

# FINANCIAL TIMES

MONDAY 31 OCTOBER 2022

INTERNATIONAL NEWSPAPER OF THE YEAR

ASIA



## Japan's empty homes are a lesson for China

LEO LEWIS, PAGE 18

## Are we heading towards a global chip war?

RANA FOROOHAR, PAGE 19

● Surge in global prices likely ● Food shortages loom in east Africa ● US deplores 'outrageous' step

# Russia's ditching of Ukraine grain deal 'catastrophic' for poor nations

POLINA IVANOVA — BERLIN  
EMIKO TERAZONO — LONDON  
ROMAN OLEARCHYK — KYIV

Russian president Vladimir Putin's decision to quit the deal that allowed Ukraine to export millions of tonnes of grain will lead to a fresh jump in global food prices, with "catastrophic consequences" for poorer nations, experts have warned.

Moscow suspended its participation in the UN-backed deal with Kyiv this weekend. The US called it an "outrageous" action that risked fuelling starvation. Moscow linked its decision to an attack on ships in the port of Sevastopol, part of the territory Russia annexed from Ukraine in 2014. Ukraine said that was a "false pretext".

Ukraine's infrastructure ministry said 218 ships had been immediately

affected. They included 95 that had already left its ports and were waiting at the inspection site before unloading, 101 awaiting inspection before collecting grain and 22 that were loaded and ready to set sail.

The Kremlin's announcement surprised grain traders and analysts who, while doubtful that the deal would have been renewed beyond its mid-November end point, had not expected a sudden termination.

"We'll see a substantial spike in prices" as a result, said Andriy Sizov, managing director of Black Sea grain consultancy SovEcon, adding that Russia's move was its "worst-case scenario".

Arif Husain, chief economist at the UN World Food Programme, said "dozens of countries" would be affected. Ukraine is a major global exporter of



grain and other food products. "In the good times [this] would be bad but, in the current state of the world, it's something that needs to be resolved as soon as possible," he said.

The International Rescue Committee, a humanitarian agency, warned of "catastrophic consequences".

"The UN-brokered deal brought a ray of hope — now this hope is shattered again," said Shashwat Saraf, IRC's east

**FT investigation.** How Russia secretly takes grain from occupied Ukraine — one shipmaster's paper trail exposes the hidden trade

The Big Read, Page 17

Moscow guaranteed safe passage for cargo ships carrying grain coming from ports in the Black Sea that had previously been blocked by its war in Ukraine.

US secretary of state Antony Blinken said the deal had allowed 9mm tonnes of food products to be exported, bringing down global prices that had soared following Russia's invasion of Ukraine in February. He urged "all parties to keep this essential, life-saving initiative functioning".

Turkey's defence minister said he was in talks with his Russian and Ukrainian counterparts in an effort to save the deal. Moscow is ready to supply 500,000 tonnes of grain directly to poor countries in the near future, the Tass news agency reported, citing the Russian agricultural ministry.

## Briefing

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Negotiations that started last year and continued into March ended in failure but they illustrate how carmakers are seeking to build ties to secure materials. — PAGE 6

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## Datawatch

### Long Covid effect

Number of people in employment with a disability in the US (mn)



There were 1.05mn more disabled working-age Americans in August against January 2020. Some have left the workforce, but there has been a surge of disabled people in work since the start of the pandemic, probably due to long Covid

## Brazil decides Bolsonaro and Lula face off

Voters in Brasilia queuing at the polls yesterday in the final round of Brazil's presidential election.

A tight result is expected in the runoff contest between rightwing populist Jair Bolsonaro, the current president, and leftist former leader Luiz Inácio Lula da Silva.

The pair have radically different visions for the future of Latin America's most populous nation. Bolsonaro's supporters believe he is a defender of traditional values, while Lula, who governed for two terms between 2003 and 2010, has assembled a broad coalition including centrist politicians. His followers argue that Bolsonaro poses a threat to democracy.

In an ill-tempered final televised debate each candidate accused the other of lies.



Jacobson Alvey/EPA-EFE/SHUTTERSTOCK

## Workers flee Foxconn's iPhone plant as China locks down dorms to quell Covid

RYAN MCMORROW — BEIJING  
GLORIA LI — HONG KONG

Workers fled the world's largest iPhone factory in China this weekend as a coronavirus outbreak spread and authorities imposed quarantine restrictions.

The Foxconn plant in the city of Zhengzhou is the latest manufacturing centre to be hobbled by President Xi Jinping's tough zero-Covid policies.

Workers said the area surrounding the plant had been locked down for days, with public transport closed and many roads blocked off. They said Foxconn had strictly controlled movement and used daily Covid testing and quarantines to try to contain the outbreak while continuing iPhone production.

Five workers who spoke to the Financial Times said that the situation had

deteriorated, with food and medical supplies running low and people being locked in dormitory rooms for quarantine — causing hundreds to flee on foot.

"It was total chaos in the dormitories," said a 22-year-old worker surnamed Xia. "We jumped a plastic fence and a metal fence to get out of the campus."

"My co-worker was taken away for quarantine. My elder sister is locked in her dorm room," said Cao Zhiqiang, an assembly line worker. "My home is too far to run to so I'm stuck here."

Tens of thousands of workers normally live at the plant, which shipped \$32bn worth of electronics abroad in 2019, according to a think-tank linked to China's commerce ministry. It has long drawn young workers from villages throughout the Henan region, with local officials helping to recruit them.

Yesterday authorities were scrambling

to organise buses to take workers home and into centralised quarantine, after social media were flooded with scenes of people tramping down the highway. Hundreds of workers registered in social media groups to share rides home.

"I will never go back to Foxconn," said a worker surnamed Xu who escaped the plant at 2am yesterday. "They don't have humanity there." He and four friends were walking more than 200km to their homes, he said.

Zhengzhou city officials said on social media: "Foxconn will go all out to ensure the smooth and safe return home of all Foxconn employees." The city published a message from Foxconn promising to "improve the living and work conditions" for employees willing to stay.

Foxconn did not respond to the FT's request for comment.



**Musk's pursuit of Twitter leaves its mark on US**

Analysis — PAGE 7; Richard Waters — PAGE 19

Australia	A\$7000 (inc GST)
China	RMB30
Hong Kong	HK\$33
India	Rs220
Indonesia	Rp45000
Japan	¥45000 (inc. ACT)
Korea	₩1500
Malaysia	RM150
Pakistan	Rupee 350
Philippines	Peso 140
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## World Markets

STOCK MARKETS				CURRENCIES				GOVERNMENT BONDS			
	Oct 28	Prev	%chg		Oct 28	Oct 21		Yield (%)	Oct 28	Oct 21	Chg
S&P 500	3867.73	3807.30	1.59	\$/£	0.995	0.980	£/\$	1.005	1.021	4.40	4.34
Nasdaq Composite	10972.66	10792.88	1.67	\$/¥	1.159	1.117	¥/\$	0.883	0.886	3.99	3.93
Dow Jones Ind	32656.44	32033.28	1.94	€/¥	0.889	0.877	¥/€	1.165	1.140	4.12	4.08
FTSE100	1625.83	1623.07	0.17	\$/¥	147.510	149.990	¥/\$	146.784	146.938	3.47	3.41
Euro Stoxx 50	3611.65	3604.51	0.20	\$/¥	170.986	167.478	¥/\$	78.186	77.066	3.56	3.51
FTSE All-Share	7047.67	7073.69	-0.37	\$/¥	0.991	0.985	¥/\$	1.155	1.122	3.05	3.01
CAC 40	3895.75	3873.27	-0.45	\$/¥	0.991	0.985	¥/\$	1.155	1.122	3.05	3.01
Hong Kong	17444.00	17444.00	0.00	\$/¥	0.991	0.985	¥/\$	1.155	1.122	3.05	3.01
Shanghai	3445.93	3445.93	0.00	\$/¥	0.991	0.985	¥/\$	1.155	1.122	3.05	3.01
Hang Seng	17444.00	17444.00	0.00	\$/¥	0.991	0.985	¥/\$	1.155	1.122	3.05	3.01
Bitcoin (\$)	20637.73	20790.63	1.71								

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Warren East, CEO, Rolls-Royce  
Kristin Magnusson Bernard, CEO, Första AP-fonden (APF)

Registration is now open:  
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Nikkei	27195.20	27345.24	-0.88
Hang Seng	14853.06	15427.04	-3.66
MSCI World \$	2523.59	2535.67	-0.48
MSCI EM \$	859.46	851.81	0.90
MSCI ACWI \$	582.18	584.14	-0.34
FT Wilshire 2500	4954.25	4989.98	-0.52
FT Wilshire 5000	39794.56	39963.92	-0.51

Ethereum	1551.33	1513.95	2.50
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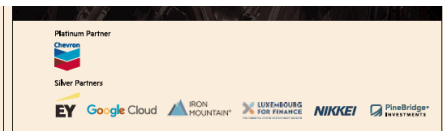
  

COMMODITIES	Oct 28	Oct 21	%Week
Oil WTI \$	87.80	85.09	3.18
Oil Brent \$	95.56	93.25	2.48
Gold \$	1659.75	1625.30	1.50

GER 2 yr	1.93	1.76	0.16
GER 10 yr	2.10	1.96	0.14
GER 30 yr	2.07	2.00	0.07

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FINANCIAL TIMES

Monday 31 October 2022

## INTERNATIONAL

## Spending data

## European consumers tighten their belts

Cost of living crisis takes its toll on major purchases and leisure bookings

VALENTINA ROMEO — LONDON

European consumers have begun to cut back on discretionary spending as rising energy bills and interest rates push up the cost of living, in the latest evidence of the mounting strain on the continent's economy.

Car sales, box office revenues and hotel bookings are all falling, according to high-frequency data indicators, while consumers have rapidly scaled back plans to make major purchases. Although the overall amount spent by consumers has continued to rise in

recent months, the quantity of goods purchased is falling as inflation bites, sales data show.

Melanie Debono, senior Europe economist at Pantheon Macroeconomics, said: "Consumers are tightening their belts, preserving income for heating and other necessities."

Alternative data have become widely watched since the start of the pandemic as they offer a more timely gauge of activity than official data, although they are less comprehensive and reliable.

Consumer sentiment has dropped sharply as economists warn that many European countries face recession. Despite this, the European Central Bank is persisting with raising interest rates to tackle raging inflation. Last week it imposed a 0.75 percentage points rise,

though its president, Christine Lagarde, insisted that policymakers were not "oblivious" to the risk of a recession.

European consumers are "absolutely feeling the purchasing power squeeze", said Bert Collin, an economist at ING. "Clearly, the consumer has to make choices about what to spend on."

The outlook is similar in the UK. Maxim Rybnikov, economist at rating agency S&P, expects "consumer spending to contract over the next few quarters, leading the broader UK economy into a moderate technical recession".

Nathan Sheets, global head of international economics at Citi, expects a series of "rolling recessions" with downturns in the euro area and the UK late this year and in the US in mid-2023.

The economies of Germany, France,

the US and Spain continued to expand in the third quarter, but France's growth was driven by investment, while household consumption stagnated.

Spain's consumer spending was still more than 5 per cent below its pre-pandemic levels.

European consumers' intentions of spending on major goods, such as cars and houses, are at their lowest levels for two decades, excluding the early months of the pandemic.

Discretionary spending is the most easily cut. In September and October, spending in cinemas in Germany, France, Italy, Spain and the UK dropped 59 per cent below the pre-pandemic norm, defined as the same period in 2019.

Hotel bookings were lower in October

than throughout the spring and the summer, relative to 2019 levels, according to travel industry company Sojern.

Similarly, AirDNA, which tracks short-term lets via Vrbo and Airbnb, found that momentum "paused" in September, with the number of nights falling back below pre-pandemic levels after topping that level in the summer. Nights booked for future travel also declined.

With inflation high, consumers are getting less for their money. In August, overall EU consumer spending was 9 per cent higher than the same period last year but the quantity of goods purchased was 1 per cent lower.

Similarly in September, UK shoppers spent 4 per cent more than the previous year for 7 per cent less in quantity.

## Election

## Denmark PM urges voters to keep faith despite mink cull affair

RICHARD MILNE  
NORDIC AND BALTIC CORRESPONDENT

Denmark's ruling Social Democrats have urged voters to look past their botched handling of a cull of farmed mink at the height of the pandemic and trust them to lead through a deteriorating security situation and the cost of living crisis as the country goes to the polls tomorrow.

Mette Frederiksen, the centre-left prime minister, was forced to call early elections amid the fallout from the cull, in which millions of mink were killed without a legal basis over fears that they could spread new variants of the virus, and many had to be reburied after the remains resurfaced.

But Frederiksen tried to regain the initiative by suggesting an end to the left- and right-wing blocs that have dominated Denmark's politics, instead proposing a centrist coalition after the parliamentary elections.

"We want to have safe hands navigating us through the crisis, through the turbulence," said Jeppe Kofod, the Social Democrat foreign minister.

"The deliberate blowing up" of the twin Nord Stream gas pipelines near the country's territorial waters in the Baltic Sea last month, the impact of Russia's full-scale invasion of Ukraine and the economic situation were more important than assigning blame for the mink cull, he said.

Frederiksen was heavily criticised for an official commission this summer for ordering the killing of up to 170m mink without a legal basis, leading to censure from the rightwing opposition as well as some of her leftwing backers.

The elections could give Denmark its most fragmented parliament in history as 14 parties vie for seats, with additional groups likely to come from the autonomous territories of the Faroe Islands and Greenland.

Frederiksen's hardline stance on immigration has led to the near demise of the populist Danish People's party, which came in second in 2015 but is now struggling to reach the 2 per cent electoral threshold for entering parliament, according to polls.

But several new parties have been formed with tough anti-immigration policies. They include the Denmark Democrats, led by Inger Støjberg, former immigration minister, who was given a jail sentence last year by an impeachment court after being found guilty of breaching her duties by illegally separating some refugee couples in asylum centres.

Recent opinion polls have given Frederiksen's leftwing bloc a consistently small lead over the rightwing opposition. But they also suggest that the Moderates, a new party set up by Lars Løkke Rasmussen, former centre-right prime minister, could play the role of king-maker, holding the balance of power between the left and right.

An average of recent polls gave the leftwing bloc a 48-41 per cent lead over the right, with the Moderates gaining 9 per cent.

The Social Democrats are polling at 26 per cent, double that of the opposition Liberals, the next largest party, and are all but certain to become the largest party.

## Climate capital

## EU-US trade rift over green subsidies and jobs heats up

FT REPORTERS

The threat of a trade war between the EU and the US over the Biden administration's \$570bn climate legislation has stepped up, as France estimated it would lose €8bn as businesses were given incentives to shift to the US.

Brussels is demanding that products made in the EU bloc should have access to the same subsidies as the US is offering to a range of industries to spur green technologies and tackle carbon emissions under its Inflation Reduction Act.

The IRA measures include tax rebates for buyers of US-made electric cars, as well as a series of other significant industry credits for domestic clean energy initiatives, such as solar, wind, nuclear and carbon capture technologies. Paris claimed it would lose €8bn in investment as operations are relocated to the US to take advantage of subsidies for local production, diplomats say.

While most EU member states are still calculating the potential damage, the bloc countries agreed on the need for Brussels to push for "tangible and concrete" measures, at a meeting of ambassadors last week, they added.

French president Emmanuel Macron and German chancellor Olaf Scholz reportedly also found agreement at a meeting on Friday about a European response to the US action that encourages its citizens to "Buy American".

The trade tensions have developed despite the Biden administration's attempts to improve its relationship with Europe after four years of rancour under former president Donald Trump.

France in particular has been sounding the alarm in recent weeks that the IRA is unfairly protectionist. French buyers of electric cars are eligible for a subsidy of up to €7,000 regardless of where the car is manufactured. In the US, an income-tested rebate of up to \$7,500 will apply to new cars made locally. France has urged the European Commission to respond to the IRA and was working on options itself, said a finance ministry source.

Reporting by Javier Espinoza, Guy Chazan, Andy Bounds and Leila Abboud

Crowd crush  
South Korea  
in mourning  
after tragedy

Police officers stand guard yesterday in the Itaewon district of Seoul, where scores of people were killed and injured after a crowd crush during Halloween celebrations — Seungmin Choi/Songberg

South Korea president Yoon Suk-yeol has declared a period of national mourning after more than 150 people died and scores more were injured in a crush in a popular Seoul nightlife district on Saturday night.

Approximately 100,000 revellers had gathered to celebrate Halloween in the neighbourhood of Itaewon, an area characterised by a concentration of bars and restaurants in a series of narrow streets and alleyways.

But a crowd surge in a tight passageway left scores of people unconscious, with emergency workers and passers-by rushing to perform CPR amid distressing scenes.

Yoon vowed to carry out a thorough investigation. "We had a tragedy last night at the centre of Seoul during Halloween that should have not occurred", he said in a televised speech yesterday. The government will give its "highest priority to the accident

responses and follow-up measures."

It is not yet known what caused the initial surge, but eyewitnesses told the Associated Press that people caught in the passageway had toppled "like dominoes" as they fell down an incline towards the main road that runs through the district.

Choi Seong-beom, head of a local fire department in central Seoul, told reporters that "many casualties were incurred as a crowd of people fell over during Halloween parties". He said many of the victims were women in their 20s.

Seoul city authorities have said that 270 missing person reports relating to the incident have been submitted. Emergency services are understood to have struggled to identify victims, many of whom were wearing Halloween costumes and not carrying identification.

Seoul mayor Oh Se-hoon, who was

on a visit to Europe at the time of the incident, is returning immediately to South Korea, while presided over emergency meetings to secure resources for treating the victims, many of whom remained in a critical condition.

US president Joe Biden and first lady Jill Biden issued a statement saying that "we grieve with the people of the Republic of Korea and send our best wishes for a quick recovery to all those who were injured". Several other world leaders have expressed their condolences.

The incident is South Korea's worst tragedy since the sinking of a ferry in 2014 that killed 304 people, most of them high school students. It follows a stampede at a football stadium in the Indonesian capital of Jakarta this month, in which at least 125 people were killed.

Christian Davies, Seoul

## South-east Asia

## Entrepreneur's tech-style reforms disrupt Indonesia schools

MERCEDES RUEHL AND JOE LEAHY  
JAKARTA

The 160 pupils at Jakarta's Madrasah Ibtidaiyah Al Ma'muriyah spend about half of their school week reading the Koran or studying Islamic script, habits and culture.

The focus on religious tuition, where even state school students often spend hours on extra-curricular Islamic

believes it can boost growth by radically reforming education and adopting a system used in western countries.

In 2019 President Joko Widodo turned to Nadiem Anwar Makarim, a Harvard-educated entrepreneur, to lead the reform. Makarim, 38, who founded delivery and ride-hailing superapp Gojek, one of Indonesia's most successful start-ups, began redirecting school and university systems away

from sports equipment to computers. His ministry is also seeking to distribute laptops throughout the school system, especially to rural areas.

Critics, however, say his plan is too ambitious, given the scarring effects of the pandemic on education and the short time frame — the country will vote for a new president in 2024. Others argue Makarim is trying to treat the education system like a tech company

and education activist. "The real problem is that instead of focusing on curriculum he should have focused on developing and training teachers. That is [Indonesia's] weakness. Fancy apps and freedoms don't make a difference if they don't know how to teach."

