"In some of our schools, door entry systems operated on wireless networks so we didn't know on the Monday morn-ing whether the schools would be able to open the front doors," Moynian says, "or indeed whether the front doors would be wide open."
But each of the cyber security firms listed on a UK government cyber web-

But each of the Cyber section, imms listed on a UK government cyber website refused to take on the trust as a client because, they said, they were at capacity. "That kind of gave us early indication that a lot of this goes on below the radar," says Moynihan. Eventually, following a recommendation from a

\$250bn

58%

board member, the group turned to Israeli cyber outfit Sygnia. Hiring the right negotiator can be a complicated matter. They can be found in specialised boutique companies or in-house teams at larger cyber insurance or cyber security firms, such as Sygnia. Many have backgrounds in traditional hostage or terrorist negotiation, or mili-tary intelligence; others have dark web and technical backgrounds. A large chunk of their time is spent seeking to build profiles of their invisi-ble opponents – cyber criminals mainly based in Russia or eastern Europe, who operate outside the purview of western extradition treaties – so as to be able to predict how they might behave in

extradition treaties — so as to be able to predict how they might behave in future. Are they likely to honour their commitments, for example?

"At the very outset, you're trying to gure out, who is the player I'm playing rith?" says Bevilacqua. In the case of the Harris attack, Syg

nia's job as negotiator was to "find out what [the hackers] had" (valuable intelligence on the damage they had done or data they had stolen) and also to "delay as long as possible", while the trust's IT staff got their systems back up and funcg again, Moynihan says

Paying was out of the question for his foundation as it could potentially set a precedent for other education groups. "To hell with them!" he says. But the hostage negotiator, took on the fictitious online persona of a school bursar called Emily, who "pretended to be naive" and was "pressing them for more information" under the guise that she needed to take it back to the board. In the end, while the disruption cost the Harris Federation £600,000 to £700,000 and some private data was leaked, Moynihan never paid a ransom, stalling the hackers while rebuilding the security of the servers.

Malicious acriticities

Malicious activities

Analysis of ransomware payouts shows that in the majority of cases the payment demand can be significantly reduced. In certain cases, they can be brought down by about 25 to 50 per cent — or sometimes even as much as 80 per cent, asys Oren Wortman, vice- president of cyber security services for North America at Sygnia.

Negotiators typically correspond with hackers via email or instant chat windows with the permission of their client. As a first step, it is vital to initiate communication as soon as possible to increase the chances that the hackers will "pause their malicious activities" wortman adds. "It's very analogous to more traditional types of ransom negotiation, in the sense that from the time you start that dialogue, the threat actor

tiation, in the sense that from the time you start that dialogue, the threat actor will not do something to harm their own chances of achieving their objectives."

That said, negotiators tend towards stalling as a way of gaining a degree of control. According to Kurtis Minder, CEO and co-founder of cyber company forupsense, the longer you have to plan and strategise the better. He advises his clients to the yout the house you have been and strategise the better. He advises his clients to try to put themselves in a "high-maintenance, low-value" bracket in the minds of the hackers.

in the minds of the hackers.

"The attackers want their money quickly so they can move on to the next attack, so slowing them down and making yourself as much of a nuisance as possible is crucial," Minder says. "The additional time will also enable you to

validate the severity of the attack".

In some cases, criminal groups with sophisticated coding ability will develop and maintain their own ransomware software to deploy it themselves — and undergo serious due diligence on their targets. "For a lot of the big ransomware groups, the number or amount the attackers are asking for isn't a wild guess", explains Marc Bleicher, manag-ing director of Arete, a company that specialises in cyber risk. "It's based on research and reconnaissance they've

undertaken."
In others cases, smaller groups of hackers without the prowess to maintain heli own strains of ransomware might pay to rent technology from groups that offer ransomware as a service and buy up lists of targets. "If it's a less sophisticated group, we'll have a higher level of confidence that we can continue negotiating it down to a fraction of what the initial demand was," says Wortman. "As opposed to a more sophisticated group that we will be abe to negotiate juith] but only to a certain point."
Ultimately, it is down to the victim to decide whether or not to pay up. Minder advises compromised companies to place a value on the information stolen and then negotiate from there. How long will it take for you to become operational again? Could your company face legal repercussions if customer information is made public? What impact would a hack have on your reputation! If a victim does proceed with payment, negotiators might help them transfer funds via cryptocurrency and simultaneously offer cyber security services to help victims back on their feet. The process is not without its controversies. Negotiators face mounting pressure to conduct due diligence on criminal gangs to ensure they do not hand cash to entities under sanctions. In September 2021, the US Treasury department's office of Foreign Assets Control issued an advisory warning that any group facilitating payments to ransomware gangs on its economic sanctions list could risk severe penalities, and outling the "proactive steps companies can take to mitigate such services." See the proactive steps companies can take to mitigate such residence of Russian ransomware groups, the issue has become more pertinent this years since Russia invaded Ukraine and was put

Meanwhile, some criminal groups try to offer fixed deals and discounts to the larly. Negotiators who have developed relationships with hacking groups have come under criticism and had their

incentives questioned. "We think it crosses a major line, ethically and possibly legally," says Siegel. But he adds that the fee structure that his company uses is "not predicated on ransoms being paid". Rather, fixed contracts based on time and resources are ed, he says. "We have taken great ca to ensure that there is zero financial

Putin's desperate roll of the dice in Ukraine

The FT View



FINANCIAL TIMES

The west's resolve, like Kyiv's, should not weaken in the face of threats

The success of Ukrainian forces in reclaiming swaths of their country brought jubilation, followed by concern over how Vladimir Putin – humiliated, over how Vladimir Putin – humiliated, pressured and running out of options—would retaliate. The answer became clearer on Wednesday: the Russian president will mobilies 500,000 or servists to support what he depicts as an existential struggle against the west, and indicated that Russia would try to annex parts of Ukraine through sham referendums. He explicitly raised the referendums. He explicitly raised the prospect of nuclear conflict. Putin's declaration must be taken for