While 44mn students are educated in public schools, a large chunk do not come under Makarim's purview. Management of the private education system

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INDONESIA'S EXAMINATION CLASSES, considered essential for building "character" in conservative Indonesia, which hosts the world's biggest Muslim population.

However, about 50 per cent of Indonesia's students have a literacy rate below a minimum competency level based on the OECD's Pisa student assessment programme. The figure is worse for numeracy.

With neighbouring countries such as Vietnam aggressively vying to attract industries diversifying out of China, Indonesia's poor education standards are being blamed for holding the country back. Although south-east Asia's largest economy has grown at about 5 per cent this year on the back of a commodities surge, the government

SAUDHI AND UNIVERSITY SYSTEMS away from rote learning towards literacy and numeracy testing, under a programme known as "emancipated learning".

Makarim, the first education minister not to come from one of Indonesia's two biggest Islamic organisations, likened his policy packages to a "22-episode Netflix series" in an interview with the Financial Times.

A self-described "disrupter", Makarim similarly reformed the entrance exams for universities and gave undergraduates the right to spend up to one year out of four completing accredited courses in the corporate sector.

Technology is an important part of the changes. He introduced an e-commerce platform to increase transparency on the procurement of everything

EDUCATION SYSTEM LIKE A NETFLX COMPANY in a country that is unprepared for such radical change.

"Many teachers I speak to are confused," said Indra Charismiadji, an edu-



Nadiem Anwar Makarim: likens his policies to '22-episode Netflix series'

AGENCY OF THE MAJORITY PRIVACY RIGHTS madrasas, including the curriculum, is handled by the religious affairs ministry. The madrasas educated some 10mn students in the 2019-20 school year, says the ministry, while *pesantrens*, or Islamic boarding schools, have about 4.2mn pupils. Legislation aimed at bringing the religious institutions into the fold, part of a broader omnibus bill, stalled last month in parliament.

Makarim counters that many of those religious institutions already use the national education standard. The pandemic also created a greater willingness to find new ways to educate students, he said. "Education became front, right and centre. So that's what paved the way [and] gave me and my team the licence to create these big reforms," he said.

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FINANCIAL TIMES

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## INTERNATIONAL

# Berlin rebuffs EU borrowing plan to tackle energy crisis

Finance minister says it will be cheaper for nations to go it alone on raising debt

GUY CHAZAN AND SAM FLEMING

BERLIN

Germany's finance minister has rejected common borrowing by the EU as a way to address the bloc's energy crisis, saying it was cheaper for individual states to raise debt by themselves given the higher interest rates faced by the European Commission.

"The financial advantage the commission, and many member states once hoped for from common European debt, as opposed to issuing debt on a national basis, no longer exists," Christian Lindner said in an interview.

His opposition to new rounds of borrowing will stoke tensions with other member states that feel Germany has done too little to forge a joint response to an energy crisis that threatens to drive the eurozone economy into a recession.

Berlin is already under fire for its unilateral €200bn relief programme aimed at easing energy costs for households and businesses.

This month Chancellor Olaf Scholz reluctantly agreed to a push for an EU-

France, was touted as a benefit. The borrowing costs of Italy, Spain and Portugal remain higher than those of the commission today. The commission was recently forced to request a top-up to its 2023 budget plans given the rising cost of borrowing. It projected the need for an extra €450mn to cover the higher interest bill on EU borrowings next year, on top of a previously projected cost of €1.05bn for 2023.

Lindner said the EU would be issuing a "lot more debt" over the next few years for existing programmes, so "it wouldn't make sense to test at what point the market is saturated".

In addition, the minister took issue with planned commission proposals for reform of the EU's fiscal rule book, known as the Stability and Growth Pact.

The commission has been working on an overhaul that would permit member states to agree multiyear, country-specific plans for getting their debt burdens under control in conjunction with the EU. The proposal, expected next month, would simplify the SGP regime and effectively give EU countries more leeway to design their own paths out of indebtedness — in return for stricter oversight by Brussels.

Lindner said Germany was ready to accept "slower adjustment paths" for highly indebted countries as part of fiscal pact reforms, but there must still be a strong focus on "consistent, step-by-step deficit reductions". He said: "In the current macroeconomic environment, with a high degree of uncertainty, there's a real need to rebuild financial buffers and not fuel inflation further."

Lindner leads the liberal FDP, a pro-business, fiscally hawkish party that governs Germany in an uneasy coalition with Scholz's Social Democrats and the Greens. The party has been hit by a string of recent electoral defeats and this month suffered the humiliation of being booted out of the parliament of the northern state of Lower Saxony.

Lindner acknowledged that FDP voters were unhappy with some of the Scholz government's economic policies. Some supported the idea of mobilising "massive economic aid in this crisis and deploy[ing] billions of euros to do that". But others were dismayed at the levels of debt Germany was taking on and the interest the state is having to pay on its debt is growing because of inflation.

That was why he supported a return to Germany's constitutional limit on new borrowing. This "debt brake" has been suspended since the pandemic and many on the left think it should be ditched completely.

"When your supporters are split, the only response... is to show leadership," he said. "Part of that is insisting Germany must reinstate the debt brake next year. Otherwise the dam would break and we would end up financing everything with emergency loans."

Additional reporting by  
Tommy Stubbington in London



'Germany must reinstate the debt brake next year. Otherwise we would end up financing everything with emergency loans'

Christian Lindner, centre, says the EU will issue a 'lot more debt' in the next few years for existing programmes  
Ray Hefford/epa

'The financial advantage the commission once hoped for no longer exists'

Christian Lindner

wide gas price cap, but subject to hefty caveats and preconditions.

Ursula von der Leyen, commission president, has in recent days stressed the need to finance ambitious new cross-border energy infrastructure projects, as the EU attempts to accelerate its transition away from Russian gas and boost renewables.

The IMF has weighed in with a proposal last month for an EU "fiscal capacity" funded by common debt issuance and new income streams.

Yet northern EU countries remain sceptical, pointing out that the pandemic fund was always seen as a one-off. Lindner made clear his firm opposition. "We shouldn't be raising the idea of more common borrowing by the EU at every opportunity, whenever we need more investment," he said.

Brussels' borrowing costs were among the eurozone's lowest last year when it began issuing pandemic bonds. The EU sold a 10-year bond in June 2021 at a yield of 0.086 per cent, when French and Belgian 10-year debt was trading at yields of 0.171 per cent and 0.146 per cent respectively.

But EU borrowing costs have since risen above those of France or Belgium. EU 10-year debt now yields 2.89 per cent, compared with 2.63 per cent for France and 2.71 per cent for Belgium.

This has symbolic importance because, when the recovery fund was launched, the fact that the commission's borrowing costs were not only lower than the riskiest EU economies, such as Italy or Greece, but also the likes of

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## Pay dispute

# German industrial workers fire warning shot with strikes



OLAF STORBECK AND MARTIN ARNOLD  
FRANKFURT

Thousands of German industrial workers walked out for several hours over the weekend in a pay dispute as the IG Metall union warned of more strikes if employers failed to improve their offer.

Europe's largest industrial union is demanding an 8 per cent wage increase for 3.9mn employees in the automotive, metal and electrical industries to compensate for surging inflation. The pay demand is the highest since 2008.

The sector is the backbone of Germany's economy and a bellwether for pay deals in other areas. Employers have offered a one-off payment of €3,000 spread over 30 months, arguing they are being squeezed by rising energy costs and face a potential recession.

On Saturday night, employees of more than a dozen companies including ThyssenKrupp, the steelmaker, and Bosch and ZF, the automotive suppliers, began a rolling programme of what the union called temporary warning strikes. The stoppages lasted several hours and

are set to continue into early November at different companies across Germany.

The impact on production was limited, but the stoppages demonstrate workers' determination, the union said. "The employers' refusal to enter proper wage negotiations triggered this escalation," it added. Jörg Hofmann IG Metall leader, has warned the union would step up strike action if employers failed to make a better offer by November 9, when talks are set to resume.

Eurozone pay this year has lagged well behind inflation, which is expected to have risen above 10 per cent for the first time in the region when October price data are announced today. This has left many workers worse-off in real terms. Economists say persistent high inflation could increase the likelihood of a 1970s-style wage-price spiral and prompt the European Central Bank to raise interest rates to curb inflation.

Peer-Michael Dick, chief executive of Baden-Württemberg's metal employers' association, said the warning strikes were "unnecessary" and created an additional burden for employers.



INTERNATIONAL

Stormont

# Irish PM calls for political reform in Belfast

Good Friday Agreement on power sharing not fit for purpose, says taoiseach

JUDE WEBBER AND MARTIN SANDBU  
DUBLIN

Political deadlock in Northern Ireland, which has led London to announce that it will call fresh elections, shows the region's governance system is "not fit for purpose" and should be reformed, according to Ireland's prime minister.

Taoiseach Micheál Martin said Northern Ireland's nationalist and unionist communities had rightly been required to share power since a landmark peace deal at Easter in 1998 that ended three

decades of conflict over the region's constitutional status.

But unionist and nationalist parties have often made fractious bedfellows in a system of compulsory coalitions where one side cannot govern without the other, and Martin called for reform of the power-sharing arrangements enshrined in the Good Friday Agreement.

"There's a reason why all this [power-sharing] came in, in the early years," Martin said in an interview with the Financial Times.

But now, nearly 25 years on, he added: "There is room for the parties to look at changing the system. The system does polarise ... The electoral system should

not be one that constantly reinforces polarisation."

Martin said any changes should be considered over the next four to five years. Dublin believes reform is a matter for Northern Ireland's parties and the UK and UK governments to decide.

Martin was speaking ahead of last Friday's deadline for a power-sharing executive to be formed in Northern Ireland following elections to the region's assembly at Stormont in May.

The UK government responded to the failure to establish a fully functioning devolved administration by highlighting its legal duty to call fresh elections – which no party wants – although it did not set a date.

The Good Friday Agreement

enshrines the principle that the biggest parties representing the nationalist and unionist communities must have leading roles in a power-sharing executive.

But it means that each community has a veto over the existence of the executive. For about 40 per cent of the time since the Good Friday Agreement, Northern Ireland has lacked a government because one side or the other has refused to participate.

The Democratic Unionist party, the biggest pro-UK party, sparked the current crisis by insisting it would not enter government until Northern Ireland's post-Brexit trading arrangements were scrapped.

The elections in May this year became a milestone for Northern Ireland because

Sinn Féin became the region's biggest party for the first time, relegating the long dominant DUP to second place.

London and Dublin hope a power-sharing executive can be in place by next April, the 25th anniversary of the Good Friday Agreement. US president Joe Biden is expected to visit to mark the occasion.

But much appears to hinge on whether the UK and EU can reach a compromise on changes to Northern Ireland's trading arrangements that satisfies the DUP. Without a deal to overhaul the protocol that the DUP deems acceptable, fresh elections to the Northern Ireland assembly are widely expected to fail to secure the establishment of a power-sharing executive.

US midterms

# Republicans lead polls as voters focus on economy and inflation

COLBY SMITH — WASHINGTON

New polling shows Republicans hold an edge over Democrats just over a week before midterm elections that will decide control of the US legislative branch, with voters fixated on high inflation and the risk of recession.

Republicans appear poised to wrest control of the House of Representatives, a model released by CBS News indicated yesterday, as the minority party has recaptured leads in certain races days before Americans cast their ballots on November 8. The expected 15-seat gain could narrow if younger voters turn out in higher numbers than the model assumes.

Democrats have lost momentum in recent weeks as data have suggested the worst inflation problem in decades is not improving, and in some cases is at risk of getting worse, as price pressures become more deeply embedded in the economy. That has fueled fears of an impending recession, given the aggressive steps required of the Federal Reserve to root it out.

The US central bank is in the middle of one of its most forceful attempts to slow down the economy in decades, with officials warning of "some pain" to come, chiefly higher unemployment.

Separate polling from ABC News and Ipsos released yesterday show that the economy and inflation are considered the two most important issues heading into the midterms for roughly half of Americans, edging out abortion rights and gun violence.

Democrats' odds of holding on to control of the legislative branch looked better in the summer, fuelled by outrage over the Supreme Court's decision to overturn Roe vs Wade, which severely restricted access to the procedure.

Many Democratic candidates had focused their midterm campaigns on enshrining the right to an abortion into law. But access to abortion, while galvanising for some, is less likely to be the primary motivation for one in five Americans, who say the issue makes no difference at all in their voting decision, according to ABC. That indifference is even higher among independents.

Speaking to ABC News yesterday, Rick Scott, chair of the national Republican senatorial committee, expressed optimism about the GOP's chances of clinching the upper legislative chamber as well and forecasted races in Georgia, Nevada, Arizona and New Hampshire to tip their way. "I think the Democrats are going to get a rude awakening on November 8 that high inflation, high crime, open border [are] not what the American public wants," he said.

The Biden administration has stepped up its messaging about what the president has done to tackle high inflation as the election has neared, highlighting legislative victories earlier this year, including a climate, tax and healthcare bill.

"We're reducing the burden on working- and middle-class families by bringing down the costs of everyday things – prescription drugs, healthcare premiums, and energy bills," Biden said on Twitter yesterday. "That's real breathing room for folks who need it most."

## Middle East. Gridlock

# Netanyahu plots return ahead of latest elections

Israel's former prime minister is likely to depend on far right, with outcome on knife-edge

JAMES SHOTTER — JERUSALEM

For Yaron Tzidkiyahu, who runs a popular food stall in Jerusalem's Machane Yehuda market, two things matter in tomorrow's Israeli election: the economy and security. Unhappy with the government's approach, he plans to vote for Benjamin Netanyahu.

"I want someone else, but right now there is no one but Bibi," he said, referring to the former prime minister by his widely used nickname. "Bibi is Gulliver in a land of pygmies."

The election will be Israel's fifth in three-and-a-half years of political gridlock. Like the previous four, the poll is widely seen as a referendum on Netanyahu, a polarising figure who has been Israel's leader for 15 of the past 26 years.

After his tenure was ended last year by an unwieldy eight-party coalition united mainly by its members' desire to oust him, the 75-year-old finds himself the challenger for the first time in more than a decade.

But his push to win back power is complicated by an ongoing trial on corruption charges relating to his relationships with wealthy businesspeople and media magnates while in office.

Netanyahu has dismissed the allegations of bribery, fraud and breach of trust as a witch-hunt. But combined with a series of feuds with former allies amassed during his years in politics, the claims have given fuel to his opponents and narrowed his options for coalition-building, linking his political fate ever more closely with Israel's far right.

Polls suggest the election is on a knife-edge, with Netanyahu's Likud party and allies just shy of the 61 seats needed for a majority in Israel's Knesset. If neither his bloc, nor the one headed by the parties of Prime Minister Yair Lapid and defence minister Benny Gantz, can reach the threshold, there are two possibilities: either someone crosses Israel's rancorous political divide, or there is yet another round of elections.

Dahli Scheindlin, a pollster and political consultant, said that if there were to be a "surprise" from the voters



Making a point: Benjamin Netanyahu addresses students last week from behind a security screen during a campaign rally in the West Bank settlement of Ariel, ahead of tomorrow's election  
Menahem Kahana/AFN/Getty Images

Netanyahu's fortunes will depend, in part, on a far-right grouping of the Religious Zionist party, led by Bezalel Smotrich, and the Jewish Power party of Itamar Ben Gvir, an ultranationalist convicted of incitement to racism.

During the previous election cycle, Netanyahu said Ben Gvir – who used to keep a picture of Baruch Goldstein, an extremist who massacred 29 Palestinians in a mosque in 1994, in his home – was not fit to be a minister.

But as Ben Gvir's popularity has soared – polls put his and Smotrich's grouping third behind Likud and Lapid's Yesh Atid – Netanyahu has changed tack, saying Ben Gvir could serve in his cabinet.

Smotrich has also made waves with plans for a radical overhaul of the judiciary. This would allow parliament, with a simple majority, to override Supreme Court rulings striking down legislation at odds with Israel's Basic Laws. It would also give politicians control over the appointment of judges and scrap the offence of breach of trust, which is

argues that the reforms are needed to rein in an overly powerful judiciary. But Lapid branded the proposals an attempt to resolve Netanyahu's legal problems and claimed that if it won, Netanyahu's bloc would "make every effort" to "destroy" the separation of powers in Israel.

"What [the far-right parties] are pushing is the line that democracy means unrestrained majority rule and that the Knesset has no constraints at all," said Scheindlin. "It's another notch towards the erosion of the democratic institutions in Israel."

Some observers have suggested Netanyahu could seek to use the spectre of an alliance with the far right – which has drawn concern from some US politicians – to strong-arm more moderate rightwingers, such as Gantz's National Unity party, into his coalition instead.

But Netanyahu and Gantz have both rejected this, and polls suggest Netanyahu would be unable to form a government without Smotrich's and Ben Gvir's bloc.

"The only person who would [break ranks and join Netanyahu] is Gantz. He's done it before"

on the performance of several smaller parties hovering around the 3.25 per cent electoral threshold. But most of these – including the country's three Arab groupings – are in the anti-Netanyahu bloc, meaning near misses are more likely to work in his favour.

"The main issue now is the Arab vote," said Rafi Smith, who has conducted polls for Likud during the campaign. "If it reaches 50 to 55 per cent turnout, the chance of the non-Netanyahu bloc increases. If it's low, the chance of a rightwing win is higher."

Some observers think 60 seats could be enough for Netanyahu to return to power, since the pressure to avoid a sixth straight election would prompt some MPs to cross the aisle. "If you ask me to gamble, I think it's quite clear that Netanyahu has the best chance," said Aviv Bushinsky, who advised Netanyahu between 1996 and 2004 and is now a political analyst.

"But if [his bloc] ends up with less than 59 seats ... it would be viewed as a failure. I think then that people in his



that gave one side a majority, it was more likely to favour Netanyahu's bloc. For the anti-Netanyahu bloc, the best chance to break the gridlock would be in post-election horse-trading, she said.

among the charges facing Netanyahu. Smotrich said last week a way would be found to ensure this did not result in the termination of the cases against Netanyahu. More broadly, his party

"The only person who would [break ranks and join Netanyahu] is Gantz. He's done it before," said a Gantz ally, "but he doesn't have the numbers." Pollsters say the race is likely to turn

party would say, 'Look, the majority of Israelis are rightwingers. The Knesset has a rightwing [majority] and the only reason we cannot take advantage of this is you. So please step down.'

In a sign that the message is not getting through, however, the CBS poll showed that eight in 10 likely voters feel that things in the country are "out of control".

Borders agreement

Lebanon-Israel maritime accord marks rare instance of co-operation and pragmatism

**RAYA JALABI — BEIRUT**  
**JAMES SHOTTER — JERUSALEM**

Israel and Lebanon sealed a landmark deal last week to resolve a lengthy dispute over their maritime borders.

But there was no joint public signing ceremony, a stark reminder of the bellicose history between two countries with a legacy of conflict.