Putins declaration must be taken for what it is: a cynical rewriting of history designed to coerce Ukraine and its west-ern backers to accept Russia's gains. Their resolve should not weaken in the face of such sabre-rattling, which

amounts to an admission of the huge amounts to an admission of the nuge error Putin has made in invading Ukraine. He cannot fix it by calling up reservists. That is not to say his nuclear threats should be dismissed: they are serious and, if mishandled, risk catas trophe. A cornered, nuclear-armed autocrat is a dangerous and unpredicta-ble one — for his own people, for Ukraine, and for the world. Clearly, mobilisation undermines two

conceits that thus far have sustained the support, or at least the tolerance, of the Russian people. First, that this is a "special military operation" rather than out-and-out war, nomenclature that the regime has insisted upon on pain of crim-inal sanction. Calling it by its true name in Russia drags with it not only the long shadow of the second world war, but also connotations of more recent, grinding conflicts in Afghanistan and Chechnya. It is unclear how ordinary Russians will react now; there is a reason why Putin has waited six months to bow to hardliners' demands for mobilisation, and is still

resisting their calls for full conscription. Second, calling up reservists under-scores just how depleted and moralesapped Russian troops have become, even as they have – according to a grow-ing mountain of evidence – tortured, maimed and killed civilians. Ukrainians have succeeded in repelling Russian forces not only in Kharkiv in the northeast but also threaten those in the Don-bas, whose "liberation" was one of Putin's original war aims. Yet mobilisation will do little to bolster

Russian positions in the short term. Despite recent efforts to create a stand-ing reserve force, Russia does not possess western-style reserve units that can be inserted seamlessly into conflict, beyond a few thousand who receive regular training. Getting the rest battle-ready will take time. Questions also linger over Russia's supplies of military equipment due to the effect of sanctions.

due to the effect of sanctions.

Of more immediate concern are Putin's
"referendums" in Ukraine's occupied
regions over whether to join Russia. Joe

amounts to ar has made in neighbour

Biden is right to call them shams, whose results are foregone conclusions. It is farcical to think that free and fair plebiscites could be set up in a matter of days under the barrel of a gun. They are, rather, designed to be an imprimatur of Russia's skewed world view of itself as a Russia's skewed world view of itself as a defender. Tactically, they are meant to halt a Ukrainian counter-offensive into what Russia would designate as its own territory. The Kremlin has long reserved the right to use all possible

reserved the right to use all possible means, including nuclear weapons, to protect its country and people.

This does not represent a new nuclear threat, but it steps up the rhetoric. For western leaders, many of whom are meeting at the United Nations (along with as invascipally confertable). meeting at the United Nations (along with an increasingly uncomfortable China and India), Putin's bombast is evidence their strategy of support and supplies to Ukraine is working. This may not amount to a final roll of the dice by Putin but it is clearly a desperate one. The world's response must be as cool as it is resolute.

Opinion Digital currencies

No. bitcoin cannot be separated from crypto



Temima



f you have ever dared to direct criticism at the world of crypto, the chances are you will have received some charming rebukes. You are likely to have been told to

"have fun staying poor" as you're "never gonna make it"; your criti-cisms have probably been dismissed as mere "FUD" (fear, uncertainty and

doubt); and you may well have been informed that you are in fact nothing more than a "salty no-coiner".

But there is another slightly more

sophisticated flavour of counter-criti

sophisticated flavour of counter-criti-cism finding its way into my inbox with increasing regularity these days. It usually starts with something designed to appease — some kind of agreement that crypto is immoral, a

scam, or some version of a Ponzi scheme. But then it quickly changes

course, to explain that none of this applies to bitcoin.

The people who push it

have the same financial

incentives as those

pushing any other token

Bitcoin, the bitcoiners tell me, is not crypto. And, you understand, crypto bad, bitcoin good. Very very good. "Bitcoin is a lifeline for so many peo-

"Bitcoin is a lifeline for so many peo-ple around the world," one altruistic bitcoin holder said to me recently. "Please stop lumping it in with crypto, which is morally reprehensible." I recently suggested that one way practising the art of "intellectual humility" is to "steelman" your oppo-nents' position — that is, rather than finding their weakest points and argu-ing against those, you present the strongest version of their argument possible. And so I'm going to try to apply this technique here, before explaining why I believe they are wrong.

explaining why I believe they awrong.
Why do the so-called "bitcoin maximalists" – the purists who argue that bitcoin is the only cryptocurrency that has value – make this claim? They state that the organic way that bitcoin came into being cannot be replicated and that, while bitcoin can be copied, it will always have a first-mover

which were issued by big corpora tions. Bitcoin arose not as a way to make money, but out of a libertarian internet subculture that believed technology, specifically cryptography, was key to driving social and political Maximalists also say that bitcoin's

incentive mechanism, the energy-in-tensive "proof of work" mining proc-ess that rival Ethereum just last week

ess that rival Ethereum just last week moved away from, is the only way of ensuring a truly decentralised system. But while you can see why bitcoiners might be keen to distance themselves from the plethora of scams and fail-

their arguments don't stand up.
First, it doesn't matter what bitcoin's origins were — the people who push it now have the same financial incentives as those pushing any other crypto token. Satoshi Nakamoto, the creator of bitcoin, might have intended it to be used as money, but that does not make it so — it fulfils none of the necessary criteria, and instead operates in a pyramid-shaped structure that relies on constantly recruiting new members.
Second, bitcoin is not in fact decen-

tralised - not only do miners group together to form "mining pools" but wealth is also hugely concentrated. On Tuesday, MicroStrategy announced that it had bought another 301 bit-coins, meaning this company alone now holds almost 0.7 per cent of the

entire supply.

Third, a "first-mover advantage" does not always last. Other crypto tokens already have various features that bitcoin does not, and there has been renewed talk of a "flippening", in which Ethereum's value overtakes that of bitcoin due to the former's switch to a less carbon-intensive form

switch to a test carbon-intensive form of mining.
Finally, there is not even agreement on what bitcoin is. For the vast majority it is the digital coin also known as "BTC", currently changing hands at around \$19,000. But there are other various that buyers like for such extra versions that have split off, such as the one promoted by Craig Wright, the man who claims to be Satoshi and who

man who claims to be Satoshi and wno says BTC is a scam.

The real reason bitcoin maximalists want to separate bitcoin from the rest of crypto is to creat the illusion of scarcity in a world where there is none. CoinMarketCap now lists more than 21,000 different crypto tokens, which bitcoin maximalists call "shitcoins". Of course they do — if there is infinite supply, how can there be any value? This is still the core problem of

Letters

Email: letters.editor@ft.com

Developing countries must have the data to fight climate crisis

The optimism Simon Kuper shares for the future of climate action ("The road to climate action suddenly seems smoother," Fr Weekend, September 10) is welcome, as Ghanaian cocoa farmers adapt their tree planting and mountain slopes around San Salvador are reforested to stop landslides. However, what's missing is data. As the world confronts health and education challenges, climate emergencies and food crises, those responsible for safeguarding all our futures are making policy in the dark,

without good data to guide them.
You cannot adequately address
pandemics in a world where only four
in 10 deaths are registered.
Humanitarian action responding to
emergencies and famines falls short
when one-third of the necessary data
are missing. Critical windows for action
are being missed in the climate crisis
because much of the data is years out
of date. It doesn't have to be this way.
Strong national data systems can
create real savings for governments
and donors, with an average of \$32 of

economic benefits generated from every dollar invested in data. World leaders have an opportunity to come together in an urgent global effort that champions the principles of country ownership, transparency and the protection of individual rights. An immediate step is to strengthen global collaboration, including through new financing and co-ordination mechanisms, such as the UN-hosted Complex Risk Analytics Fund and the World Bank's Global Data Facility. Only by scaling up support for

developing countries' data systems will we paint the full picture of the world we inhabit and ensure there is no more decision-making in the dark. Claire Melamed CEO, Global Pattnership for Sustainable Development Data, New York, NY, US Professors if David Spiegelhalter Professor of Statistics, University of Cambridge, UK Mo Ibrahim Founder and Chair. Mo Ibrahim

Mo Ioranim
Founder and Chair, Mo Ibrahim
Foundation, London W1, UK
Full list of signatories at www.ft.com/letters

Carter, not Volcker, caused the Fed's 1980s U-turn

Frederic Mishkin's concern that the Federal Reserve might follow what he calls "Volcker's inflation error" is misplaced (Markets Insight,
September 15).

Noting that the federal funds rate

peaked at more unail 17 per cent in April 1980, Mishkin suggests that Paul Volcker, the Fed chair, succumbed to political pressure and reversed course and reduced the federal funds rate by

and reduced the federal funds rate by more than 7 percentage points. Volcker did not change the course of the Fed's monetary policy. This happened because the Fed participated in President Jimmy Carter's March

1980 credit control programme. Specifically, the Fed's board of ernors, not the Federal Open Market Committee, imposed relatively severe credit controls on banks and other financial institutions.

The response was immediate, unexpected and disastrous. The federal funds rate and other short-term and

recipitously. The board realised its error and



THE WAR THAT WASN'T A WAR ISN'T A DISASTER"

removed the credit controls in June

There is no reason to believe the board will repeat this mistake again.

Dan Thornton

Retired Vice-President and Economics

ral Reserve Bank of St Louis Des Peres, MO, US

Employment contracts are key in the new workplace

Surely the discussion around "quiet quitting" (Opinion, September 13) used in the program of the delineate in our contracts of employment and associated documents precisely what is expected documents precisely what is expected of the employee. If part of the job is to carry out various other duties and tasks, it should be expressly agreed. That way the employee can know what needs to be done and can be remunerated accordingly. The employer can adjudge performance through regular appraisal and

Many employees at a particular stage in their and their families' lives do not want to "put in the hours" or "go above and beyond". This is not out of a lack of engagement, or because they are "quietly quitting", but simply because there are only so many hours in the day, and they can only commit to what

are not demotivated. They need to be accommodated and distinguished from those who are for other reasons "checking out".

Senior Employment Consultant Kingsley Napley, London EC2, UK

What Wilson might make of the Truss plan

Perhaps the spirits of Harold Wilson and George Brown are kicking themselves on reading your front page article "Kwarteng tells Treasury to adopt new focus 'entirely on growth'" (Report, September 13), given their ill-fated 1960s attempt to challenge Treasury orthodoxy and achieve growth through establishing the Department of Economic Affairs to

the life into the national plan Silly us, they may be thinking — 'why didn't we have the idea of simply converting the Treasury into a DEA rather than setting up a separate department that the Treasury would inevitably focus on undermining. That would have been so much simpler. ndon SE24. UK

outlook

MIDDLE EAST

Mahsa Amini: a potent symbol for Iran's women

he death last week of a 22 he death last week of a 22-year-old woman arrested by Tehran's morality police for allegedly failing to properly observe the hijab has dealt new wounds to a hijab has dealf new wounds to a deeply scarred nation. Iran — which has already suffered the killings of young protesters demanding more freedom from the regime — has been plunged into intolerable grief by the loss of Mahsa Amini, and is now in national mourning. The final photograph of her, comatose in a hospital bed just days before she died, is all too resonant a reminder of the dangers facing Iranian women. She was not a political activist and had no record of speaking out against social and political restrictions, as many ordinary tranians do on social

social and political restrictions, as many ordinary Iranians do on social media. In the last picture shortly before her arrest, Amini, who grew up in a traditional, religious family in the northwestern Kurdish town of Saqqez, looked like a typical happy girl visiting Tehran with her family. She was preparing to start university this month. Her long black coat and a black scarf, which revealed only a bit of her hair, did not even violate the rules of the islamic Republic.