Instead, the deal took the form of separate agreements with the US, signed by Israeli and Lebanese leaders in their respective countries. Officials later handed over the signed documents to the US envoy who brokered the deal at the UN's Lebanon peacekeeping headquarters. The awkward choreography ensured that the leaders did not meet: the two countries have never held diplomatic ties.

Yet officials hope the accord brokered over years of on-off negotiations will defuse military tensions. It marked a rare instance of co-operation and pragmatism between the bitter foes, although it is not expected to lead to

normalised relations. Israeli prime minister Yair Lapid welcomed a "historic" deal while Lebanon's chief negotiator, Elias Bou Saab, said it marked a "new era". It paves the way for both countries to develop gasfields under the eastern Mediterranean.

A consortium led by France's Total will develop the Qana field for Lebanon, which is in the grip of one of the world's worst economic crises.

Production at Israel's Karish field began on Wednesday. The militant Hizbollah group, who fought a month-long war against Israel in 2006, had threatened to attack if Israel brought Karish online before a deal was reached.

Israel and Lebanon have been in a formal state of war since Israel's founding. Lebanon's president reiterated on Thursday that the accord would not change his country's foreign policy while Hizbollah leader Hassan Nasrallah said the government had not taken any steps "that even smelled of normalisation".

The US ambassador to Israel, Thomas

Nides, said before the signing that the agreement was an "opportunity . . . with the US stepping in as a mediator, to provide security for Israel and some gas for Lebanon".

Amos Hochstein, the US special envoy, said that while the deal was not an attempt to resolve broader Lebanon-Israel relations, it was "prudent" to seek

co-operation opportunities, while adding that "tough issues" remain.

Those involved say the deal could not have been done without approval from Hizbollah, which opposes Israel's right to exist.

"Whether Hizbollah had any role or their threats had any role to facilitating or speeding the negotiations? I tell you flat out, yes it did," Bou Saab said.

Lebanon's leaders have touted the deal as economic salvation for the country that has been plagued by a deep political and economic crisis since 2019. Officials on all sides conceded that an agreement would not have been reached if Lebanon were not facing such calamity.

Nasrallah has previously extolled the deal's potential to eradicate the need for international aid and foreign meddling. He has also gloated that Israel was "forced" to negotiate because of Hizbollah's strength.

Israeli officials counter the opposite was true. "The deal weakens Hizbollah and weakens Iran's grip on Lebanon . . .

Hizbollah would rather the deal didn't exist," said a senior Israeli official. "But once it was on the table and the Lebanese public realised a deal was within reach, it became impossible for Hizbollah to justify preventing it."

Hizbollah actively engaged in formulating Lebanon's position throughout the talks, according to both the Lebanese source and a western diplomat.

Hizbollah was not part of the official negotiations but it was briefed on details and provided feedback "regularly" — as Nasrallah publicly threatened Israeli installations if Lebanon's interests were not secured.

Late in the process, Lebanon sought to change the language on security and economic guarantees at Hizbollah's behest — only to backtrack after those nearly sank the deal.

Analysts said the climbdown highlighted Hizbollah's desire to pacify its supporters at home, even as it expands its regional footprint.

Hizbollah has steadily moved deeper into Lebanon's politics and state affairs

since it was founded 40 years ago by Iran's Revolutionary Guard.

After the 2006 war with Israel, much of the reconstruction of Lebanon was paid for by Gulf Arab states, who have since largely turned away from the country because of the mounting influence of Hizbollah and Tehran.

Iran now considers Hizbollah "more consultant than proxy", Hage Ali said. The force provides fighters and expertise to Iran and its allies in Syria, Iraq and Yemen and has increased its influence with Palestinian militant group Hamas.

But it is this regional role that could alter Hizbollah's calculus once more, particularly as nuclear talks between Iran and the west falter. "I fail to see this maritime deal as a major inhibitor against all regional violence," said Mohanad Hage Ali, a Beirut-based senior fellow at the Carnegie Middle East Center, who said multiple scenarios, including internal pressures, could still prompt escalation such as a pre-emptive or retaliative strike against Israel.



Deal: Amos Hochstein, left, with Lebanon's President Michel Aoun

Monday 31 October 2022

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**"We aim to become the most unique insurance group in the world."**

**Mikio Okumura**  
Group COO / Director / President and Representative Executive Officer  
Sompo Holdings, Inc.

Accelerating Growth in a Time of Great Change

An interview with Mikio Okumura, Chief Operating Officer of Sompo Holdings, Inc., a leading Japanese insurance conglomerate with a market capitalisation of two trillion yen. Buoyed by rapid growth in its overseas insurance business, the company has achieved the highest profits in its history for two consecutive fiscal years. In the interview, Mr. Okumura describes the group synergies and willingness to take on new challenges that have driven the company's remarkable growth.

**Q: As COO of a corporate group that employs more than 73,000 people in 29 countries engaged in businesses ranging from insurance to nursing care, how would you describe the group's current position in the industry?**

First of all, speaking of actual results, ordinary income for FY2021 was 4,167.4 billion yen, an increase of 321.1 billion yen from the previous year. Adjusted consolidated profit rose to 261.3 billion yen, reaching a record high, and adjusted consolidated ROE increased from 8.0% to 9.4%. Based on this strong performance, we have been able to deliver record-high shareholder returns.

Growth in our overseas insurance and reinsurance business has been particularly remarkable. The business's share of sales grew from 14.9% to 23.7% between FY2020 and FY2021. Overseas gross written premiums have increased by 3.5 times, and approximately 40% of gross premiums in property and casualty insurance now come from overseas. At Sompo International, gross written

**Adjusted Consolidated Profit, Ordinary Income and Adjusted Consolidated ROE**

(FY)	2018	2019	2020	2021
Adjusted consolidated profit (¥ billion)	113.5	150.8	202.1	261.3
Ordinary income (¥ billion)	3,843.0	3,780.3	3,846.3	4,167.4
Adjusted consolidated ROE (%)	4.5	6.4	8.0	9.4

**Overseas Insurance Business Gross Written Premiums**

(FY)	2016	2021
(\$ million)	4,054	14,153

3.5 Times

But over the past 10 years, we have significantly scaled up and diversified our portfolio to increase our resilience to changes in the business environment. Our current operations span five categories: Domestic Property and Casualty Insurance Business, Overseas Insurance and

**Q: Your own background is also rather unusual, isn't it?**

I joined SOMPO immediately after graduating from university because I wanted to work in a role that would let me serve as a bridge between Japan and other countries. But after the 9/11 terrorist attacks, SOMPO shifted its strategy for a time to focus more on domestic business, and I joined an investment company to broaden my experience. I learned a great deal about capital markets while working there, and brought that knowledge with me when I rejoined SOMPO.

After my return, I headed the nursing care and healthcare business, and then brought our overseas insurance and reinsurance operations to profitability. Now I'm working on executing transformational strategies and a range of digital initiatives to drive future growth while leading group-wide projects to create conglomerate premium.

The current business environment is fraught with uncertainties such as climate change, demographic change, geopolitical risks, and economic risks. In Japan, the economy has been relatively stagnant for two decades, the population is declining, and with fewer homes and automobiles being sold, the market for property and casualty insurance products has been buffeted by headwinds. But I'm very confident. In fact, for the past 10 years, SOMPO has continued to grow in spite of these headwinds.

As Kengo Sakurada, the Chairman and CEO of Sompo Holdings, often says, "To grow, we aim to become the most unique insurance group in the world by expanding into new business areas based on insurance as our source of competitiveness." And no matter how the times may change, before we have the resources and management



premiums have increased by 2.6 times since we acquired Endurance Specialty Holdings Ltd. in 2017.

**"Growth in our overseas insurance and reinsurance business has been particularly remarkable"**

To help us accelerate growth even more we recently created a Steering Committee for group-wide projects under our Global Executive Committee, which is the highest-level executive committee in the SOMPO Group. Through active and substantive discussions, we develop strategies for group-wide business optimisation aimed at boosting our conglomerate premium. Comprised of senior executives and the heads of each of the company's five major business areas, the Steering Committee meets to enhance inter-company synergies, diversify risks, and develop new business opportunities, with a particular focus on strategies for asset management, insurance portfolios, and global business expansion. The company's medium-term management plan for FY2021-2023 also allocates 600 billion yen for growth investments to drive further business growth in the years ahead.

**Q: In a recent article in the Japanese financial press, a market analyst described SOMPO as being unique among the top three non-life insurers in Japan. Do you think that is true?**

The analyst was probably referring to our uniquely diversified business portfolio. In the past, almost all of our sales were in domestic property and casualty insurance.

Reinsurance Business, Domestic Life Insurance Business, Nursing Care and Seniors Business, and Digital Business.

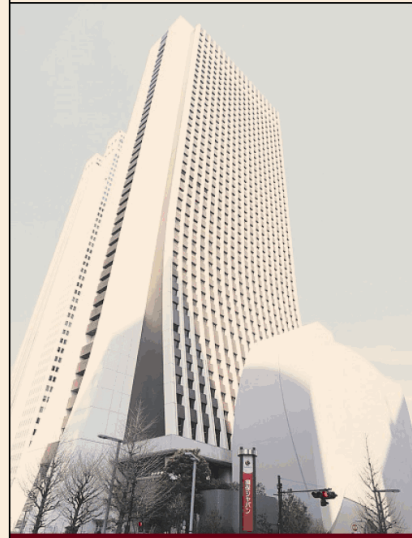
**Q: Why did you decide to invest in nursing care and healthcare?**

The nursing care business, which we entered in 2015, has particularly strong growth potential in Japan. Like many other leading countries, Japan faces the dual challenges of a declining birthrate and an ageing demographic, and the nursing care market here has increased dramatically in size. As a business, it also meshes perfectly with our corporate purpose, which is to create a society in which people can enjoy healthy, prosperous, secure, and happy lives.

In addition to making large-scale investments in nursing care, we are also pursuing digital initiatives that will enable us to play a key role in Japan's long-term care industry by utilising operational business data and users' vital data to improve efficiency and service quality. To this end, we have formed partnerships with companies that excel in data analysis and AI technology, such as Palantir Technologies in the US. We plan to set up a platform that can become the de facto standard for utilising real data related to long-term care, and provide a range of subscription-based services for the nursing care sector by the end of this fiscal year. In the future, we want to help alleviate the labor shortages caused by a widening supply-demand gap in caregivers, and to contribute to the development of solutions to a range of other social issues that Japan faces.

There are many insurance companies in the world that are larger than us, but I don't think there are many actively working to transform their business portfolio the way we are.

change, I believe we have the resources and management flexibility to achieve that goal.



Sompo Holdings, Inc. Headquarters in Tokyo

**SOMPO HOLDINGS**  
<https://www.sompo-hd.com/en/>



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Is it all bollocks? Ripe language can raise pain tolerance and increase physical strength . . . apparently ● PILITA CLARK

## Companies & Markets

### Tesla held talks over buying stake in Glencore

- EV maker looked to tie up metal supply
- Deal failed on environmental concerns

LESLIE HOOK AND HARRY DEMPSEY  
LONDON

Tesla held talks with Glencore about taking a stake in the Swiss commodities group, in a sign of how global carmakers are seeking to build ties with the mining industry to secure materials needed for the rollout of electric vehicles.

Preliminary discussions about Elon Musk's electric car and battery maker buying 10-20 per cent of Glencore began last year, according to two people familiar with the matter.

They continued in March this year, when Glencore chief executive Gary Nagle visited Tesla's factory in Fremont, California, as part of a roadshow for the

Musk has previously outlined Tesla's intention to take greater control of all manufacturing steps

mining company's annual results. But the discussions ended with no deal reached, according to the two people. Tesla had concerns over whether Glencore's extensive coal mining business was compatible with the carmaker's environmental goals and was reluctant to take a minority equity stake.

The rise of electric vehicles has prompted concern among car companies and battery makers about securing supplies of raw materials such as cobalt, lithium and nickel that are needed to

and Berlin. Musk has previously outlined Tesla's intention to take greater control of all manufacturing steps of its batteries, including processing the raw materials and even buying lithium deposits still in the ground, if the supply chain fails to deliver.

In April the billionaire took to Twitter, the social media site he bought last week, to voice his concerns about lithium, the price of which has risen eightfold since the start of 2021, saying "Tesla might actually have to get into the mining & refining directly at scale, unless costs improve".

Tesla is also advancing with plans to build its own lithium hydroxide refinery on the Texas Gulf Coast.

Glencore produces cobalt, nickel, copper and other minerals, and is also one of the world's largest recyclers of batteries. It does not mine lithium but recently started to trade the metal.

Analysts have generally been sceptical over whether Musk has the appetite to invest in mining groups or trading houses, suggesting his comments have largely been intended to jolt raw material suppliers into increasing output.

As electric vehicle manufacturing ramps up, carmakers are scouring the globe to secure raw materials, prompting a flurry of offtake agreements — multiyear deals to supply raw materials. Glencore already has cobalt offtake agreements with battery makers SK Innovation and Samsung SDI and carmakers BMW and GM.

### Flight plan Iceland flag carrier looks to become first to go emissions-free on domestic routes



Clean air: an artist's impression of a carbon-free Heart Aerospace ES-30 in Icelandair livery

ROBERT WRIGHT — LONDON

Icelandair is seeking by the end of this decade to become the first national flag carrier airline to operate all its domestic routes with emissions-free aircraft, its chief executive has said.

The carrier aims to exploit its homeland's abundant cheap, carbon-free electricity to fuel the aircraft, either by powering batteries or generating hydrogen for use in fuel cells, according to Bogi Nils Bogason.

"We're focusing on having our domestic operation carbon-free by the end of this decade," Bogason said.

The airline operates three domestic routes from its home base at Reykjavik's Keflavik airport — to Egilsstaðir, Akureyri and Ísafjörður. The longest flight to Tallinn, Estonia, takes an

operated by Brazil's Embraer and the UK's Rolls-Royce, only on flights of up to 30 minutes. Its planned nine-seat aircraft is significantly smaller than the 30- to 40-seat aircraft that Icelandair plans to deploy.

United Airlines, Air Canada and Connect Airlines, a Massachusetts-based start-up, have all announced plans to operate some regional flights in North America with electric or hydrogen-powered aircraft.

But Icelandair is the first of the traditional national airlines — known as flag carriers — to target entirely carbon-free domestic flights.

Air operations have been especially difficult to decarbonise because electric or hydrogen power plants offer far less power for a given weight than established jet and turboprop technologies.

regional aircraft powered by batteries and with a back-up conventional engine.

In July last year it signed a similar letter with the US's Universal Hydrogen. The company, which is mainly focused on providing hydrogen fuel systems to airlines, has undertaken to convert Icelandair's existing 37-seat Dash-8 turboprops to hydrogen power.

Heart Aerospace confirmed that it had been in discussions with Icelandair for "some years" and said the collaboration had reached a "different level of detail" after signing the letter of intent.

Andrew Charlton, a Geneva-based aviation consultant, said it would be a "huge boost" for zero-carbon aviation if Icelandair managed to introduce the technology and would "show the

### Biotechs aim to raise cash from sale of royalties

HANNAH KUCHLER — LONDON  
JAMIE SMYTH — NEW YORK

Biotechs are turning to specialist royalty companies to generate cash from future sales of their products, as they try to survive a dramatic sell-off in the sector.

Companies such as Royalty Pharma, Healthcare Royalty Partners and Blackstone Life Sciences are among those looking to acquire royalties for approved drugs or those in late-stage development.

Others are opening up newer areas of the market, such as Xoma pushing into earlier-stage royalties, and Zai Lab buying rights to sell drugs in China.

Clarke Futch, chief executive of Healthcare Royalty Partners, said inquiries from biotechs about royalty sales had risen 50 per cent since the second quarter and that he expects to do more deals than usual this year.

"There has been a pretty dramatic acceleration in the level of interest," he said. "Companies that maybe last year had a \$5bn market cap . . . are much more interested in royalty options than they were 12 or 24 months ago."

The S&P XBI index of smaller biotech companies has fallen 41 per cent since November, after valuations shot up during the coronavirus pandemic. But the private debt market, including venture debt and royalty streams, is up 23 per cent year on year, according to Torrey, the life sciences investment bank.

Pablo Legorreta, chief executive of Royalty Pharma, said interest in royalty deals rose more than 50 per cent between 2019 and 2021.

"Pressure on biotech equity prices could expand the universe of partners and royalty opportunities, increase the attractiveness of royalties versus financing alternatives and result in consolidation," he told the Financial Times.

In May, Royalty raised its capital deployment target to \$10bn-12bn over the next five years from a previous target of \$7bn set in February 2021.

Nick Galakatos, head of Blackstone Life Sciences, said there is more interest in selling royalties because the supply of capital from the public market has



## MANUFACTURE BATTERIES.

Glencore is the world's largest listed trading house and biggest producer of cobalt through its mines in the Democratic Republic of Congo, Australia and Canada. Two years ago Tesla secured a cobalt offtake agreement with the Swiss group to supply its factories in Shanghai

AS well as its cobalt offtake agreement with Glencore, Tesla has struck a long-term deal for nickel supply from Brazilian mining group Vale.

Tesla did not respond to a request for comment. Glencore declined to comment.

Additional reporting by Richard Waters

longest flight, to Eggenstätt, takes an hour.

Although Norway's Widerøe airlines last year announced plans for passenger operations with an electric aircraft, Icelandair's plans are more ambitious. The Norwegian airline plans to use its aircraft, to be devel-

## NOISES.

Icelandair has struck agreements with two providers of the currently experimental aircraft systems.

In September it signed a letter of intent with Sweden's Heart Aerospace about potentially purchasing the manufacturer's 30-seat ES-30, a

the technology and would "show the way forward". Charlton said some other countries had similarly abundant clean electricity, although most generated it through solar power.

"There are other places with similar benefits, so it would be a great first step," he said.

capital from the public market has plunged. "The demand for capital continues to grow unabated because innovation continues," he said. "It doesn't matter if the markets are being rocked by global economic uncertainty, innovation at academic centres at Oxford, Cambridge, MIT or Harvard continues."

## FT LIVE

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## Investors warned 'translation problem' is likely to wipe

\$10bn from corporate profits

NICHOLAS MEGAW AND KATE DUGUID  
NEW YORK

The rapacious rise of the dollar is set to wipe more than \$10bn from US corporate earnings in the third quarter, analysts estimate, piling pressure on companies already grappling with high prices and a gloomy domestic outlook.

The dollar's strength has been eating into US earnings all year, taking its toll on makers of everything from children's toys to cigarettes. The trend is becoming increasingly difficult for investors to ignore as concerns grow about its knock-on impact on demand.

"As an investor you're trying to get clarity – is what I'm looking at a translation problem or a demand problem?" said Jack Caffrey, a portfolio manager at JPMorgan Asset Management.

The translation problem refers to the way a stronger dollar reduces the relative value of sales made in foreign currencies when they are converted back into dollars for quarterly financial reports. Measured against a group of other developed market currencies, the dollar rose 17 per cent in the first three quarters, reaching its strongest level in more than 20 years.

Jonathan Golub, head of US equity strategy at Credit Suisse, estimates that for each 8 to 10 percentage point rise in the dollar index, these translation effects knock 1 percentage point from earnings per share across the S&P 500. With estimated earnings of \$480bn

before earnings season kicked off, this year's move would cut third-quarter profits by around \$10bn.