The tragedy of her death could now prove costly for the regime, which has

and eat in restaurants with their head scarves on their shoulders — are now questioning why they should tolerate religious laws at all. After Amini's death, women took to the streets for death, women took to the stress for the first time since the 1979 Islamic revolution, burning their scarves to protest the compulsory hijab in towns and cities across the country. Amini's family allege she was beaten up between being forced into a

up oetween oeing torced into a morality police van and her transfer to a remedial class on the necessity of Islamic covering. The police showed CCTV videos to prove she walked out of the van and into the class apparently unharmed

of the van and into the class apparently unharmed.

But lack of trust is deep-rooted. I asked a few women who had been taken to Vozara – the morality police centre in Tehran – whether they had witnessed physical and werbal violence against others. They said yes. Those who resist arrest or shout out at the police put themselves at risk of punishment, they said.

Since Tran's hardliners have tightened their grip on power, more women are experiencing Vozara. This is breeding even more hatred among women and their families. A friend who was sent to Vozara a couple of times this year has now vowed to join protesters for the first time.

Amini's arrest. President Ebrahim Raisi promised investigations, saying she felt like his "own daughter". she felt like his "own daughter". Senior figures across the political spectrum have failed to endorse the Ershad patrols — the morality police surveillance teams now nicknamed "death traps". Some conservative and hardline members of parliament even beliame the armsched in women in believe that apprehending women in the street should end for good.

Increasingly, women are drawing support from men and religious factions who are now sympathetic to support from men and reigious factions who are now sympathetic to their campaign. One mother who was arrested in the street and taken to Vozara last month told me she had been horrified to overhear her 24-year-old son discussing plans with his friends to set morality police vans on fire in protest at Amini's death. Ali Karimi, a former football star, said on Instagram that tran's next opposition leader would be a woman. Since her death, Amini has become a figurehead for civil disobedience. Others include Neda Agha-Soltan, a 26-year-old woman shot dead in ecutral Tehran during the 2009 unrest and Sahar Khodayari, 29, who set herself on fire in 2019 after being sentenced to imprisonment for dressing up as a man in order to be allowed into a football stadium.



unseated.

They point out, too, that there was no market for bitcoin when it was invented, and so the network was maintained not for profit but by people who believed in the value of the system — unlike later coins, some of

advantage and thus cannot be crypto, and bitcoin cannot solveit.

This is not to say that there aren't represent and tokens that some crypto projects and tokens that are better than others. But a spade, no matter how shiny, is still a spade. And



by Najmeh Bozorgmehr

overstretched its enforcement of the Islamic dress code in an effort to hold back the tide of secular modernity. Women who have peacefully and consistently pushed against boundaries for the past four decades — and who dare to walk in the streets

Everybody is aware that this week's street protests will not succeed in overturning the hijab obligation, but people are now emboldened to speak out. For the time being, the authorities are being careful. Hardly any senior politicians have defended

At Amini's funeral on Saturday, women took off their headscarves in solidarity. On her grave was the simple message: "You won't die. Your name will become a code name".

FINANCIAL TIMES Thursday 22 September 2022

Opinion

Better work-life balance for bankers could be another 'mommy track'

Brooke Masters



t sounds like great work if you can get it. Citigroup has opened a new hub for junior investment bankers in Málaga, a Spanish city known better for beaches than finance.

The 27 entry-level analysts have been promised eight-hour days and work-free weekends, which would add up to less than half the annual working hours that their peers in New York and Lon-don customarily log in similar pro-grammes. The Málaga crew will also be paid roughly half the normal \$100,000 tarting salary. Executives at the US-based bank say

they are responding to changing genera-tional preferences and complaints about junior banker burnout that boiled over during last year's booming capital markets. A group of young Goldman

Sachs analysts drew global attention in 2021 for a slide deck in which they complained about being overworked and disrespected. Attrition in junior banking programmes has risen sharply. But I am deeply dubious about Citi's solution. The Mälaga experiment comes as other big financial institutions are pressing for a return to pre-pandemic working patterns, which usually put a premium on face time and long hours. JPMorgan, Goldman and Morgan Stanley are pushing staff to come bact to the office five days a week and Goldman has resumed its annual cull of low-performing staff after a pandemic hia-

performing staff after a pandemic hia-tus. Midtown Manhattan is once again crowded, particularly midweek, and subway ridership is back to two-thirds of pre-pandemic levels. Citi has more than 400 other new analysts worldwide who will be expected to put in normal, which is to say insanely long, hours for normal – ie very high – salaries.

Citi says that the Málaga analysts will work on the same transactions as their counterparts elsewhere in the bank. They will just be assigned to fewer of them and given compensatory time off

if they have to work late or on weekends to meet deadlines. Executives also promise that those who thrive in the two-year programme will be offered promotions, including the option to take on more demanding, higher-paying roles elsewhere.

"This is not something we have suddenly come out with. We are listening to what people are telling us," says Maria

Citigroup's Málaga programme might permanently stigmatise its participants as unserious

Díaz del Río, chief of staff for the Citi unit that is running the programme.
"The industry is trying to change the culture, but the new generations are

However, the Málaga analysts could easily find themselves on a co-ed ver-sion of the 1980s and 1990s "mommy track", which sidetracked the careers of

parenting with demanding jobs. Highly educated women who reduced their hours suffered lasting harm to their long-term earnings relative to male colleagues. (A 2010 paper put the gap at 24 per cent after 10 years.) They also missed promotion opportunities, leaving them a choice between dead-end jobs or departure.

ing them a choice between dead-ena-jobs or departure.

Sexism was part of it but even well-meaning banks, consultancies and law firms found it hard to offer the pioneer-ing mothers on and off ramps to the tra-ditional high-speed career path. Most financial institutions still struggle to retain and promote mid-career wome and mommy track discrimination law suits persist. US law firm Morrison & ter settled one in March.

Foerster settled one in March. Simlarly, despite periodic promises of reform, seven-day work weeks remain normal in investment banking. Younger recruits may want something different, but a tiny beach resort programme is not going to change bosses' expectations overnight. Participants risk resentment from co-workers, as well as being per-manently stiomatised as unserious.

nanently stigmatised as unserious. To be fair, Citi is probably the Wall

Street bank most likely to make such a flexible working programme succeed. Chief executive Jane Fraser, the first woman to run one of the US glants, has personal experience with non-traditional working, she went part-time at consulting firm McKinsey when her children were small. She has also called he pandemic recovery period a "oncein-a-generation opportunity for companies to redefine their workplaces".

Diaz del Río believes Málaga is the beginning of a wider cultural shift. "I think London, Frankfurt and Madrid are going to get closer to Málaga than Málaga will get tothem," she says.

Maybe this is the wave of the Gen Z future. But Goldman received record

applications for its much harder core entry-level jobs last year, and UK bank ers have praised the government's plan to lift the cap on bonuses because it will allow them to compress salaries while rewarding high-flyers. With investment banking fees falling and a recession in the offing, the pressure on juniors to prove their worth will only grow.

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'Trussonomics' is shaky but may work politically



crapping the cap on bankers' bonuses while holding down pay for nurses; ditching increases in corporation tax; resisting new windfall levies on energy firms and disavowing ideals of redistribution; to anyone of left or centrist sentiment, Liz Truss's Conservatives appear to have a death wish. No matter that she has delivered, against her instincts, a gargantuan energy bill "handout?" the new prime minister's opponents are gleeful at what they see as ideological missteps. Yet, whatever the moral arguments, it is possible to see a political strategy which coalesces into an electorally appealing narrative for Tory-minded voters – though whether it succeeds depends on factors Truss cannot control, namely the state of the economy and the length of the energy price crisis. And one important corrective is needed. Progressive pundits and politicians have proved themselves historically weak at predicting which Tory policies will enrage people. Bankers earning more may rankle but unless voters see a direct relevance to their own lives, the political risks are limited.

The issues that lose support are those

that people feel themselves — the cost of living, NHS waiting times, crime. If the government fails here, the being seen as the party of the rich will further weaken it. If not, the public will most likely mutter and move on.

In the drive to reduce taxes, cut regulation and pare back what Conservatives like to describe as "nanny-state" policies such as anti-obesity measures, Truss is developing a clean argument and one with historical appeal to Tory voters. A Conservative government, she will say, is there when you need it but the rest of the time it gets out of your way, in a crisis, it will deliver afrulough or an energy package, but the ambition is to cut your taxes, free you from meddling and let job creators and hard workers thrive. The energy supportprovides cover for the tax cuts. The Tory message is freedom with security.

Here is a story that can fly. Truss even embraces the unpopularity of some policies, believing they signal a leader-like readiness to defy convention and take tough decisions. For all the small-state rhetoric though, the policies are notably less radical when it comes to certain Tory-leaning voter groups like pensioners or suburban homeowners. They also rely heavily on deficit financing to prop up those core public services.

This narrative is closer to both the buccaneering Brexit government, of which many Tories dreamt, and the ideals of those longstanding, more affluent supporters who the party fears losing in southern seats. Nor is it unhelpful for Conservatives to once again seem



to give a damn about the financial services industry.
Since it accords with her core beliefs, Truss is happy to test the theory that a post-Brexit economy drives growth by removing obstacles to business and investment — though not, crucially, trade barriers with the EU and China. And she could be lucky, a benign but not impossible scenario sees the UK survive the winter without power cuts. The energy package shelters voters and holds down inflation. Starved of foreign currency, Russia eases gas supplies in the spring, depressing prices. Interest rates rise less than feared. Business confidence begins to grow.
Suddenly the government can weave

The Tories' energy support package gives cover for the tax cuts, an appealing mix of freedom with security

Meanwhile, an unsure opposition is now vulnerable on tax. Add in a premier displaying political clarity and you are back in the ballgame.

Patently, there are some very good reasons to be dulhous. The energy crisis may run on. Ukraine could get worse. There are credible doubts about tax cuts driving growth, so the risks with public finances could further dent investor confidence in the UK economy.

Most potentially damaging, the problems of the NHS may not sufficiently improve. The percentage of people having second thoughts over Brext it rising, If the critics of Trussonomics are right, it will not delive the growth he suggests. This will deepen the spending cuts they fear she already desires after the next

election.

Labour can argue that Tory mistakes stalled growth and that nothing in the UK seems to working – historically its most potent electoral weapon. Cuts and deregulation can be linked to sewage on beaches and rivers, NHS waiting lists, low wages and poor services. Brexit can be tied to NHS staff shortages.

Having heard the Tories under Boris Johnson make the case for more active government and seen the deterioration of public services under George Osborne's austerity, voters may no longer be as receptive to the small state Conservatism of Truss' Britannia Unchained crowd. Above all, Britain may simply be at that point in the political cycle where the tide has turned on the Tories and the country wants a change. But there is a future in which Truss's plan holds together for long enough. In any case, she has few options other than to double down on her views. And while no government can indefinitely outrun the economics, Truss need only stay ahead of them till the election. Will it work? Quite possibly not. But this is not mere blind ideology. The conservatives are shaping a political argument that has succeeded before. Scepticism is well justified but, given their electoral record, it is at least worth considering the possibility that they know their audience.