Some investors estimate the translation effects could be even higher. Michael Walker, portfolio manager at AllianceBernstein, suggested this year's move could wipe around 5 per cent from profits across the index for the year.

Many investors are willing to look through such effects if they are confident in the underlying strength of a business.

When Microsoft slashed its revenue forecasts by around \$500mn earlier this year, for example, its stock recovered from a brief blip to close the day in positive territory.

More concerning is the potential for demand to fall as rivals that produce and sell in weaker currencies now look cheaper.

"It's not something people have talked about enough over the last several years, so there may be an unfortunate period of time where [companies]

have to recalibrate what information comes through," added Caffrey.

Walker contrasted Microsoft with its megacap rival Amazon. Although both are based in California, Microsoft sets prices for its Azure cloud service in local currencies, while rival Amazon Web Services prices in dollars.

"With currencies deviating this much, it would seem to me a big competitive advantage for Microsoft, which is taking a big translational hit but is choosing not to raise their prices. Whereas Amazon is effectively raising prices for their customers."

Moreover, one key reason for the dollar's recent strength is the brighter economic outlook in the US compared with many other countries, meaning demand may fall even without additional competition.

When Levi Strauss reported second-quarter earnings in June, the company took a translational hit from the strong dollar but stressed that it still had "strong momentum" in Europe. But by

the time it reported third-quarter results and another foreign exchange hit earlier this month, chief executive Charles Bergh said its European wholesale customers were "being cautious" and predicted further weakness "as the winter begins to hit".

Goldman Sachs' index of companies that generate the majority of their revenues in the US fell by 15 per cent in the first three quarters, compared with a 30.5 per cent decline in its index of companies with a large international presence over the same period.

Besides a slightly less bleak economic outlook in the US, the dollar's strength has been encouraged by rapidly rising US interest rates.

While the dollar has fallen from its highs in late September as investors have bet on a slowdown in the Fed's interest rate increases, a meaningful weakening of the dollar is unlikely until the Fed actually begins cutting rates. The central bank has signalled that it is not prepared to do so until inflation reaches its 2 per cent target.

Apple predicted last week that foreign exchange impacts on its business would get even worse throughout the rest of the year, knocking an estimated 10 per cent from revenue in the next quarter.

Chief financial officer Luca Maestri said the dollar was "a very significant factor", noting that it had already raised prices in some international markets to maintain its margins.

"At this point, to see any change in the dollar outlook, you need to see a Fed pivot and we'd need to see a series of month-over-month core inflation prints lose momentum," said Mazen Issa, a strategist at TD Securities. "Neither of those are imminent."

## Financials. Exchange rates

## Strong dollar eats into US third-quarter earnings



**Dollar power:** the greenback rose 17 per cent against a group of other developed market currencies in the first three quarters, reaching its strongest level in more than 20 years — Ann Hladik/AP

Monday 31 October 2022

★

FINANCIAL TIMES

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## COMPANIES &amp; MARKETS

## Drama and chaos behind Musk's Twitter deal

The billionaire kept Wall Street and shareholders on tenterhooks as \$44bn social media takeover went down to the wire

HANNAH MURPHY — SAN FRANCISCO  
SUJEET INDAP — PHOENIX  
JAMES FONTANELLA-KHAN  
AND ORTENCA ALIAJ — NEW YORK

Even as his \$44bn buyout went down to the wire, Elon Musk kept Twitter guessing. Usually, lawyers and advisers on each side of a corporate transaction work closely together to ensure a smooth closing. But as the clock ticked down towards a court-imposed October 28 deadline for the takeover to close, Musk's camp mostly worked in isolation, leaving Twitter's team on the sidelines with its fingers crossed.

"We didn't know when we would close on Thursday night until 15 minutes before it happened," said one Twitter adviser.

After word came through that the deal was done, those with a vested interest breathed a sigh of relief.

"Man am I happy about it ending and, from a shareholder [point of view], ending well," said one of Twitter's largest shareholders. The purchase of the influential social media platform by the world's richest man has been among the most colourful and chaotic deals in corporate history.

It brought together some of the most powerful players on Wall Street — with JPMorgan Chase and Goldman Sachs advising Twitter under the code name Project Tundra and Morgan Stanley and Barclays in Musk's corner under Project X — as well as Silicon Valley bigwigs and an army of lawyers.

Even for veteran dealmakers, Musk's unorthodox Twitter takeover broke new ground as the sides engaged in a fierce legal battle. At Twitter's law firm, Wachtell Lipton, junior lawyers became "meme-spinners" to their senior colleagues, deciphering Musk's esoteric internet postings.

The episode has opened a window into how Musk does business, as he went from one of Twitter's most-followed users to its owner, with the task of turning around a struggling company with an outsized influence on global politics and culture.

Musk's acquisition of Twitter started as it ended: hastily. The Tesla chief



Said. Text messages produced during the legal fight showed that co-investors did little analysis of their own, deferring instead to Musk. "If you are considering equity partners, my growth fund is in for \$250M with no additional work required," wrote Marc Andreessen.

Musk's swoop came at a moment of weakness for Twitter, which was battling slowing advertising sales and lacklustre product innovation under a new, little-known chief executive. Some believed Musk could breathe new life into the faltering platform.

He also won plaudits from the libertarian and conservative Silicon Valley

hinting that he was having second thoughts and had been quietly gearing up for litigation, hiring Wachtell Lipton in June. The firm drafted a potential lawsuit against Musk.

Four days after Musk's termination letter, Twitter sued him in the Delaware Court of Chancery, seeking to force him to close at the \$54.20 deal price.

The filing contained screenshots of Musk's own tweets, including a poo emoji sent to Agrawal, and accused him of repeatedly breaching a non-disparagement clause in the merger contract. Twitter said Musk simply wanted to walk away because of the

seemed to be allegations that surfaced in August from a former Twitter security executive turned whistleblower Peiter "Mudge" Zatkos, who said the company had misled regulators about its cyber health — but these eventually fizzled away too.

Each side had multiple firms sifting through thousands of pages of documents, emails and text messages. One person estimated that at one point, 100 of Wachtell's 250 lawyers had worked on the case.

"It's definitely been a bit of a shit

Elon Musk: the acquisition story, which drew on a cast of Wall Street big names and the Silicon Valley elite, opened a window into how the technology entrepreneur does business

FT magazine / Unsplash / EPA

show," said one adviser, who worked for the Twitter side.

Musk has not explained his abrupt U-turn, but his legal team had gained little traction in pre-trial battles and Delaware courts have historically almost never let buyers with cold feet walk away. Whatever the final straw, Musk realised that there was minimal chance for him to prevail in court. And by that point, Twitter had no interest in a discounted price, three people said.

On October 4, Musk told the Delaware court in a letter that he intended to close the transaction on the original terms. Twitter pushed for legal protections to ensure the deal closed. Team Musk, meanwhile, wanted to reserve the right to sue Twitter executives.

Later that week, Musk sought to halt the trial while he pledged to round up the \$13bn in debt financing to finish the deal, accusing Twitter of "not taking yes for an answer". Twitter declared Musk's proposal "an invitation to further mischief and delay". The judge gave Musk until October 28 to close the deal or else face a trial in November.

While some legal experts were surprised, the judge's decision proved consequential. The deal closed on the original terms without a trial. Twitter's hefty legal bills, approaching \$100mn, must be paid for out of the cash flows of the company Musk controls.

With characteristic bombast, Musk visited Twitter's San Francisco office this week with a sink in tow, tweeting "Let that sink in" — a meme more commonly used on Reddit or Tumblr than at the end of a takeover battle with billions of dollars at stake.

But Twitter's advisers — and the investors who got to cash out at a premium price — might be forgiven for thinking that they have had the last laugh. "The system worked," said one Twitter lawyer. "The modern technology of merger agreements and Delaware law were very much vindicated."

Additional reporting by Antoine Gara

and Cristina Criddle

Richard Waters sees Opinion



began building a 9 per cent stake in Twitter in late March, prompting the social media company to offer him a board seat. He agreed. But then after being reprimanded by chief executive Parag Agrawal for running a poll asking "Is Twitter dying?", Musk instead decided to buy the entire company, offering \$54.20 a share.

The \$13bn financing package, one of the largest ever arranged on Wall Street, was quickly cobbled together by a group of banks led by Morgan Stanley. One person involved in the debt financing described the due diligence on the deal as "easy", because "there was none".

Others involved in the financing saw little risk in backing Musk. But that was before debt markets started to seize up later in the summer. The banks and Musk would quickly regret their haste as interest rates surged and technology stocks plunged.

Meanwhile, Morgan Stanley, led by star investment banker Michael Grimes, raced to locate equity investors to buy into the takeover and lower Musk's financial burden. Potential US private equity suitors such as Thoma Bravo were sounded out but passed.

Instead, Musk gathered more than \$7bn in equity commitments from an unusual mix of investors, including Silicon Valley billionaire Larry Ellison, cryptocurrency exchange Binance, venture capital firms Andreessen Horowitz and Sequoia Capital. He also turned to Middle Eastern backers such as Qatar's sovereign wealth fund and Saudi Prince Alwaleed bin Talal bin Abdulaziz al

figures in his orbit — including David Sacks, Jason Calacanis, Joe Lonsdale and Peter Thiel — who rallied against social media censorship. Mathias Döpfner, chief executive of Germany's Axel Springer media group, even wrote Musk

**'The modern technology of merger agreements and Delaware law were very much vindicated'**

a detailed proposal for a "true platform of free speech".

Support also came from Twitter founder and former chief executive Jack Dorsey, who egged on Musk and criticised the company's directors as "terrible" despite serving alongside them on the board.

Despite this enthusiasm, tech markets soured — and so did Musk's appetite for the deal. The first sign that he had buyer's remorse came in May, when he suddenly declared the deal was "temporarily on hold" pending an investigation into the number of fake accounts on the platform, shocking Twitter.

Then, on a Friday evening in July, Musk announced he was terminating the acquisition, accusing Twitter of multiple breaches of the merger agreement, including misstating the number of fake accounts in public filings. Twitter stock fell to as low as \$33 — 40 per cent below the deal price.

Twitter had been preparing for Musk to renege on the deal since he started

crash in tech stocks.

"Musk apparently believes that he — unlike every other party subject to Delaware contract law — is free to change his mind, trash the company, disrupt its operations, destroy stockholder value, and walk away," Twitter said at the time.

In the days after Twitter's lawsuit, the dealmakers advising Musk pushed him to explore a settlement to avoid a prolonged public legal battle, according to people briefed on the matter.

But Musk had no interest in securing a discount. At that stage, he was listening only to Alex Spiro, a brash litigator from Quinn Emanuel better known for his celebrity client list than his experience in complex merger and acquisition battles.

In private, Musk's deal advisers reached out to Twitter's team to explore whether there was a compromise to be struck, according to parties on both sides. There seemed to be room for manoeuvre on the price; Twitter was willing to compromise in order to close the deal quickly.

But Musk rejected the idea on the advice of Spiro, two people said.

In public, a bitter legal battle erupted, with both sides accusing the other of failing to co-operate and lashing out in court hearings. The intensity of the fight was exacerbated by the accelerated timeframe requested by Twitter, which was granted by the Delaware judge, Chancellor Kathleen McCormick, giving them just three months to prepare for an October 17 trial.

Musk's best shot at walking away

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### Financials

## Fintech Solaris sets €300mn revenue goal

OLAF STORBECK — FRANKFURT

Berlin-based fintech Solaris is aiming to triple its revenue to €300mn in the next two years despite job cuts, struggling clients and a recent rebuke from its regulator.

Solaris, which has a German banking licence and offers white label banking services to fintechs and corporate clients, has long been a poster child of Berlin's buzzing start-up scene, having raised €400mn from investors including credit card group Visa and Spain's BBVA.

Revenue doubled to €101mn last year, making it one of Europe's biggest so-called banking as a service providers, and it acquired UK peer Contis in January. Although it recorded a pre-tax loss of €34mn in 2021, Solaris said it was on track to become profitable by the end of this year.

But its rapid growth has recently hit a

speed bump after clients such as online lender Nuri filed for insolvency and other cash-strapped fintechs reined in their growth plans as funding became more scarce. Financial regulator BaFin also rebuked Solaris this year for organisational flaws, parachuting in a special monitor, imposing tighter capital requirements and insisting on approving any new customers.

Departing chief executive Roland Polz, who will leave after more than six years at the top by the end of April, acknowledged that "2022 has been a very, very difficult year".

His successor, Carsten Höltekemeyer, the former Germany CEO of Barclaycard and currently the chair of Düsseldorf-based fintech auxmoney, will join the board in November before assuming his new role in May.

He outlined Solaris's growth plans to the Financial Times in his first interview since the appointment was announced.

"I see the potential of €300mn net revenues [by 2024], and of course have the ambition to achieve it," he said.

Although he said meeting the goal would partly depend on wider market conditions, he said the bulk of the increase was already locked in for the group after it won Europe's largest motor insurance ADAC as a client.

This will mean it will begin processing 1.3mn ADAC-branded credit cards from 2023, which alone will generate more than €100mn in additional annual revenue. The rise in interest rates is predicted to add an extra €25mn per year.

But Höltekemeyer said that he could not rule out job cuts on top of those already announced earlier this year, when the lender cut close to 10 per cent of its workforce of 750.

"At the moment, we are jointly evaluating the [headcount] situation and are assessing how to find the right balance between further growth and efficiency,"

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### COMPANIES & MARKETS

### Financials

## US accounting board boss defends record

FASB chair hits back at critics who say agency is slow to bring in new rules

STEPHEN FOLEY — NEW YORK

The head of the US accounting standards body has hit back at critics who say the organisation is too slow at making new rules, and rejected proposals to give investors a bigger role.

The Financial Accounting Standards Board came under fire last month from a group of investors who said the rules governing financial statements were failing to keep up with changes across

corporate America. The group, an advisory panel to the Securities and Exchange Commission, expressed frustration that the FASB sometimes took a decade or more to draw up a new reporting standard, and it urged the SEC to step in to shake up the body.

In an interview with the Financial Times, FASB chair Rich Jones defended the organisation's record and said it was important to listen to many stakeholders.

The standards for financial statements were "designed to provide the best information for capital allocation decisions" by investors, he said, but "at the end of the day, it's applied by

accountants, and it's evaluated by auditors. It has to work."

Jones, a former chief accountant at EY, pointed to forthcoming changes to the accounting treatment of cryptocurrency and disclosure requirements on international taxes to show how the FASB was responding to demands for clearer financial statements.

A new plan to force companies to split out their expenses in more detail would also help investors track the effects of higher inflation, he said.

"Have I been focused on how we can improve the speed with which we tackle certain standards? Absolutely," he said. But the organisation also needed to

make sure there was consensus before moving ahead, he added.

The FASB is responsible for setting out the generally accepted accounting principals used for US companies: financial statements, with an emphasis on "generally accepted", he said.

Jones said projects taking more than a decade, such as changing accounting for leases and rules on revenue recognition, had to be co-ordinated with international regulators. The FASB sought wide feedback. "Do you really want to cut any of those steps out?" he said.

The SEC advisory group, whose members include representatives from the hedge fund Triun, the financial adviser

Edward Jones and the California pension fund Calpers, demanded the creation of an investor panel to review the FASB's operations. The SEC is yet to respond to the recommendation.

Capital Group, the \$4tn-in-assets fund manager, last year suggested investors should make up more than half the FASB's trustees, up from a third now. Auditors and corporate accountants make up the majority.

Jones said investor representation was already "significant" at the organisation. "We have an open-door policy" for comments and proposals, he said, "and with investors, we're dragging them through the door all the time."

### Low-carbon fuels

## UK behind in hydrogen race, says Johnson Matthey

OLIVER TELLING — LONDON

The UK has lost its position as one of the leaders in the global race to develop hydrogen power, the chief executive of Johnson Matthey has warned, as he said the FTSE 100 group could take more business to the US as Washington unleashes funding for green projects.

Liam Condon said businesses would bypass the UK if the country did not introduce more supportive policies, and that an "incredible bureaucratic layer" was holding Europe back from developing the infrastructure needed to support hydrogen power.

"The UK was a frontrunner [in supporting hydrogen power]," said Condon, who since taking over Johnson Matthey in March has set out a plan for the 205-year-old industrial conglomerate to focus on developing sustainable technologies. "But we've now got to keep competitive with US policies, which have clearly moved ahead," he told the Financial Times. "Otherwise, investment will simply drift off to the US."

Many countries have looked to hydrogen power as they set decarbonisation targets to meet climate goals. The UK, which is aiming to achieve net zero emissions by the middle of the century, declared its ambition in 2019 to become "a world-leading hydrogen economy", as it announced £105mn in funding for businesses to develop low-carbon fuels.

But in recent months businesses have turned to the US, where the Senate in

The UK has 'to keep

Week ahead. Market questions

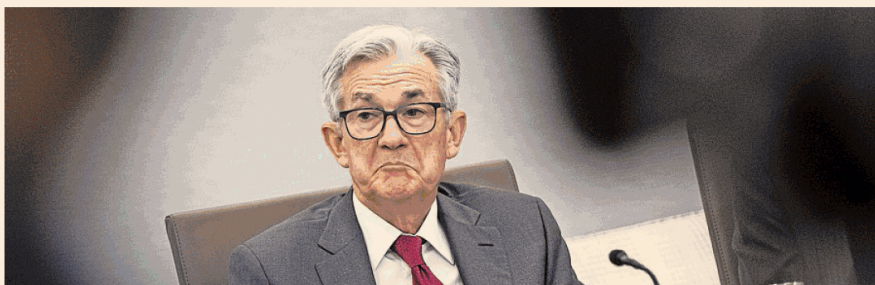
## Investors look for signs of moderation in Fed rate rises

### FT REPORTERS

What will the Fed signal about the future path of rate rises?

The Federal Reserve is widely expected to announce a fourth consecutive 0.75 percentage point increase in interest rates at its November policy meeting this week. This would bring its key rate to 3.75 to 4 per cent, the highest since December 2007.

The futures market has nearly fully priced in the likelihood of that 0.75 rise. What is less certain is what Fed chair Jay Powell will signal about rate increases going forward. As the global economy has slowed and inflation appears to have peaked, some believe the Fed is more





likely to moderate the pace of its tightening. Investors in the futures market are betting on higher odds that a 0.5 percentage point increase in rates will be announced at the final meeting of the year in December.

The Fed has been clear about its commitment to stamping out inflation at all costs, indicating that it is unlikely to loosen monetary policy until inflation has approached its 2 per cent target.

But a less aggressive approach may be imminent as the US central bank's vision is being questioned by politicians and investors among others, who fear the possibility of a Fed overcorrection that will compress the US – and potentially even the global – economy.

There have already been signs of a slowdown in housing in the US as well as big dips in earnings and forecasts this quarter. Third-quarter GDP figures released on Thursday showed the US economy expanded in the latest three-month period, but the headline figure masked indications of weaker domestic consumer demand. *Kate Duguid*

**How aggressively will the BoE raise rates?**

The Bank of England is expected to raise rates by the largest amount in 33 years this week as it fights the highest inflation in four decades.