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ECB's new backstop ushers in atrocious incentives

Garicano

he European Central Bank's transmission protection instrument has been created with the best inten tions. As ECB president Christine Lagarde explained, the TPI "can be activated to counter unwarranted, disorderly market dynamics that pose a serious threat to the trans-mission of monetary policy across

There is clearly value in an instru ment that backstops the euro without limit. However, to be beneficial to the EU such an instrument must not undermine sound fiscal and economic policies. In this case, the absence of effective conditionality leads to atrocious incen tives for countries, politicians and, cru-

cially right now, voters. The ECB listed four criteria for a country to be eligible: compliance with the EU fiscal framework; absence of severe macroeconomic imbalances; sustainable debt, according to the analysis of several institutions; and compliance with other EU recommendations.
In practice, the first is suspended

given the fiscal rules. The second and fourth do not seem effective since they offer large discretion for judgment by the European Commission. On the last, the commission has been giving free rides to all countries in their recovery rides to all countries in their recovery plans (except Hungary and Poland, because of disputes about the rule of law). Whether it does this for suppos-edly good, Keynesian reasons or for bad, political economy reasons, is irrelevant. And, based on sufficiently optimistic assumptions, a declaration by the

To be beneficial to the EU such an instrument must not undermine sound fiscal and economic policies

institutions that debt is sustainable is no real hurdle.

institutions that debt is sustainable is no real hurdle.

Moreover, the ECB must merely "consider" these criteria as "an input."

The ECB has put itself in an impossible position. It has dulled all desirable market signals and incentives, without replacing them with any credible conditionality. The PIS in ota accompanied by a fiscal backstop from eurozone courties. So, if the ECB stops intervening "based on an assessment that persistent tensions are due to country fundamentals", the state supported will face a fiscal crisis. But the ECB will want to avoid sovereign debt restructuring, so it will be trapped into continuing support. It is no wonder that rightwing parties in taly brought down Mario Draghi's government at exactly the moment they knew the ECB was about to announce the backstop for bondholders. The incentives for a new far-right, Eurosceptic government to choose a responsible course are low. More likely, it will cut taxes, increase pensions and offer untargeted energy support, betting that the ECB will have no choice but to activate the TeTI and continue buying talian debt.

With the ECB roroxidine such full.

Italian debt.
With the ECB providing such full insurance, the incentives to complete the architecture of the euro have evaporated as well. In a stunning development, the member states have quietly announced the abandonment of efforts to conclude the EU's banking union by putting in place a European deposit

Most importantly, the TPI creates a dangerous lack of transparency for vot-ers. If a coalition that is leading the polls is likely to govern badly and put a coun-try at risk, voters have a right to know the pitfalls and see them reflected in the

The creation of such a largely uncon-

Saudi Arabia and the US are drifting back on to the rocks



family are as intimate as his disdain for the Biden administration is obvious. Saudi Arabia is thus now part of a select group of countries that roots for one of America's parties over the other. This includes Putin's Russia, Viktor Orbán's Hungary and Israel when Benjamin Netanyahu is its prime minister. In the new world disorder, America's openness can often be its Achilles heel.

Prince Mohammed's motive may be more monetary than geopolitical. But collateral damage to Biden is a bonus. collateral dan

The second is the crown prince's hos tility to lectures from western liberals. Biden's rhetorical contrast with Trump is like night and day. Biden divides the world into autocracies and democracies. Trump, whose first presidential trip abroad was to Saudi Arabia, has a tences - 45 years and 34 years - were treme even by the standards of strong-en and could easily have been avoided. The crown prince seems to be making a point that Biden's values hold no sway. The final reason is that Prince

ned viscerally prefers a Trum pian US foreign policy to Biden's. The crown prince's ties to Jared Kushner, Trump's son-in-law, go far deeper than

Mohammed, \$2bn is a small risk to take for a huge potential return if Trump and his family regain the White House. Biden's frustration is that there is not

much he can do to alter Prince Mohammed's calculus. The west's renewed clean energy ambitions threaten Saudi Arabia's bottom line, as well as Russia's. Most forecasts say fossil fuels will go into secular decline within the next ten his pride when he visited Saudi Arabia in July to fist-bump Mohammed bin Salman. Though he opened himself to accusations of hypocrisy after having branded the kingdom a pariah, Biden's embarrassment would have been worth the gain if it had undercut Vladimir Putin's Russia. No such result has been visible. Saudi Arabia's autocratic crown VISIDIE. SAUGI ATABLES AUTOCTAGE CLOWN prince seems to have moved closer to Putin since then. The question is whether there is anything Biden can do to dissuade Saudi Arabia from being a

recurring thorn in America's side. The implicit Saudi answer to that is yes — as long as Biden is replaced by a differ-ent president, preferably Donald Trump.
The Saudi crown prince's ties to Trump's

There are three reasons to think Prince Mohammed's Saudi Arabia will pose a growing problem for Biden America. The first is financial. Biden's most pressing challenge is to ensure the recent oil price fall does not go into reverse. That drop, which curbed Putin's dollar earnings and improved Democratic chances in the upcoming midtern elections, had little do to with Saudi Arabia. It was mostly driven by China's economic slowdown. After liden's visit, Prince Mohammed agreed Biden's visit, Prince Mohammed agreed to lift Saudi daily output by a token 236,000 barrels. But he and Putin earlier this month agreed to cut a third of that from the "Opec plus" quota. Fur-ther cuts are likely. The Saudis prefer it when oil is more than \$100 a barrel.

predilection for strongmen. Prince

Biden's frustration is that there is not much he can do to alter Mohammed bin Salman's calculus

Mohammed is becoming the autocrat's autocrat. That is almost certainly why he opted out of Queen Elizabeth's funeral on Monday. Skirting the protesters would have been awkward. Saudi Arabia's recent jailing of two women activists for posting dissenting views on social media shows how little Prince Mohammed cares about Biden's concerns. Both sentheir WhatsApp triendship. Last year Saudi Arabia's sovereign wealth fund invested \$2bn in Kushner's private equity company even though Kushner's sole prior experience was in his family's real estate business.

real estate business.

A Saudi screening panel found Kushner's operations to be "unsatisfactory in all aspects". But it was overruled by Prince Mohammed. This probably saved Kushner's venture. The Saudi fund accounts for most of its capital. Congress is investigating the deal. Kushner defended Prince Mohammed after US intelligence agencies expressed "high confidence" that he ordered the operation that led to the gruesome 2018 murder of Jamal Khashoggi, a Saudi journalist and dissident. For Prince

years. It should be little surprise that the Saudis and other exporters want to squeeze what they can while it lasts. They have no shortage of customers, China at the forefront. When President China at the foretront. When President Xi Jinping makes his expected state visit to Saudi Arabia later this year, he will doubtless exchange warm handshakes on the red carpet. The headaches the Gulf's ruthless

young autocrat create for Biden's Amer-ica are specific to him and generic Prince Mohammed stands out as one of the world's most single-minded absolut ists. Yet he also puts a face on the once-pliable areas of the world that no longer pliable areas of the world that is pretend to like America's rules.

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ditional instrument is a mistake, and one that Draghi avoided while at the helm of the ECB. The instrument he devised at the height of the euro crisis the Outright Monetary Transactions programme, provided all the right incentives as it could only be activated the Outright Moneta with the backing of the European Stabil-ity Mechanism, and an approved reform

The coming winter will test this weak institutional set-up. As long as the euro-zone does not move towards a true fiscal and banking union, it is likely to reveal the unsustainable nature of the current construction of the euro.

The writer is a visiting professor of economics at Columbia Business School

FINANCIAL TIMES

Sterling/dollar: parity punditry



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UK business energy plan: Tardis tariffs

Businesses carped after the new UK government capped energy prices for households. Small enterprises and the public sector make up about a quarter of consumers of UK power and natural gas. The LE Truss administration has offered to cap their wholesale tariffs by more than half.

The government has made a few other headline promises. Estimated costs will supposedly be revealed in tomorrow's mini-Budget. If details are lacking it may be because officials have not reverse-engineered them yet. Like a lacking it may be because officials have not reverse-engineered them yet. Like a lacking it may be because officials have not reverse-engineered them yet. Like place, and the lacking it may be because officials have not reverse-engineered them yet. Like prices of electricity and gas for non-residential users for six months only from October 1. It will limit the power price that organisations pay to £211 per megawath hour. For gas it will be £75. Considering the current forward winter prices for both, this should mean discounts of 56 per cent and 46 per cent respectively, according to Credit Suisse. The government would presumably cover the cost. Any customers on fixed-price contracts before April 2022 would not benefit. Energy contracts of big organisations can have more bells and whistles than those of small businesses. Their tariffs es carped after the new UK

can have more bells and whisties than those of small businesses. Their tariffs not only include levies for renewable energy but also infrastructure charges. These can account for up to a fifth of the commercial bill, notes Flint Global.

These would not necessarily be capped or reduced. This, combined with a shorter duration, makes the business energy support scheme less generous than the household one. It is also complicated. Customers on default or variable tariffs get a separate discount. This would have an estimated value of no more than £405/ MWh for electricity and £115/MWh for gas. Most such customers wou better off on a fixed tariff. The ers would be government wants them to switch.

Administering the scheme, or claiming on it, are tasks you would not wish on your worst enemy. As with its household predecessor, it creates relatively little incentive to conserve energy. The caps in both schemes put ustomer gas costs into a Tardis, ending them back more than a year.

That posits an uncomfortable conclusion for the UK's vote-seeking new prime minister. Energy prices might only fall because Britons feel poorer for other reasons and turn down the heating as an offset.

Instacart: empty cart

empty cart

On-demand services designed to ferry around passengers, takeaways and groceries have crashed this year.
Instacart's determination to join public market is going to crystallise the scale of value destruction.
Instacart's valuation reached \$39bn in 2021 after it said orders had jumped 500 per cent during lockdowns the previous year. Investors saw this as a sustainable change in the company's fortunes. But shoppers are returning to supermarket aisles. This year, Instacart cut its internal valuation to \$245dn. Its market cap could be far lower. In an attempt to shore up the price, Instacart is reported to be limiting its offer to mostly employee shares. This will allow workers at the 10-year-old company to cash out before stock grants expire. Airbnh was pushed to list for the same reason. The decision may also be the result of a quiet word from banks about expected demand. A large share placement could mean the company has to accept a lower price. Opting not to raise extra capital can be presented as a sign of strength. Instacart will hope that working with banks for an IPO instead of listing shares directly will secure more institutional buyers too. This is a tough moment to join markets. A brief rally in tech shares

secure more institutional buyers to This is a tough moment to join markets. A brief rally in tech shares last month has come to an abrupt end as US interest rates continue to rise. The yield on benchmark 10-year

ries has reached a decade high

Treasuries has reached a decade high. Add to that a general distaste for overhyped online-delivery companies. Even if shoppers continue to move online, Instacart's margins are likely to be thin. Using workers to pick items from store shelves is a labour-intensive model. Warehouses would speed things up. But only a handful have opened. How low could prices go? Listed food-delivery group DoorDash trades at just 3.2 times trailing revenue. Uber trades on 2.7 times. Instacart's reported revenue last year was \$1.8bn. If valued



When sterling flirted with parity in 1985 with the dollar, mobile phones were a novelty and an average UK house cost £50,000. The pound today, at \$1.13, is still nearly a tenth higher than it was then. There are parallels nonetheless. Then, as now, sterling's slide was largely caused by the dollar's strength. Investors also worried about the government's fiscal probity. The arrival of Liz Truss at Number 10 has revived those fears, with plans to expand a strained balance sheet. The new government has promised to cap gas prices. It is expected to deliver a tax-cutting mini-Budget tomorrow. The weak pound is bad for companies with heavy dollar-denominated costs. ABF, owner

of fast-fashion chain Primark, has warned on profits as clothes sourced in Asia are denominated in dollars. A wider group of businesses is hurt by inflation, which cuts consumers' spending power. Investors can also benefit. A weak pound helps foreign acquirers pay by premiums. If flatters the results of many companies in the FTSE 100. They make over two-thirds of sales and profits outside the UK. Publisher Rekr, for example, generates three-fifths of revenues in North America.