Economists polled by Reuters on average expect the bank to increase its key rate by 0.75 percentage points from its current level of 2.25 per cent. The last time it increased rates was by more than 0.5 percentage points in 1989.

Imogen Bachra, head of UK rates strategy at NatWest, expects a 0.75 percentage point increase and explained that “although the government has reversed three-quarters of its ‘mini”



Balancing act: along with other central bankers, Fed chair Jay Powell is weighing the risks of pushing ahead with aggressive rate rises that could spur recession, or more moderate increases that may fail to curb inflation

© Chris Ploemberg

Budget tax cuts, about £15bn survived the cull and this will probably be sufficient to elicit another step-up in the pace of policy tightening.”

She added that with trade-weighted sterling 3 per cent below August Money Policy Report levels, the central bank also has some additional imported inflation to counter.

Some economists have revised down their rate increase expectations from one percentage point to 0.75 percentage points following the decision to postpone the Treasury's Autumn Statement to November 17, which means the fiscal outlook will be based on lower borrowing costs.

However, Dani Stoilova, economist at BNP Paribas, noted that a large increase is justified by the labour market, which remains “extremely tight”, and a persistent inflation shock that increases the risk of more permanent high inflation.

However, Stoilova said the case for a one percentage point rise had reduced as “monetary and fiscal policy are no longer pulling in opposite directions.”

Markets expect the tightening cycle to continue beyond November, with the policy rate rising to 4 per cent in February and exceeding 4.5 per cent by May next year. *Valentina Romei*

**Will eurozone inflation data top estimates?**

Inflation in the eurozone has consistently outstripped expectations for much of this year and it looks likely to do so again today when price growth data for the single currency zone are released.

Germany, France and Italy all reported hotter than expected inflation data for October on Friday, prompting several analysts to raise their forecasts for overall price growth in the 19-country euro area.

Today's data will be a crucial input into the debate about how soon inflation is likely to peak and allow the European Central Bank to take its foot off the pedal on interest rate rises.

Economists polled by Reuters were on Friday expecting eurozone inflation to

Germany, France and Italy all reported hotter than expected inflation data for October on Friday

dip slightly in October to 9.8 per cent, down from the record high of 9.9 per cent it hit a month earlier.

But several economists lifted their forecasts after stronger than expected national pricing data on Friday. Marco Valli, global head of research at Italian bank UniCredit, predicted the eurozone figure would rise to 10.3 per cent, while Goldman Sachs forecast 10.9 per cent.

“Signs that underlying inflationary pressures are continuing to build suggest the bank will ultimately have to push rates into restrictive territory,” said Franziska Palmes, an economist at Capital Economics.

Eurostat will today also deliver third-quarter gross domestic product figures, expected to show growth slowing to 0.2 per cent, versus 0.8 per cent in the previous quarter.

Growth is another factor closely watched by ECB rate-setters that could also surprise on the upside after the German economy defied recession fears by growing 0.3 per cent in the period. *Martin Arnold*

competitive with US policies, which have clearly moved ahead”

August passed the \$369bn inflation Reduction Act to support clean energy programmes, which includes tax credits for hydrogen projects.

Condon said Johnson Matthey, which manufactures fuel cell components and catalysts for generating hydrogen power, is “reviewing additional investments” in the US as it anticipates rising demand in the country, adding that the group remained committed to the UK.

In mainland Europe, however, he said organisational obstacles were holding back progress. “The money is there, the intent is there... but there's an incredible bureaucratic layer that slows down that money actually getting to the companies,” he said. “It's unlikely that any single private company can afford to build the infrastructure [to support a net zero economy]. So there needs to be governmental support.”

Johnson Matthey is doubling down on hydrogen following an ill-fated move into manufacturing chemicals for electric car batteries. The group announced an exit from the business this year, months after touting it to investors as pivotal to future growth.

Condon, who joined Johnson Matthey after Robert MacLeod stepped down as chief executive in the wake of the fiasco, admitted that previous management had committed a “cardinal sin” by entering the business before securing any customers. He said the group, which has supplied technology to the hydrogen industry for several years, will now focus on core businesses and areas where it can be a market leader.

Travel & leisure. Technology

Made in India video games battle for dominance after crackdown

Suppression of Chinese groups has created an opportunity and an investment shortfall

**BENJAMIN PARKIN — NEW DELHI**

It is the year 2500. The Indus Valley Civilisation, which started on the Indian subcontinent more than 5,000 years earlier, is so advanced it has migrated to another universe where it has thrived for millennia, undisturbed by outsiders.

But an international criminal syndicate has set its sights on their home, sending mercenaries around from the universe to compete for its precious natural wealth, all while annihilating each other with weapons that make AK-47s and grenades look like child's play.

Such is the set up for *Indus*, an upcoming game from Indian studio SuperGaming. The “battle royale” game, in which online players fight to the death, is replete with motifs from Indian culture, from the Taj Mahal to the Hindu Ramayana poem. It presents “an optimistic India through the lens of sci-fi”,

said Rishi Alwani, one of the writers. New Delhi has since 2020 banned a series of wildly popular battle royale games in a bruising crackdown on Chinese tech on national security grounds. Games from Tencent, Singapore's Sea and Krafton of South Korea have all been restricted over alleged China-related security concerns.

In their absence, studios and investors are turning to a new crop of locally made shooter games such as *Indus* to try to fill the void. But critics said the government's unpredictable, heavy handed approach was holding back the sector.

“The only positive I see from the games getting banned is that Indian studios have started developing battle royales,” said Anurag Khurana, a veteran executive and founder of esports group Penta.

“The biggest negative thing is that the foreign publishers are afraid to make investments in India; they don't know whether their game might get banned.”

Redseer Strategy Consultants estimates that 450mn Indians played at least one game last year and valued the industry at more than \$2bn, though much of that comes from betting games

such as online rummy or fantasy sports. Before its most popular game was banned, Krafton had invested \$100mn in India. And SuperGaming, for example, last year raised \$5.5mn in Series A funding from a handful of foreign funds. Yet executives said the uncertainty meant investment into the sector continued to lag behind competitors.

Gaming in India took off after 2016, when a telecom industry price war dramatically brought down mobile data prices. With computers and consoles unaffordable to most Indians, the industry is heavily geared towards smartphone games. This left Chinese companies well placed to expand thanks to games optimised for low-cost handsets.

Deteriorating relations between New Delhi and Beijing after a deadly clash on their Himalayan border in mid-2020 sparked a wide-ranging crackdown on Chinese tech, with hundreds of apps including TikTok and Tencent's wildly popular *PlayerUnknown's Battlegrounds* (PUBG) banned on grounds that their harvesting of Indian user data posed a national security threat.

That was followed this February by a

ban on Free Fire, which according to analytics provider data.ai was the second-most downloaded game in India, prompting an immediate 20 per cent drop in parent company Sea's US-listed shares. In July, India ordered app stores to take down Battlegrounds Mobile India, a relaunched version of PUBG published by Krafton, which said the game had attracted 100mn users.



Firepower: a still from 'Indus', a game made by SuperGaming of India

While authorities did not explain why they targeted Sea or Krafton, both count Tencent, China's second-most valuable company by market capitalisation, as an investor. Ranjana Adhikari, a partner at Induslaw in Mumbai, said they were probably restricted on similar grounds.

The companies have denied that their data collection represents a security concern. Krafton's chief financial officer Bae Dong-Geun said on an earnings call in August that the company would “closely co-operate with the authorities” to bring back BGMI.

The loss of three beloved games in as many years has left many Indian gamers distraught. “Really comes as a shocker,” Naman Mathur, a 26-year-old esports star known as Mortal, tweeted after BGMI was removed from app stores. “People who HOPED, will remain hopeless.”

“Esports players really got screwed,” Penta's chief Khurana said. “They can't switch from one battle royale to another battle royale overnight... If you ask Virat Kohli to play football, it won't work.”

SuperGaming and other Indian devel-

opers hope that their new generation of “Made in India” games will help fill the void, and that the use of Indian themes will resonate more with players.

“We're trying to make bigger, more ambitious games for an audience that cares and matters,” Alwani said. “Where's the Indian equivalent of a Zynga, Ubisoft or [Electronics Arts]? They don't exist. The first step is to let people know that games are made here.”

Vishal Gondal, whose *Core Games* is developing a battle royale shooter *FAU-G* (a play on the Hindi word for soldier), acknowledged that turning India into a world-class gaming hub would take time. “The real power would only be seen in the next few years,” he said.

India is preparing new gaming regulations that Adhikari says should bring more clarity to the industry.

But in the meantime, many gamers still hope that BGMI and the others will be relaunched. “The Indian gamer isn't going to stop playing games because these games were banned,” said Ashwin Suresh, founder of Krafton-backed live game streaming platform Loco, adding: “I think the games will be back.”

Monday 31 October 2022







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10

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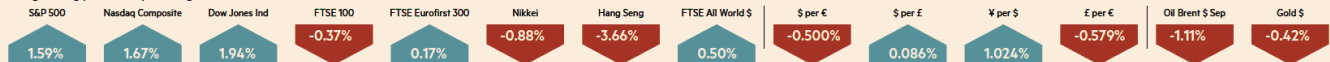
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### MARKET DATA

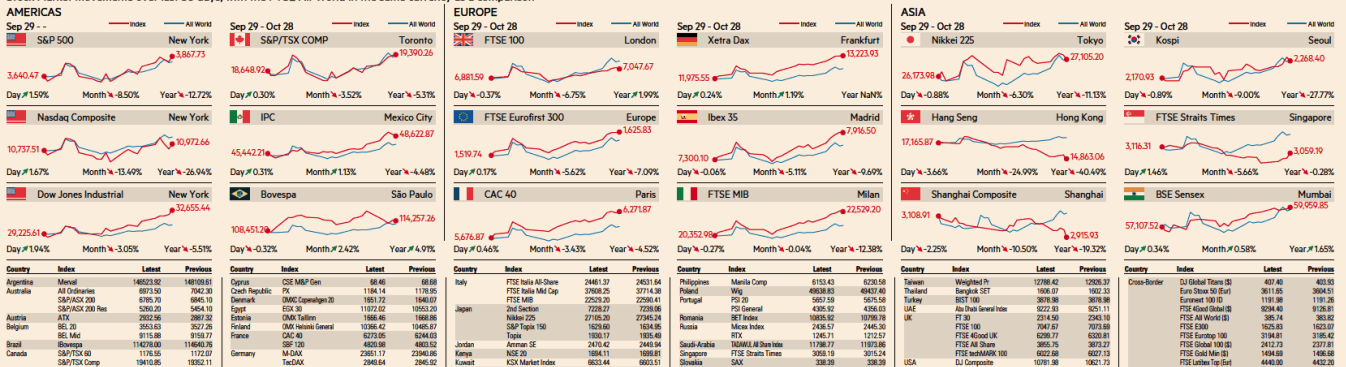
#### WORLD MARKETS AT A GLANCE

[FT.COM/MARKETSDATA](https://ft.com/marketsdata)

Change during previous day's trading (%)



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





## SUMMARY

364.90	-3.80	Phoenix Group Holdings PLC
126.65	0.20	Prudential PLC

by Morningstar | [www.morningstar.co.uk](http://www.morningstar.co.uk)

1. *Journal of the American Medical Association*, 1997; 277: 1001-1005.

	price(p)	q/-
Surge P.C.	12.50	-

service notes.

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1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300 301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500 501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600 601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800 801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900 901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000 1001 1002 1003 1004 1005 1006 1007 1008 1009 1010 1011 1012 1013 1014 1015 1016 1017 1018 1019 1020 1021 1022 1023 1024 1025 1026 1027 1028 1029 1030 1031 1032 1033 1034 1035 1036 1037 1038 1039 104

Cap m	Stock	Price	1-Week	High
69.19	Jilly (E)	250.00	10.00	261.97

71.54	Marsh&M	160.18	5.25	183.14
26.22	MasterCard	219.87	27.50	200.93

93.01	Metlife	72.91	4.85	73.18
18.64	Microsoft	212.48	-8.64	249.62

43.88	NextEraE	78.16	6.51	92.91
16.89	Nike	92.29	3.29	179.10

47.09	Pepsico	182.24	9.18	182.89
47.09	Perrino	40.53	0.24	47.96

uq=2022080410



BONDS: GLOBAL INVESTMENT GRADE

	change yield	spread vs US
1	-0.05	-
3	0.32	-
1	0.06	-
3	-0.11	-
7	-0.22	-
3	0.02	-
1	0.10	-
3	-0.11	-
3	0.02	-
3	-0.05	-0.87
2	-0.14	0.27
3	0.02	-
3	-0.01	0.40

close, all other London

Week	Amnt
Low	Em
97.34	34.36
94.34	35.55

86.33	35.32
85.65	40.99
78.21	43.62
98.13	40.33
94.91	31.68
93.79	28.35
82.51	25.11
87.32	25.13

Return	Yield
-4.55	3.33
14.54	3.50
21.61	3.66
16.75	3.56
36.88	3.53
22.34	3.52

2.66	4.58
12.49	-36.95
5.71	-15.11
16.93	-45.27
10.87	-32.79
Oct 27	Yr ago
3.78	1.15
2.34	0.88

	Previous	Yr ago
1	-1.94	-4.04
2	0.05	-2.54
3	-0.18	-3.10
4	0.09	-2.49
5	0.02	-2.56

October 2022

## FUNDS

<b>Total Ret 5Yr GBP</b>	
-	4.75

07



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MANAGED FUNDS SERVICE







## WORK &amp; CAREERS

## Time to plan for the metaverse. No, we don't know what that means either



**Rutherford Hall**  
Critical Comms

*Messages from the archive of Rutherford Hall, critical communications strategist*

**WhatsApp to Stephen:** Clients are asking me about their metaverse strategy. I'd like to build a bit of expertise here. I don't want to invest too much but I thought of asking Jules to do some thinking on this. She's under 30, plays video games and showed me how to use the find-my-phone feature, so she's well placed on all things digital. Also, is Priya still on that project for you? I want some data to wave at clients.

**From: Rutherford@monkwellstrategy.com**  
The Monkwell (Meta) Minute  
Yes, you need to be thinking about your metaverse strategy. Forward-looking businesses are all buying space there. It's cutting edge; it's the future; it's just not clear what you are going to do there.

It is way cool. The JPMorgan metaverse site has a tiger walking through the lobby. That's the beauty of it. People can literally pat a tiger while they visit your bank. Well, not literally, but meta-phorically!! What's less clear is how many times customers will fall around with heads' just to pat an imaginary tiger when it's often a lot easier to use the app.

And this is the key point. We all know the metaverse is coming, but few of us know what we'll do when we get there. You may have seen media coverage of our report showing that 98 per cent of businesses have no plan for the next frontier. There are a lot of bluffers out there. That's why we've set up the Monkwell metaverse unit to research and advise on best practice. It's time to know your Roblox from your Sandbox. You can visit us in our metaverse office, but it's probably easier to get in touch in the usual way.

**WhatsApp to Jules:** What. Oh damn it. Sandbox and Roblox. OK. If anyone asks just say it was Irony.

**From: Rutherford@monkwellstrategy.com**  
**To: Martin.K@volponebank.com**

Hi Martin. Thanks. We worked hard to get the most advanced digital thinkers. There are a lot of bluffers out there. The simple advice for any CEO is you need to look like a leader with his eye to the future. You don't want to be that guy still using an Atari Flashback.

But my advice now is, you're not a content creator so just do enough to look relevant. Create a presence but don't put in a lot of money till you have a clear use for it. Set up a skunkworks team in your HQ: investors love hearing

you've got a skunk works. Mention it in every interview and presentation. Most of their ideas will be rubbish, but it's a place to start. But get people who know their stuff; don't just go for the kid who likes TikTok and who showed you how to connect to the printer.

And when you build your avatar, try not to look like Mark Zuckerberg. His looks like a Disney character drawn with Botox. Or should that be Botlox?

We have seen some useful industrial applications, digital twinning, training staff in complex procedures. But till you find your killer use, think of it as a marketing space and a chance to say "yes of course we're in the metaverse", but be interesting because who goes to a magical realm to watch adverts for banks? Maybe you can gamify your investment products.

So buy some space and ponder. Stay in the peloton and let others make your mistakes for you. We've seen this movie before. Think how much money was wasted on the early web.

Remember all those hopeless firms whose only idea was being online.

Best, Rutherford  
*Find me on Strava, KoM Sydenham Hill, PR London to Brighton: 3h 59m*

**WhatsApp to Stephen:** Great news. DCMS have been on. They saw our

Set up a skunk works team: investors love hearing you've got a skunk works. Most of their ideas will be rubbish, but it's a place to start

survey and want me to join a new working group on business opportunities in the metaverse. I'm really going to have to cram on this. Jules has recommended some novel called *Snow Crash* and the *Metaverse for Dummies*. No roadblocks, only Roblox. No bollards, just bollox.

**From: Rutherford@monkwellstrategy.com**  
**To: client list**

Sorry but I can't resist sharing this news. I'm sure it will offer some fascinating insights to share with you. **LinkedIn:** I am thrilled and humbled to be joining the Digital and Culture Secretary's new high-level panel on how business can exploit opportunities in the metaverse. Excited to play my part in the creator economy and giving UK business an edge in the new reality, virtual, augmented or extended. This is now. Don't let others steal your future. We all need to ask, what can we do better in the meta? Best, Rutherford

*Member DCMS Panel on Business and the Metaverse*  
*Find me on Strava...*

**WhatsApp to Stephen:** I can't remember the difference either. The good news is our credentials have been extended and augmented.  
*Messages recovered by Robert Shrimley*

### Belief-based companies

# The entrepreneurs who connect the spiritual and professional

The 'profit for purpose' movement is inspiring a generation of faith-driven businesspeople, writes **Oliver Balch**

Many factors go into the choice of a career: personal aptitude, parental expectations, educational opportunities, serendipity. For Sally Murray, it was more straightforward: she felt a prompting from God. And so it was that, back in 2018, she quit her job as a full-time physiotherapist, relocated her family from suburban London to rural Derbyshire and set up an ice-cream parlour in the quaint tourist village of Milford.

In addition to sharing the delights of her spiced blackberry and apple crumble ice-cream, Murray is passionate about using her small business to help victims of human trafficking – a cause she attributes directly to her Christian faith. "My go-to verse in the Bible is Proverbs 31: 'Speak up for those who have no voice, ensure justice for all those who are dispossessed,'" says 53-year-old Murray. To that end, just ice, which she runs with her husband Gavin, a former Baptist minister, currently employs two survivors of trafficking. Wherever possible, the pair also seek out suppliers who share the same ethos.

Melding faith and work is nothing new, of course. Victorian Britain, for instance, produced many high-profile business leaders with a strong religious bent: men such as William Lever of Unilever fame (Congregationalist), the tourism entrepreneur Thomas Cook (Baptist) and the "chemist to the nation" Jesse Boot (Methodist).

Nor is it a solely Christian phenomenon. Strong faith positions inspire a host of business ventures around the world, from providers of Islamic finance and Buddhist healthcare to purveyors of Kosher foods and Ayurvedic medicine. Yet the rise of the modern "profit for purpose" movement, to use Murray's phrase, is inspiring a new generation of religious believers to connect the dots between their spiritual and professional lives.