Britain's biggest defence contractor, and the summer of the dollar lifts earnings per share, which totalled 47.8p last year, by one penny, Hedging alters the impact of Forex

moves. Rolls-Royce hedges greatly because of the mismatch between its dollar receipts and sterling costs. When the pandemic grounded airliners, the engine-maker found itself over-hedged. A.E.17b. unwind will reduce cash flow until 2025. In 1985, big economies struck an agreement to halt the dollar's

Relx

-60

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an agreement to halt the dollar's meteoric rise. That is not on the cards today. Some investors, such as Pimco co-founder Bill Gross, think an overvalued dollar will fall naturally. Pressure on sterling could be prolonged if the UK government experiments heavily with unorthodox economics or risks a trade war with the EU. Businesses

ed negatively to currency ons would take a pounding.

on the same multiples, its market valuation would be somewhere between \$4.9bn and \$5.8bn.

Asia cosmetics: flower estrangement

Old guys enjoy ranting against youth style. Last year, China pledged to ban "effeminate" men from the media. This was bad news for Korean beauty companies that sell products for men Their stock remains heavily shorted.

China's moral guardians were China's moral guardians were apparently reacting against the Korean archetype of the "flower boy". The slim, unthreatening young men of Korean pop have attracted fans and imitators worldwide. This created an opportunity for beauty companies. But Beijing's irritation with at least one aspect of pervasive South Korean popular culture has spawned one of the most popular short trades in Asia. The region's beauty stocks, led by South Korean groups AmorePacific and LG Household & Health Care,

have plunged. The duo sell products designed for both genders but are still in the sights of short sellers.

AmorePacific was one of the top-10 ost shorted stocks in its bench index in the past week, accounting for more than a fifth of all short positions. The company made a loss in the second quarter, as overseas revenues fell.

This represents a reversal of fortune In 2015, South Korean companies overtook the US and Japan in China's cosmetics market by market share,

becoming the second biggest after France. South Korean cosmetics made up a fifth of total sector imports in 2015, according to customs data. Some recovery should come as mainland Chinese visitors resume travel.

Cosmetics groups are tilting towards the US. Amore's North America sales rose two-thirds in the second quarter. Amore acquired Natural Alchemy and LG bought US-based New Avon and Boinca.

But market share is shrinking faster in China than it is rising in the US. the largest in the world and is expected to grow to \$145bn in the next thr rs, Further official Chinese attacks on South Korean style would reduce the ability of South Korean groups to benefit, rewarding short sellers richly.

Xavier Niel/Vodafone:

Atlas hugged

Atlas hugged

Seven months ago, Vodafone rejected an e11.25bn bid for its Italian business from a consortium backed by French billionaire Xavier Niel. That should have been the end of the story, Niel's telecoms business Iliad said it would pursue a standalone strategy in Italy. But Niel was saying au revoir, not adieu, to the UK-listed European mobile phone group. Testerday, his investment vehicle Atlas revealed a 2.5 per cent interest in Vodafone. The tycoon may have found a way to take a second shot at Vodafone's Brilan assets. Niel is the second French tycoon parking tanks on the lawn of a British telecoms champion. Patrick Drahi has an 18 per cent stake in Br. Aficionados of Fantasy M&A say Drahis interested in Br's Openreach network business. Atlas stressed it was independent of Iliad and Niel. It described Vodafone as an attractive investment opportunity," But intriguingly it sees "opportunities to accelerate the streamlining of Vodafone's footprint."
Niel may have an ally in Cevian and spushing to overhaul the sprawling business. This could include the sale of the Italian and Spanish units.
Opposition may come from Emirates Telecommunications Group. The UAE state-controlled investment group has a near-10 per cent stake in Vodafone to did

retecommunications Group. The OAE state-controlled investment group has a near-10 per cent stake in Vodafone. The telecoms company needs to dial up better returns for shareholders, however. The stock is down nearly 50

however. The stock is down nearly 50 per cent over the past five years. Vodafone has already reduced its footprint. It sold its Hungarian business for \$1.8 bn last month and hopes to sell a significant stake in the group's masts business, Vantage Towers. It has held talks to merge its

UK operations with Three UK. Selling the Italian business would be a natural next step. Revenue growth is faltering at a business that made up 11 per cent of Vodafone turnover last year. Niel has a better chance of breaking up Vodafone than Drahi does of splitting BT.

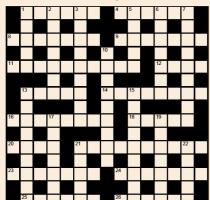


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1 Mastermind's last series mostly

broadcast live (6)
4 Reportedly cause damage to one part of the alimentary canal or another (6)

another (6)

8 Imparts knowledge to schoolchildren here (7)

9 Character from the Old Testamen and New Testament starts getting stubborn (7)

11, 12 Fine fellow managed to take in selection and selection and selection of 11, 12 Fine fell

axation and rejuvenation (3.5,2,4) ptain's first ship laden with this?

eavy metal intros to rock opera: ad explosions an important part (4,4)
16 Talked of retreat, a traitor's game

20, 21 Sticky stuff, 21 down, doesn't make infernal paving? (4,10) 23 Like the crows and ravens to get my

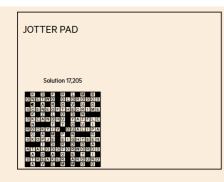
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26 Jeyes fluid around the top of Rhode

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DOWN

1 Variety of peeled oranges (5)
2 This may ruin the fun part of a sportscar (7)
3 Belittle the FT's attitude (9)
5, 18 We hear why there's no more to be said (3,2,5)
6 Glass for Jill? (7)
7 Taking care of object throughout (9)
10 Awful tal. verily? (72)
13 Noisy and extremely casual loving (9)
15 Early Russian roulette's 5th and 6th shot (2,7)
17 Rogue state body (7)
19 As poet, I misused drugs (7)
21 Isn't it commonly a feature of tinnitus? (2)
22 Born with disability, but not content to be poor (5)

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