There is a logical confluence between the two, says Rachael Saunders, deputy director at the Institute of Business Ethics, a UK charity that promotes high standards of corporate behaviour. Founders of companies or people appointed to senior roles "naturally reflect" on the difference they want to make, she adds. "People for whom faith is important are likely to immediately see that contributing to society can be part of that, either because of their faith teaching or because they've seen their



Sally and Gavin Murray, whose ice cream venture Just Ice in Derbyshire employs two survivors of human trafficking  
*Fabrizio De Paolis/FT*

stakeholders (in addition to their shareholders). "I'm continually surprised how many people I meet through B Lab who have some form of faith or spiritual life," he says.

The connection between faith, enterprise and social purpose is the subject of a recent report published by the Jubilee Centre, a UK Christian charity. The faith-based businesses surveyed in the report espouse the traditional principles of business ethics, such as fair pay, dignified work and community investment. Yet the research also identifies a growing appetite for turning market mechanisms to the cause of social justice and environmental stewardship.

"It is not difficult to see how being a teacher or a nurse or a carer can be a heartfelt calling, but the idea that private-sector roles can also be vocational and even missional is definitely growing," argues Tim Thorby, the Jubilee Centre's director.

A case in point is Gloucestershire-based coffee roaster, Ethical Additions. Motivated by the biblical injunction to "love thy neighbour", the company's owners decided early on to circumvent the coffee industry's middlemen and instead source directly from farmers themselves. Not only does this direct trade model permit the payment of an above-market price, but the company's owners also commit to undertake local education projects and other philanthropic investments. "We've been asked to love God and love our neighbour, and we need to live that out, whether that's as a member of the clergy, sweeping the roads or running a business," says Ian

makes precisely this point. Brought up a Hindu but strongly influenced by Daoist teaching, Desai set up the environmental credentials Bioregional in 1994. He credits Daoism's emphasis on the interconnection of all things and the search for equilibrium as guiding forces throughout his career. A notable manifestation is the One Planet Living framework, an influential decision-making tool created by Bioregional and the conservation group WWF in 2002. The framework, which promotes ideas of ecological balance, has since been used by hundreds of companies to better manage their environmental footprint. Desai is not alone in finding such synchronicity. Kai Whiting, a lecturer in sustainability at the Catholic University

**"The idea that private-sector roles can also be vocational and even missional is growing"**

of Louvain in Belgium and an avid follower of Stoicism, sees the same in his chosen philosophy.

Stoics seek what the ancient Greeks called *eudaimonia*, variously translated as "happiness", "fulfilment", "well-being" or simply "the good life".

"Stoicism is highly focused on how the virtuous person can do their part to bring forth the common good. It enables an individual to make better decisions and have a better attitude when it comes to how they treat others, look for job

inspiration from the Bible in a strategy meeting and you can expect to be quickly shown the door. That doesn't stop owners from trying to incorporate religious practices into the workplace.

Faith is a personal sentiment and institutionalising it into a company's culture is hard. Michael Zigarelli, a professor of leadership and strategy at Pennsylvania's Messiah University, explores the integration of faith and business in his book *Christian-Owned Companies: What does it look like when a follower of Jesus runs a business?*

Among the common practices that he identifies among organisations seeking to hold to biblical principles are hiring people with a similar world view, codifying the founder's faith position into a formal mission statement and passing the business on to descendants imbued with the same faith-based values. Notably, of the 50 companies profiled in his book, the vast majority are family-run, while many of the remainder are either employee-owned or controlled by a charitable foundation. Private ownership gives faith-based businesses more freedom to live out their beliefs.

Meredith of Ethical Additions knows – and exploits – this advantage. When looking to raise finance to support a recent expansion plan, he left investors in no doubt what they were buying into. "I said that I'm not willing to answer you in three years' time why we've spent £10,000 on a water project instead of giving extra dividends..." you need to know now, we're just not having that conversation," he recounts.

But religious faith is no shield against

### Dear Jonathan

YOUR QUESTIONS FOR OUR EXPERT – AND READERS' ADVICE

**I work at a big tech group. Should I take an offer from a start-up?**



#### This week's problem

I'm a recent graduate working for a big tech company. The pay is decent with good benefits and I'm in line for a promotion. However, I've been offered a similar role at a start-up in Barcelona. The pay is considerably less, but it's an opportunity I want to accept. Should I stick it out with the tech group for a few more years experience or book my flight to Spain? **Male, 20s**

#### Jonathan's answer

You have reached a junction in the road or, since someone has offered you this opportunity, a new side road has appeared off your original route and you wonder if you should turn down it.

There is an immediate question of whether to accept the start-up role. But the fact that you want to accept implies you would be open to such a move in principle.

Rather than two choices, you may have more, since each of the two could branch into others. If you are looking to work in a start-up, is the Barcelona option the best? Being offered a role on its own is usually flattering but can be a weak foundation for changing organisation type, language, culture and country all at the same time. This offer has triggered the excitement of moving abroad, gaining international experience in an attractive city. You would have the chance to learn/improve Spanish, to work in a different culture. You may also feel it is more exciting, compared with staying put.

Given you appear interested in exploring such a move, in both location and organisation type, take time to consider what it is you seek. The start-up seems a riskier approach with a lower salary and perhaps fewer of the benefits that larger, established companies can provide. But at this stage in your career and depending on your personal circumstances, do you need these benefits? If you've established you could live on lower pay and with fewer benefits, you might prefer to consider all the options now open to you, including this

with them about options for working abroad, for example if they have foreign offices or collaborations.

You could also explore if there are opportunities to work in different parts of the organisation that more closely resemble a start-up, whereby there is greater autonomy to come up with and work on new products.

While it may be that one regrets chances not taken, you have more than two choices. The flattering offer in Barcelona may be the best choice you have today, but it also encourages you to review and explore all your options, some of which may still be hidden.

#### Readers' advice

Risk is quantified in the eyes of the risk taker. If you are willing to bet on yourself and your development, then seek out the challenge, rather than the comfort. It will pay dividends later.

#### Tamerlane

From big tech, it's easy to go almost anywhere. But if you exit that too early, it'll be hard to get back in without very solid skills and a great attitude. Staying in big tech longer will open doors continuously. **SFTH**

It pays following your heart, you can always switch to another employer if things don't work out. But always do due diligence on the start-up. **Toxle**

#### The next problem

I work at a university and was temporarily moved to a more senior role for 18 months. I was then promoted. At the same time, a male colleague had a senior role created for him in my area of work. I had this job been advertised? I would have been a serious contender. It is joked he was given this job because he is close to a senior executive. I have been told to feel comforted that I am the one delivering and everyone knows he is all talk. But I can't get over the unfairness. Are there any other options other than ignoring it or leaving? **Female, 20s**

**Jonathan Black** is director of the Careers Service at



faith community play that role of service," she says. It is a link that James Perry has also noted in his role as a board member with B Lab, organiser of the burgeoning B Corporation movement – a global network of companies that make themselves legally accountable to their workers, suppliers and other

Meredith, Ethical Additions' co-owner and an evangelical Christian.

As well as a powerful sense of purpose and internal harmony, some faith-driven entrepreneurs report finding a remarkable coherence between their religious tenets and the principles of sustainable business. Pooran Desai

opportunities, tailor their career or propose the objectives of an entire organisation," says Whiting. If one sees companies as the aggregation of all these decisions, as Whiting does, then the implications for business are profound. However, modern business remains a stubbornly secular beast. Try citing

harsh market realities. Having endured the pandemic, Sally Murray's ice-cream venture faces high inflation and a long winter. Yet, her sense of calling is as strong as ever. As she reflects philosophically: "Because we have taken bigger risks and God has had to show up for us, I'd say our faith has actually grown."

one in Barcelona. Another route is with your current employer, which is obviously pleased with your work.

Now, or after you get the promotion, could be a good time to have a conversation

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

Monday 31 October 2022

★

FINANCIAL TIMES

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## WORK &amp; CAREERS

**How to Lead.** Verena Ross, chair of the European Securities and Markets Authority

# Safeguarding the EU's financial markets in an age of turbulence

The veteran regulator has helped guide the agency through a pandemic, but big challenges lie ahead, writes **Laura Noonan**

**V**erena Ross struggles to put her finger on the most challenging time in an almost 30-year regulatory career that began in the UK before bringing her to mainland Europe as executive director of the EU's new markets regulator in 2011, and its chair in 2021.

Was it her earliest days in Paris, when the European Securities and Markets Authority was trying to expand from a 35-person start-up while also shepherding the EU's markets through an unprecedented sovereign debt crisis?

Or was it when the Covid-19 pandemic hit, and Ross had to confront the same practical issues as leaders of other organisations, while also trying to make sure that Europe's markets did not buckle under the most unusual and unpredictable of circumstances?

She cannot really say, and she clearly has not given much time considering it. The no-nonsense German-born regulator is more of the getting-on-with-it type, and in any case, her most challenging time may lie ahead of her.

Esma has the unenviable task of dealing with the fallout from Brexit by maintaining good day-to-day relations with UK supervisors and trying to guide the politically explosive row about where trades for the EU's marketplace should be cleared – or intermediated – by companies such as the UK's LCH and pan-European stock market operator Euronext.

Ross's 300-person strong agency is also one of the flag-bearers for Europe's capital markets union programme, a grand but so far elusive political project to replicate the US's achievement in channelling trillions of dollars from households and savers into debt and equity issued by companies of all shapes and sizes.

Esma is now trying to set policies for some of the most intricate areas of traditional markets, while making its mark

**'You need to know what is going on . . . you never know where the next issue might come from'**

in new realms such as sustainability, where it is leading a transparency drive, and cryptocurrency, where it will soon assume responsibilities for directly overseeing parts of Europe's industry.

"One of the challenges of these jobs is just how broad it is, you need to know the remit of what is going on, because you never quite know where the next issue might be coming from," she says. "But within that you clearly need to prioritise . . . where the core themes are at any point in time."

In October, Esma unveiled its strategy for the next five years, ticking the traditional boxes of fostering effective markets and preserving financial stability, as well as the modern ones including enabling sustainable finance and facilitating innovation and the use of data.

The 54-year-old tries not to delve as deep into the weeds as her natural instincts would take her, reminding herself that she is not the technical expert she once was in her early career as an analyst at the Bank of England. She is also conscious of not "hovering over" her successor as Esma director, Natasha Cazenave, whom she praises effusively. She says her new job as chair is "quite different" to her old one.

"I am really concentrating on the chairing of the board meeting, setting



Verena Ross, who began her career at the Bank of England, says that her role at the agency involves "setting the agenda", which covers topics ranging from crypto assets to greenwashing – Hagai Delport/FT

ency on energy from Russia, comments that suggest nothing less than London's complete capitulation will save Brussels. The financial services industry, from London to Frankfurt to Paris, argues that moving clearing wholesale from the UK capital would increase both risks and costs.

"Our approach has been around identifying where there are areas with excessive reliance [on London], specific systemic risk we need to deal with," says Ross, who describes herself as a "committed European at heart". "It's more about making sure that there are alternatives in the European Union rather than a binary choice [between London and the EU]. . . I think the important thing is that there is strong European clearing infrastructure, and the possibility to clear in Europe for these systemic instruments and services."

For now, London continues to do most of the EU's clearing and Ross says day-to-day relations with the UK authorities have been "working pretty well". Could anything be done to make relations even better? "I think there is the wider question, which is not really in our remit, about how the relationship between the UK and the EU, more politically, develops. But that is not really for us to comment on," she says, displaying the "just get on with it" approach she's adopted in the six years since the Brexit vote – though she describes the UK's decision as something that made her "very sad" as someone who spent her formative professional years in London.

The regulator, who studied Chinese and economics at London's School of Oriental and African Studies, is similarly diplomatic about capital markets union, arguing that "important steps have been made", though she admits that the concept can be "difficult

to grasp" for the average person.

From the financial crisis to Brexit and Covid, many of the issues that have made headlines during Ross's time at Esma were things her agency had to react to. Sustainability and crypto regulation offer a chance for Ross and her team to be on the front foot.

Esma has been at the vanguard of the fight against greenwashing, including developing a European framework for sustainability disclosures last year. Ross believes her agency "has an important role to play . . . in making sure that the retail investor at the end understands what they are buying".

Esma is also constrained because it is "not the direct supervisor" and so has to rely on national authorities to follow its guidance, as Esma does in much of its work.

Esma has spent the past few years publicly warning European investors of the dangers of putting their money into cryptocurrency. Europe's new digital assets legislation, Mica, gives Ross's

**'Our approach has been around identifying areas with excessive reliance [on London]'**

agency a more direct role by tasking it with establishing a comprehensive framework for regulation of crypto assets, though plans for Esma to directly license Europe's largest crypto asset service providers were ultimately shelved.

Ross is no stranger to breaking new ground in finance. When she was appointed to lead Esma, having a woman in such a role was still unusual enough for a parliamentarian to describe her words as "sweet and soft" in a public hearing.

By the time she was appointed chair in 2021, the world had changed, and she joined the growing ranks of women leading large financial institutions, such as Christine Lagarde at the European Central Bank and Elke König at the

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Three questions

• Who is your leadership hero?

No single person. I learnt a lot from the



the agenda, trying to drive the strategy and the vision of where we want to go," she says.

Esma must balance the EU and member states' priorities with the regulator's core objective of safeguarding Europe's markets. Clearing, a once obscure part of market infrastructure now emblematic of the EU's attempt to sever ties with London's financial centre, is one area where Ross's two masters seem to be in conflict.

The EU's politicians, led by financial services commissioner Mairead McGuinness, have been emphatic that clearing must move from London, where it is mostly done now, to the EU. In April, McGuinness likened the situation to cutting the EU's over-depend-

people I've worked with, and I've learnt different things from each of them ... Leadership is such a personal thing.

#### What would you be if you weren't a leader/chair?

An archaeologist. I even did six months of studies of archaeology, and then I was getting a bit worried I might gather dust in a museum.

#### What was your first leadership lesson?

You have to resist the temptation to delve too deeply into things. You need to make sure you understand enough to ask the right questions, and listen properly to the answers of the experts, but not to be the technical expert.

Europe's Single Resolution Board. She is conscious that gender is "something that people have taken into consideration when making certain choices" and circumspect about the role it has played in her life.

"I hope I managed to get to the position [I'm in], not just because I'm a woman, but also because I have a certain experience and knowledge that people appreciate and that they believe I can do the job," she says.

"It's not my first motivation to be recognised as a female leader," she later adds when asked about hopes for her legacy. "What I want to be recognised for is being a fair and inclusive leader that brings people together to achieve their best."

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## ARTS

# Horror holds up a haunted mirror to society

Halloween is when audiences thrill to dark, bloody tales of vampires, monsters and murderers – but as a new exhibition makes clear, the genre has much scarier truths to tell us. By Kim Newman

How are we to respond to the present times, when the crisis facing us is unprecedented in its multi-faceted and existential nature? asks curator Claire Catterall in the book accompanying *The Horror Show*, a new exhibition at Somerset House in London. "With horror, of course!" When the world starts to shift beneath our feet, she writes, "the unlinged and otherworldly" become all the more relevant. "Horror not only allows us to voice our fears, it gives us the tools to stare them down."

Even a form of art that thrives best in darkness and obscurity – one inviting disdain, disapproval and censoriousness – has its season, which is late October. For a brief window of time, before All Souls' Day on November 2 tries to put the monsters back in their box, horror is let out and fondly indulged, so long as it's all pretend, tricks and treats and hocus pocus.

This season we get throwaway scary movies such as *Smile* and *Prey* for the Devil. Guillermo del Toro's anthology series *Cabinet of Curiosities* on Netflix. But there are also considered, ambitious celebratory projects such as Somerset House's multimedia exhibition or the British Film Institute's *In Dreams Are Monsters* season.

This year is ripe for celebrating horror. It's the centenary of FW Murnau's film *Nosferatu*, one of the first screen adaptations of Bram Stoker's *Dracula* – itself 125 years old – and arguably the beginning of the horror film as a genre. And it's 50 years since the Halloween broadcast on the BBC of the profoundly unsettling *Ghostwatch* – one of the few



works to feature in both the Somerset House exhibition and the BFI season – a play that set out to terrify the nation.

Iain Forsyth and Jane Pollard, co-curators of *The Horror Show*, provide a horror-inflected history of certain

Clockwise from above: 'I'm Dead' (2007) by David Shrigley; stills from *The Final Programme* (1973) and *Nosferatu* (1922)

Courtesy the artist/Stephen Friedman Gallery. Photo © Alamy Stock Photo/Prairie Film/Kobal/Shutterstock



strata of British life over the past 50 years. Their first section, "Monster", tacitly picks up from the themes of *The Final Programme* (1973), a story about collapsing society and desperate attempts to engineer a messiah (alarmingly of the moment), and foregrounds the gender-fluidity of David Bowie and the angry anarchy of punk.

After Guy Peellaert's album cover lithograph, "David Bowie: Diamond Dogs", in which Bowie is envisioned as a freak-show half-man/half-dog, the signature work is Jamie Reid's "Monster on a Nice Roof", featuring a topiary fiend perched on a well-lit house.

"Monster" contains work from the 1970s and 1980s, followed by "Ghost", which spans the 1990s to the early 21st century and trades in millennial anxieties and digital phantoms; "Witch" picks up from the financial crash of 2007 and surveys the chaos of the present era ("the long dark age", as a character in *The Final Programme* deadpans).

Exhibits range from paintings and illustrations through sculpture, film, installations, sonic effects and fashion, as well as preserved cakes (Jenkin van Zyl's startling but funny "Six Scintillating Sinners (In Vitro)"), ceramics (Serena Korda's "Geometric Puker" is rather sweet), photos from *The Wicker Man*'s set, film props (the possum from Matthew Holness' *Possum*) and neon signs.

The curators quote the film-maker John Carpenter's dictum that "horror is a reaction; it's not a genre", and horror

as a genre practised by film-makers such as Carpenter or writers such as Stephen King is as marginalised at Somerset House as it is in mainstream discourse. This is an exhibition that pays attention to the artist Derek Jarman but ignores *Candyman*-creator Clive Barker, which I assume must be a conscious choice. Echoes of genre horror are confined to Richard Little's *Scarfolkworks* – a time capsule of 1970s spooky grime, like a situationist take on *The League of Gentlemen* – and other hauntological items, though quite a few contemporary creatives – Reece Shearsmith and Steve Pemberton, Alice Lowe, Ben Wheatley – get a look-in with bits and pieces from *Inside No 9*, *Prevenge* and *Kill List*.

With so many disparate voices, there are inevitable shifts of meaning and intent throughout. Once a subversive notion, it's now almost the dominant popular interpretation of horror that we identify with the outcasts: raging in defiance as a monster, fading away as a ghost, working spells of mystic self-defence as a witch.

Because of this, few works are unironically terrifying, though Kerry Stewart's installation work "The Boy From the Chemist is Here to See You" – a charity collection box seen through a pebbled glass front door as if calling to rebuke the thoughtlessly uncharitable – is disturbing.

Old-school monsters, which the audience are expected to hate and fear, feature only as political bogeys: the *Spitting Image* puppet of a snarling Margaret Thatcher, a photograph of a smiling Tony Blair frozen in an antique frame (not, however, the "demon eyes" poster – a telling horror image from the right of the political spectrum). The "Witch" era doesn't include contemporary figures in a similar mode, though the likes of Nigel Farage and Boris Johnson have contributed enough nightmare fuel to the pyre.

For *The Horror Show*, horror isn't so much a reaction as a mask – there are

It's now almost the dominant interpretation of the horror genre that we identify with outcasts

plenty of those on view, from bondage/psycho hoods to witchy goddess faces – which can be put on to conceal or display, to terrify or to inspire.

The mask of comedy, which now has its own horror associations since we've collectively agreed that clowns are more terrifying than funny, is inevitably also present. The fractured, dissociative, lunatic, pompous or extreme manifestations of horror art are as often hilarious as they are disturbing. Or perhaps, at this end of the "Witch" era, laughing insanely becomes an appropriate response.

*'The Horror Show'*, to February 19, [somersethouse.org.uk](https://somersethouse.org.uk). *In Dreams Are Monsters*, to December 31, [bfi.org.uk](https://bfi.org.uk)



"The Boy From the Chemist is Here to See You" (detail, 1993) by Kerry Stewart  
Courtesy the artist

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## Out Now: The fDi Report 2022 Global greenfield investment trends

The fDi Report 2022 is the annual assessment of crossborder investment, based on data from fDi Markets – a service from the Financial Times.

## When the Russian mafia came for US fish

PODCASTS  
Fiona Sturges

Warsaw, Missouri, a town deep in the Ozarks with a population of 2,000, is home to the American paddlefish, a breed that

early stages of *Paddlefish Caviar Heist* where the tone feels a little off.

Against a daft twanging soundtrack, we hear Hollyman and her producer consulting Google Maps as they drive into the town's sparsely populated main square, where they observe locals staring at them suspiciously. So far, so condescending.

But then she, and by extension we, get to know Warsaw and its environs: the town sits next to a vast reservoir called the Lake of the Ozarks where paddlefish can be found. "There are best takes a

and on to Kaspysk in Russia, site of a bombing in 1996 that has long been blamed on Chechen terrorists (Hollyman proffers a different theory). We also get an illuminating history of Russian caviar dating back to the time of Peter the Great, when it started being served at state banquets and was given as a gift to visiting dignitaries. After a period of overfishing in the post-Soviet era, caviar became hard to come by and alternatives were sought out.

There is a Hollywood thriller begging to be made about Russian mafia heirs



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dates back to the prehistoric era. Identifiable by their pointed snouts and reaching up to seven feet long, paddlefish produce large amounts of roe that taste remarkably like Russian Sevruka caviar, which is among the most expensive in the world. In the 2000s, black marketeers from Russia descended on Warsaw to catch female paddlefish, extract their eggs and ship them back home. In the true crime series *Paddlefish Caviar Heist*, the food writer and journalist Helen Hollyman travels to small-town Missouri to tell this story.

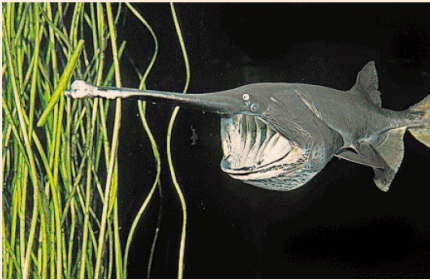
There is little a true-crime series loves more than to send metropolitan types into rural backwaters to solve a mystery while embarking on a spurious personal journey. It's a trope that was deliciously sent up in satirical media outlet The Onion's spoof podcast, *A Very Fatal Murder*, in which a big-city production team blunders around a provincial town where "no one has HBO".

Hollyman is at pains to point out she is a country girl at heart, having recently moved from New York to Texas. Nonetheless, there are moments in the

can be found. The cast includes a boat trip with Rick, owner of a local restaurant which is the place to be during snagging season, the six-week period during which paddlefishing is allowed.

In the first three episodes, the story Hollyman tells is remarkable as it moves from Warsaw to London's Soho

podcasts.apple.com



The paddlefish's eggs are a sought-after commodity — Kevin Schaffel/Getty Stock Photo

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★ FINANCIAL TIMES

FT BIG READ. WAR IN UKRAINE

A trove of documents providing a complete paper trail for one shipment of grain illustrates a complex shadow operation managed by private companies and arms of the Russian state.

By Polina Ivanova, Chris Cook and Laura Pitel

Becoming one of the heads of Russia's massive grain-looting operation in Ukraine may seem an unusual career move for Nikita Busel, the founder of two boutique hotels and a hipster coffee shop chain in central Russia.

But by the summer, the businessman was in Ukraine's Zaporizhzhia region, which had been partially seized by Russian troops in March.

As local officials installed by Moscow set up a "military-civilian administration" to govern the newly occupied territories, Busel took on the role of general director of a new government-run firm: the State Grain Operator.

Zaporizhzhia is one of the main grain-producing and processing regions of Ukraine, in turn one of the world's biggest grain exporters. Moreover, Russia's invasion of the country was causing global food shortages and sending prices for grains soaring.

An investigation by the Financial Times into the illicit grain trade out of occupied Ukraine reveals a complex shadow operation managed by private companies and arms of the Russian state itself.

A trove of documents seen by the FT — including invoices, cargo manifests, receipts, and certificates of origin — provides a complete paper trail for one shipment of grain, from occupied Zaporizhzhia to the global market.

The paperwork, which traces the journey of a 2,675 tonne shipment of milling wheat, has been corroborated by satellite imagery, shipping transponder data, boat-spotting in northern Turkey and interviews with smugglers and traders.

This small shipment from a quiet port



reveals how the illicit trade operates, and how different Russian institutions work together to provide cover stories for the private companies and ships involved.

This spring, the officials installed by Moscow to run the occupied territories set up the State Grain Operator to handle what they told Russian state media was more than 1.5mn tonnes of stored grain. The next harvest, they forecast, would bring a lucrative further haul of 1mn tonnes.

But the entity, mentions of which were confined to local and Russian state media, remained opaque. It does not have an entry in any Ukrainian or Russian business registry.

A founding document says it was set up on May 15 as an agency of the region's "military-civilian administration" to purchase grain from local farmers and resell it for export.

Any profits would go back into this state company, the document said, and support the local occupation government. It is not known where profits will now go; Zaporizhzhia was claimed as part of Russia on September 30.

The State Grain Operator began advertising on local social media channels and invited farmers to "co-operate" by selling grain via drop-off points at a set price.



that, I don't really know what. I don't know this business." Still, he told them he was interested in trying to sell it.

The Pawell arrived on September 3 at the port of Samsun, on Turkey's Black Sea coast, bearing its Port Kavkaz paperwork.

Asgarov thought he had found a buyer, but after a drop in wheat prices in Turkey, the customer pulled out and the 60-year-old businessman got cold feet about acting as an intermediary. "I said, 'Let's cancel it my brother, I cannot help on this issue,'" Asgarov recalls.

Asgarov says he had no idea that the grain may have originated from occupied Ukrainian territory. "We stay far away from improper dealings," he says.

The Pawell did not stay long in Samsun. After Northwest Group Yapi's failed sale, it moved a little along the coast, to a small seaside Turkish town called Sinop. On September 10, Yörük Işık, who runs the maritime consultancy Bosphorus Observer, took a picture of the boat at anchor a few miles from the coast of Sinop.

Then, the ship switched off its signalling systems and disappeared once again. When it reappeared some weeks later in the eastern Black Sea, it was sitting higher in the water. It had finally disposed of its grain.

Turkish buyers may have been loath to buy the cargo not just because of the price, but also out of concern at getting into trouble with Ukrainian authorities.

Pozhidaev of Geos says: "Thanks to the rumours, including yours... I had some problems with selling it in Turkey." Traders have reported increasing scrutiny in Turkish ports.

Pozhidaev says the paperwork showing the Pawell's call at Berdyansk is forged, and named a Ukrainian who he claimed had concocted the documents. "It was never there, I'm telling you," he

"The cargo is sold. The stuff you're digging for — that it was in Ukraine? — that's all nonsense"

says. "It's all trash. It's a fake. I don't know why they picked my vessel, but I guess somehow they did."

Yet Russia's own bureaucracy appears to make the wheat's origins clear. Publicly accessible Russian port databases contain details of the Pawell's movements that contradict the account in the second set of documents.

For example, the Pawell's revised paperwork includes a note from the captain saying the boat was loaded with grain in the Russian port of Port Kavkaz on August 11.

But the Russian port database shows that the Pawell had left the Kavkaz port in the evening of August 10, and was carrying no cargo at the time.

It sailed north to "Azov", the port database recorded, a reference which could mean it went to Russia or to the Azov coast of occupied Ukraine.

Satellite imagery also undermines the timeline: the Pawell is visible in photographs taken by US imaging company Planet Labs in the Port Kavkaz anchorage on the morning of August 9, the day before it turned off its AIS transponder.

Pozhidaev says that the ship sailed to Temryuk, a neighbourhood in Russian port,

# How Russia takes grain from occupied Ukraine

Invoices and cargo manifests trace the journey of the Pawell, centre, and its cargo of approximately 2,600 tonnes of milling wheat

FT mortgage

likely to be shipped out via ports in neighbouring Crimea.

In the promotional video, Busel appears to confirm the State Grain Operator has been appropriating Ukrainian assets.

"We find an abandoned asset, we go in and take this enterprise under our security control, do a full inventory," he said. But he bills it as a positive for local workers: "We create the conditions for the employees to continue to work."

The FT has sought to contact the State Grain Operator but advertised telephone numbers are not operational at present. Emails sent to several of his other companies went unanswered and Busel did not respond to direct mes-

produced a lot of paperwork about its origins — a packet of which has been seen by the FT.

One document is explicit that the seller of the grain is the State Grain Operator. It lists the Pawell as the ship taking the consignment, a 90m-long Syrian-flagged general cargo vessel, and states that the shipment has come from the occupied Ukrainian region of Zaporizhzhia.

Few ships would load at an occupied port as it risks sanctions and the attention of Ukrainian authorities, which are active in pursuing vessels which they believe contain looted grain.

Syrian-flagged vessels such as the Pawell, however, are frequent visitors to

occupied Ukrainian port of Berdyansk but Port Kavkaz, a Russian hub now notorious for laundering illicit grain transfers from Ukraine.

Geos's owner, Russian businessman Igor Pozhidaev, has worked on grain trading in the region and out of occupied Crimea for many years, Russian business records show.

He acknowledges that his business was transporting grain on the Pawell, but flatly denies the grain had come from occupied Ukraine, describing any documents that purported to show otherwise as "fake".

"This grain has no relation neither to Zaporizhzhia, nor to Ukraine. It relates to Port Kavkaz, for which there are all



In a promotional video sent to local farmers, Busel, a hotelier and owner of a road-building company with Russian government contracts, stands in front of a Russian train filling up with local grain. A voiceover proudly proclaims that farmers were now being supported and buyers had been found in Russia, Syria, Turkey and Iran.

Ukrainian agribusiness owners and managers who have fled the occupied region told the FT that this State Grain Operator is reselling grain stolen from their warehouses or harvested from fields they previously owned.

"They concocted a government, and then they concocted this company as well... claiming it would handle grain purchases," says the manager of one expropriated business, which was headquartered in Berdyansk, a port in occupied Zaporizhzhia. "They seized our storage facilities... And now they're doing their so-called business activities there," says the manager, who asked to remain anonymous.

The business address is now named by the State Grain Operator as one of its own. "The farmers have no choice," the manager adds. "Either hand over the grain, or it'll be taken from them."

The State Grain Operator seems to be still in operation: each week, it publishes lists of prices per tonne at which it is purchasing agricultural products from local farmers.

In August, the local government said the region was exporting about 5,000 tonnes of grain a day by rail and about 1,500-2,000 tonnes by road: much is

"The farmers have no choice... either hand over the grain, or it will be taken from them"



sages sent via social media.

When contacted, managers at both of Busel's hotels said they had not seen him for a long time. Some never have. Other staff told the FT that they did not know how to contact the owner.

To sell the goods, the State Grain Operator needs to get them abroad.

On August 15, occupation officials signed off paperwork, seen by the FT, to clear the export of 2,675 tonnes of milling wheat through Berdyansk.

To persuade prospective buyers that the grain was safe, sanitary and properly handled, the authorities in the town

occupied Ukrainian ports, often taking consignments directly to Syria.

Even before it arrived in occupied Ukraine, the Pawell had muddled its tracks.

Readings from the ship's AIS transponder, a device that broadcasts its position to other vessels, shows that on July 31 it arrived in the Kerch Strait, a body of water within a day's sailing of the port, where it waited.

Then, suddenly, in the early evening on August 10, it switched off its signalling system and disappeared off the radar.

The Pawell reappeared on August 15 — two days after the paperwork seen by the FT says the ship was filled with grain in Berdyansk. It was back in the Kerch Strait. Except now, its depth in the water — the so-called draft — was reported as significantly deeper: it was loaded with cargo. Over the next two weeks, the laden ship loitered near the strait.

A casual observer might assume it had been filled in the Kerch Strait. A second set of documents, also seen by the FT, was prepared to support this idea. The documents — certificates of origin, cargo manifests — all signed in the final days of August, rewrite the backstory for the source of the grain.

These newer documents no longer have the State Grain Operator as the seller but Geos LLC, a Russian private company headquartered in Novorossiysk. The origin of the grain is listed not as occupied Zaporizhzhia but Togliatti, a city in Samara, a region of Russia.

The port of departure is no longer the

relevant documents, from the chamber of commerce of the Russian Federation to the contracts with the farmers that grew it, from whom I bought it, along with all the invoices and receipts and so on," Pozhidayev says.

He declined to show any of these documents. The grain, he says, had got to Port Kavkaz by train.

At his suggestion, the FT spoke to officials at the chamber of commerce in Togliatti. They too insisted that this paperwork was all in order. The certificate can be accessed on an official database.

Without Ukraine and the State Grain Operator, the goods could be sold more easily; Turkish customs would be more likely to wave the cargo through, and buyers would have less fear of legal reprisals for buying stolen goods.

In early August, at about the same time as the Pawell was loitering around the Kerch Strait, Akbar Asgarov received a telephone call from an associate of an old friend.

The Azeri businessman, who owns an Istanbul-based construction company called Northwest Group Yapi, had no experience of the grain business, by his own account.

But the caller, who was from Geos, suggested that Asgarov could take the Pawell's cargo and find buyers for it in Turkey — a major regional hub for processing wheat.

"They rang me and said, 'We have these goods from Russia, from Novorossiysk [a large Russian Black Sea port],'" Asgarov tells the FT. "He said this and

to fill. No ship matching the Pawell was visible on a satellite photograph of the port or in its anchorage on the morning of August 13.

Photos from Planet Labs do, however, show a boat of Pawell's size and colour arriving and being filled in the occupied Berdyansk port exactly as the original documents suggest.

The low-resolution images are too grainy to allow positive identification, but appear to show the hold of a boat loading up with a grain-coloured substance on August 12 and August 13. This is consistent with the original paperwork, which the Russian businessman says was faked.

Any ship calling at the quiet port of Berdyansk is unusual. In the month before this shipment, the satellite photography captured just one other cargo ship entering Berdyansk.

The final destination of the Pawell's consignment appears to have been the little-watched east Turkish port of Hopa, on September 26.

The FT identified a ship matching the Pawell's dimensions and distinct colour scheme in port on that day. A few days after that, port authorities posted an image of the Pawell moored at Hopa's grain elevator.

Pozhidayev declines to confirm where the grain was sold, beyond saying it was in Turkey. He says, "In the end, I sold the cargo. It's sold and the Turks are perfectly content with the Russian documents that I gave them. The stuff you're digging for — that it was in Berdyansk? — that's all nonsense."

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## The FT View



FINANCIAL TIMES

"Without fear and without favour"

ft.com/opinion

## The tricky balancing act for central banks

Beating high inflation is vital, but risks of tighter policy are mounting

In 2015, following several false alarms that prices would take off, former US Treasury secretary Lawrence Summers said the Federal Reserve should not raise interest rates until they had seen "the whites of inflation's eyes". Now, with inflation near 40-year highs across the developed world, central bankers are instead worried about easing off monetary tightening before there is firm evidence that price pressures are waning. They are right to be wary of high inflation becoming entrenched. But as interest rates climb, they face an increasingly challenging balancing act as the risks of deeper economic downturns and financial market ructions are also mounting.

Despite central banks increasing interest rates this year with a synchro-

nicity not seen in the past five decades, inflation in advanced economies has remained stubbornly high. Looser fiscal policy and, outside the US, weaker currencies have added to existing price pressures — including from labour shortages, high energy and food prices, and choked-up supply chains. The US and British central banks are both expected to deliver hefty rate rises in meetings in the coming week. The European Central Bank on Thursday raised its deposit rate to its highest since 2009.

With inflation running at four to five times target rates, central banks will need to push up the cost of credit further. The longer inflation remains elevated, the greater the likelihood of high prices becoming hard-wired into expectations, driving wages and prices up further. Indeed, some measures of medium-term household and business inflation expectations in the UK, eurozone, and US are still above the 2 per cent target. Central bankers are also aware that trying to row back from a

high-inflation regime, once entrenched, would require a more aggressive and costlier tightening. And while energy and supply chain price pressures have eased recently, upside risks remain.

Yet as monetary policy has become more restrictive, calls have grown for central banks to ease off amid rising recession risks. Higher rates are already curbing demand: corporate borrowing conditions have tightened, mortgage repayments costs are increasing and there are nascent signs that labour markets are cooling. There is a risk central banks go too far; turning a slowdown into a crash. That could mean a wave of business insolvencies, steep falls in house prices and higher joblessness.

After a decade of low interest rates and ample liquidity, there are also warning signs that the rapid rise in rates — and planned shrinking of bloated central bank balance sheets — may upset financial stability. Recent upheavals in UK pension funds demonstrated just how volatile markets are. Meanwhile,

There is a danger of turning a slowdown into a crash, meaning a wave of business insolvencies, steep falls in property prices and higher joblessness

strains have been building in the US Treasury market and, in the eurozone, rising rates are adding pressure to peripheral sovereign bond spreads.

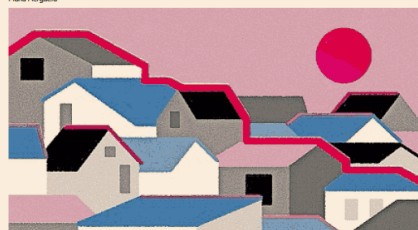
Setting monetary policy is far from an exact science, but right now the risks of both over- and under-tightening are amplified, particularly as economic uncertainty is also high. Central bankers need to judge how quickly higher rates are passing through to the real economy and the knock-on impacts of central bank actions elsewhere. Gauging policy is even harder as governments try to cushion economies against high energy costs — and as geopolitical tensions rise.

Central banks need to stay focused on bringing inflation down. But they will have to tread with ever more care, keeping a firm eye on brewing economic and financial market risks. Above all, they need to be wary that by trying to mitigate the risk of high inflation becoming endemic, they do not unwittingly unleash a whole new set of threats.

## Opinion Demographics

### Japan's empty villages are a warning for China

Maria Hergueta



Leo Lewis

Next year, according to a recent estimate, Japan will have roughly 11mn unoccupied residences — slightly more than the entire residential stock of Australia. By 2038, under one scenario in the same forecast, just under a third of Japan's dwelling units could lie empty.

A gloomy prognosis for Japan, where spooky, semi-abandoned rural villages already abound, but a portent of much bigger trouble, potentially, for China. For many economies, Japanification may be a vague worry, where bubbles are concerned there is danger. And there's a warning klaxon that Japan may now be sounding for China

number of households has continued to rise (because of more people living alone and with greater longevity) and is only due to peak next year (at 54.19mn). After that, the housing surplus will rise more acutely and the downward pressure on property prices strengthens.

For China, the biggest demographic issue now may be how to avoid a Japan-style property crisis, as the strategist Simon Powell argues in a research note published recently by Jefferies. Based on population projections, he says, China may already have enough housing to meet its future needs. As an economy with an unprecedented dependence on housebuilding, it risks making the same mistake as Japan, simply carrying on with new construction as if demographics did not matter.

Then the risk becomes a significant collapse in prices and the sort of correction with which Japan is still wres-

## Letters

### Europe's equilibrium is upset by Brexit too

*Bien sur, aber sicher*, it would be great if France and Germany could see eye to eye on all key policies (FT View, October 27). But Europe doesn't work like that. Until recently the big three in Europe — Germany, France, Britain — maintained a rough and ready equilibrium.

If all three agreed something would happen, it did. If two partners wanted to move forward, the third could act as a brake. If two partners said No, the third usually could not impose its will.

Now Brexit has isolated Britain as a European geopolitical player. Germany far outweighs France in population, economy and strong public finances. A

French president only has to chat to himself to decide French policy and action. A German chancellor has two coalition partners with very distinct views on what good policy for Europe and Germany might be, and a dozen or more regional heads of government who also think they have a right to be consulted.

In addition, be careful of interpreting "disaccord" between France and Germany on the basis of Paris briefings. The *après-Macron* politics is already getting under way and there are vested French interests who want to trip up this young and on the whole innovative president.

When I was Tony Blair's Europe minister I would patrol Paris and Berlin chatting to friends especially when the German Social Democrats and French Socialists were in power, picking up their priorities and reporting back to London. I talked to friends in Rome and Madrid as well to get a wider picture.

As the Brexit isolation of Britain from the continent has ended those possibilities, but as with the Prohibition era in the US or the isolationist policies of appeasement in Britain in the 1930s, nothing lasts forever.

**Dennis MacShane**  
Former Europe Minister, London SW1, UK

### The west must heed DRC calls for financial support

The world needs to wake up fast, and respond in earnest to President Félix Tshisekedi's call for support for the Democratic Republic of Congo's development, including in fields such as renewable energy, education, health and job creation (Video Interview, October 19). COP27 is an important opportunity to signal such intent, as part of a broader commitment to Africa on climate mitigation and adaptation, energy, agriculture and finance.

Tshisekedi made a compelling case at the FT Africa Conference for the need for his country to transition rapidly into a more inclusive and prosperous society. He indicated that oil and gas exploration in globally vital forest and peatland areas of the DRC, including Virunga National Park, remains a



A ship carrying grain from Ukraine passes through the Bosphorus Strait

### Investment funds should do what it says on the tin

I read with interest Brooke Masters' article "Investment managers left rattled by fund names like change" (Report, October 27).

I was particularly interested to read that the US Securities and Exchange Commission is focusing on funds that have misleading marketing.

The thrust of the argument is about visibility for investors with a requirement that 80 per cent of the holdings match the description or name of the fund.

This is a welcome development and I support SEC chair Gary Gensler in the push for transparency and openness around the need for accuracy when aligning a fund's name and its components.

This was an issue I came across when investing in an exchange traded fund

### Productivity gap is harder to spot among laptop class

Rana Foroohar ("The perils of 'productivity paranoia'", Opinion, October 24) is right to point out the difficulties in measuring white-collar productivity, particularly when those people are working at home. That does not mean that we should give up trying, because it is surely not parano-

In every case where productivity is indeed directly measurable, typically in less well-paid jobs such as call centre operators or warehouse staff, wide variations in individual performance are found. How could we possibly think that those variations do not also exist among the laptop class? It's just much harder to spot them.

**Jonny King**  
Tokyo, Japan

### It's the other uses for the Aga that are overlooked

I am a regular FT reader, particularly at weekends, and do like James Max's articles. But in one of his latest columns I think he got the balance wrong and was unfair to Aga. And I believe there are lots of Aga lovers who read the FT ("Should I keep my Aga switched off?", FT Money, FT Weekend, October 1).

Agas, when fully used, do everything from heating the kitchen to airing your clothes, using its drying rack attachment. My electric kettle, tumble dryer, plus electric cooker to the side of the Aga, are redundant once the Aga is on — November to May in our case.

We've seen a significant drop in our electricity bills in our first Aga winter, and are looking forward to the Aga being on and putting the electrical



relating to the effect of demographics. The "empty home" research by Nomura Research Institute is the latest in a series on Japan's property market that it and other organisations have generated over many years. Together, they describe an economic

### An ageing and shrinking population creates the basic structural pressure for a housing surplus

landscape that has not really recovered from the collapse of the late 1980s property bubble. The trauma of that implosion, the failure of regulators to be tough with banks and the ill-composed stew of policies intended to nourish a recovery still cause pain, deflation and distortion.

An unavoidably big part of that arises from demographics. An ageing and shrinking population, with only a small offset from immigration, creates the basic structural pressure for a housing surplus. This is amplified by decades of housing policy that has ignored population decline, failed to remove unwanted or unusable property and encouraged construction to preserve gross domestic product.

One of the more striking assumptions of NRI's forecast (which includes unoccupied second homes and unoccupied properties for rent or sale) is that, even as the number of empty units roughly doubles between 2023 and 2038, construction will add more than 8mn new ones.

From 2023, figures from the National Institute of Population and Social Security Research suggest that should become far harder to justify. Although Japan's population has been shrinking for more than a decade, the impact on housing surplus has been temporarily damped as the total

ling. "There is an important resemblance between Japan in 1990 and China today: a certain kind of growth has reached the end of the line," says Powell, noting that China's working-age population has already started to fall, and that both countries have depended on a development model based on sky-high levels of investment and accumulation of physical assets.

There are two main struts in Powell's argument. The first is that Japan's experience suggests a strongly asymmetric relationship between population change and housing prices. On the way up, research suggests that every 1 per cent increase in population growth is associated with a 5 percentage point increase in house prices. In reverse, a 1 per cent decline in population produces a much larger price decline.

The second part is that marriage in China is on a downward slope, dropping from 13.5mn in 2013 to 7.6mn in 2021. Unlike in western OECD countries, where the ratio of children born to unmarried couples can be as high as 60 per cent, in China it is probably closer to the Japanese level of below 5 per cent, says Powell. Fewer marriages may, as in Japan, produce a short-term rise in household formation, but ultimately it more likely guarantees the continued falling birth rate.

There are measures that Beijing can take, and factors that may significantly delay China's replication of Japan's experience. There are, clearly, important differences between the two economies: even as the hissing sound from China's bubble has become louder, it has sustained higher economic growth rates than Japan did at the equivalent point in its history.

That may, says Powell, be giving Beijing a greater margin for error than Japanese policymakers had in the early 1990s. That margin should probably not be squandered.

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viable option for his administration. It would be insincere for developed countries to expect otherwise, or set the scrapping of these licences as the condition for development co-operation.

This is particularly the case since the world's largest emitters are so far off meeting their own emissions reduction commitments, and since they have also fallen woefully short of meeting their obligations on climate finance.

It is undeniable, as the president says, that the international community bears an enormous responsibility to support the DRC to protect its forests, and to provide major flows of finance to support the country to pursue a different economic path.

The G7 and other like-minded nations should urgently put forward a credible partnership modelled in part on the Just Energy Transition Partnership struck between South Africa, the EU, the UK and others at COP26 on coal.

Such an arrangement could be further strengthened by mobilising major additional flows of finance from the global carbon markets to the Congo Basin.

Any such partnership should be linked to a broader structural effort to support the DRC to repatriate more profits from its other assets, including its mining sector, which would generate greater employment and tax revenue – all the while safeguarding the rights of indigenous people and local communities.

**Wanjira Mathai and Edward Davey**  
World Resources Institute  
Nairobi, Kenya and London, UK

### Turkey trumpets case for Ukraine diplomacy

Regarding Gideon Rachman's article "Diplomacy should not be a dirty word" (Opinion, October 18), from the very beginning of the war in Ukraine,

Turkey has advocated that the path to a negotiated settlement must remain open. The Black Sea grain initiative and the recent prisoner swap proved the value of negotiations. As mentioned in Rachman's article and reported elsewhere in the FT, Turkey's credibility as a respected facilitator and its engagement with both the Russian and Ukrainian leaderships were instrumental in brokering those deals.

Turkey will continue to underline the need to keep the vision of a negotiated settlement alive and is ready to contribute. But the international community should not leave Turkey alone in its diplomatic efforts.

**Ümit Yağın**  
Turkish Ambassador to the UK  
London SW1, UK

### FT's take on business in Riyadh irks this reader

I was disappointed to read your correspondent's highly critical report on KPMG's firm in Saudi Arabia ("Despair in the desert", Big Read, October 19).

Five years ago I spent some time with some of the senior partners in Riyadh discussing a potential joint project, and found them helpful, co-operative and friendly. I can only speak well of the people I met and had dealings with. They gave me introductions to top people in the Tadawul stock exchange, the Saudi Central Bank and the Capital Market Authority.

The project didn't materialise in the end, but in the time I spent in the office in Riyadh, I perceived nothing of the atmosphere of fear described in Gideon Rachman's article. And, indeed, while I was there, one of the prospective members of the project was a newly appointed female partner. **Nigel Kendall**  
Worplesdon, Surrey, UK

whose label was fossil fuels. On further investigation I noted that the top 10 holdings were US pharmaceutical and technology companies. Not only is this misleading, it also skews the risk profile for investors. In my case, I wanted to increase my weighting to fossil fuels and if I had proceeded would have added to my weighting in US pharmaceutical and technology.

This is a reminder that retail investors should be consistently curious and inquisitive. **Charles White-Thomson**  
Chief Executive Officer  
Saxo Markets UK  
London E14, UK

### The new 'UK' car sticker and Britain's global role

Six years on from the Brexit referendum perhaps it is time for the UK parliament to commission a cross-party review of the present state of the United Kingdom of Great Britain and Northern Ireland after it's creation almost exactly 100 years ago ("Sunak eases back on post-Brexit axing of EU legislation", Report, October 28).

It is no longer a question of Remainers and Leavers' views on the referendum but we need a real understanding of the role available to the UK in today's highly interconnected world, and I suspect that role is not a "Global Britain".

The war in Ukraine has shown the dangers facing Europe. The UK is assisting Ukraine in a very responsible and effective manner. However, the UK's stance contrasts with the present lack of leadership in foreign policy and defence in the EU. How different that might have been were the UK still a member.

By the way, a joke doing the rounds on Milan streets is what does the "UK" car sticker stand for? Answer: Ukraine. **Hugh Malm**  
Milan, Italy

items into storage. Ours is oil-fired and consumption has not caused us any concerns that we need to monitor.

Like Max, we inherited the Aga when we bought our house in Cornwall. Until this point we had no hands-on Aga experience. House viewing last year we came across an electric Aga, but the owner had no electric bills to show us, due to signing up with a solar provider.

I could go on. Last February in a power cut that lasted 60 hours the Aga carried on. Max might not have this problem in Essex where he lives, although with gas reserves stretched he could be at risk. However, I think he might be more at risk from Aga lovers than the climate extinction brigade. **James Humphrey**  
Saltash, Cornwall, UK

### Why higher tax on rich red wines goes down well

Sellers of robust and full-bodied red wines are crying foul over duties that will penalise higher-strength wines from 2023 ("Price of rich red wines to soar after duty freeze abandoned", Report, October 24).

They should perhaps consider how poorly they have served those of us who prize taste but would prefer the lower strength wines that we easily find on holiday in the south of France and Italy but cannot find here.

The British are offered little or no choice in lower-strength reds, ill-serving those who would still like to drink but reduce their alcohol consumption. At the last drinks nanny might actually increase choice.

**Lesley Smith**  
London NW6, UK

### Correction

● About 9,000 jobs will be cut at Credit Suisse, not 5,000 as incorrectly stated in a Lex note on October 28.

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FINANCIAL TIMES

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## Opinion

### Could Twitter be Musk's 'Waterloo'?

#### TECHNOLOGY

**Richard Waters**



Overpaying for Twitter in the midst of a tech stock downturn and secular decline in social media advertising may turn out to be the least of Elon Musk's troubles.

Having completed his purchase of the company last week, the world's richest man has just taken on not one but two seriously difficult problems. Failure to solve them would tarnish his enviable reputation as the rare all-purpose entrepreneur who has brought a golden touch to markets as different as electric cars and rocket ships. It would also undermine his pretensions to being able to fix difficult societal problems, at just the moment he seems bent on using his considerable wealth and personal influence to assume a more prominent role in

public life. As one veteran Silicon Valley financier warned when the billionaire first declared his desire to buy Twitter: this deal could turn out to be Musk's Waterloo.

The first problem is to cement Twitter's role as an open marketplace for ideas without at the same time turning it into what he calls a "hellscape". In some ways, Musk himself may be the worst person to take on this job.

For a start, his own use of Twitter hardly makes him look like a suitable arbiter of online behaviour. He has often shown a tone-deafness in trolling his enemies and has used the service to take aim at people he disagrees with. He notoriously tweeted that he was close to a fictitious Tesla buyout, leading to a fine from the US Securities and Exchange Commission and the loss of his Tesla CEO title.

Despite claiming to be a "free speech absolutist", Musk has already conceded that some degree of content moderation is needed. But he hasn't explained clearly why he thinks Twitter's previous management failed at this job, or what standards he would apply in trying to do

it better. After sacking much of the company's top management, including the executive most directly responsible for tackling online harassment and misinformation, he seems doomed to repeat lessons Twitter has already spent many years learning.

Musk's extensive business interests also complicate the picture. His companies are dependent on government deci-

**He seems doomed to repeat lessons the company has already spent many years learning**

sions when it comes to things such as opening new car plants, securing raw materials and winning contracts for rocket launches. That could give foreign governments leverage if they want to influence how Twitter operates.

His second problem is Twitter's failure to break out of a relatively narrow business niche. For the information junkies who spend large parts of their

day on the service, it is an invaluable tool. But Musk has set his sights on reaching a far bigger audience, while also moving beyond advertising to make money from payments and commerce.

His supporters talk as though his record in other markets almost guarantees success. One co-investor in the Twitter buyout, speaking before the deal was completed, claimed to be unconcerned about the \$44bn purchase price, which was agreed before the recent tech stock slump. With Musk in charge, this person said, the company might end up being worth \$300bn. Yet it was not clear how this would be achieved.

Musk has suggested that one route to expansion could be to build bigger audiences around different specialist interests. That is something Twitter had already been working on, though it was lagging well behind the ambitious goals that had been set for audience growth. To make faster audience gains, he will need something more radical.

One option would be to turn Twitter into a platform, making it a central repository for tweets that others could

tap into. This is an idea that harks back to Twitter's earliest days, when the company briefly pursued a platform strategy. If other companies brought their own algorithms to bear on Twitter's content, presenting it in different ways for their own audiences, it might expand the market more rapidly than Twitter could alone.

A platform approach could also go some way to resolving Twitter's moderation problem. Groups of users could take on the job of moderating discussions on topics they are interested in, as they already do on Reddit. Or other companies that build their own services on the Twitter platform could assume the responsibility, devising different levels of moderation to suit the particular audiences they are trying to attract.

Would Musk back an idea like this? For now, the only sure thing is that he is taking Twitter back to the drawing board. The reputation of the era's most successful entrepreneur is riding on the outcome.

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### Britain must not be complacent about its multiculturalism

**Sunny Hundal**

With typical understatement, Britain's first non-white and Hindu prime minister has arrived to little fanfare. Most Conservatives welcomed him but said his background was irrelevant. Many on the left cautiously celebrated the broken glass ceiling, but said he was too rich to be representative.

However, there is an important global context missing from this debate. Rishi Sunak has been tasked with leading the country, despite his brown skin and Hindu beliefs, because Britain is increasingly comfortable with being a multicultural democracy. We are becoming a nation where different races, faiths and gender identities are embraced. We still argue over our differences and there are many biases to be tackled, but our diversity is increasingly, and rightly, regarded as a strength.

Some on the left see this as unremarkable, but it really isn't. Most of our ideological brethren across Europe and east Asia pay lip-service to diversity but resist it fiercely in practice. Worse, about 70 per cent of people worldwide live under dictatorships. Multicultural democracies are a minority within a minority.

Most of the world is, in fact, rejecting these ideals. They see us arguing over our differences and are repelled. They think social diversity leads to political paralysis and decay. Moreover, they resent us for pushing our values on them.

One of the leaders of this movement is Russian president Vladimir Putin, who has been open about his feelings for

**Many nations are rejecting our ideals. They see us arguing over our differences and are repelled**

## The world needs to prepare for the chip wars

**Rana Foroohar**

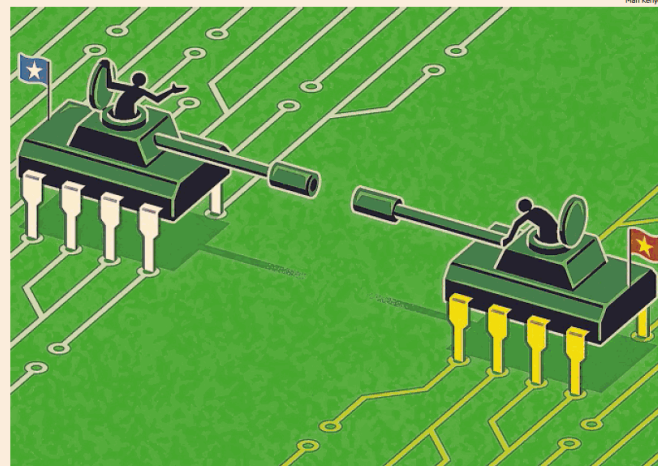


There has been widespread portrayal of President Joe Biden's recent semiconductor export bans on China as America's declaration of economic war with the country. But, in fact, Washington is merely reacting to

strong roots in technology development. It is also a big, single language market with room to grow and loop other countries into its regional economic orbit, just as America did in the post-second world war period.

You can like or not like the Chinese system, but there is no denying that it has worked well for China. Indeed, it has worked so well that the top beneficiaries of globalisation over the past half century or so have been China, and big multinational companies.

The amazing thing is that some people at the top rungs of those companies, as well as in policy circles, still think that



CEOs of American consumer-facing brands that use chips are starting to ask policymakers just how far decoupling

electric vehicle industry, which the Biden administration is trying to encourage, would be harder, since they

inventory is bad, which is a big shift from several decades worth of just-in-time supply chain management.

years. "In many [western] countries today, moral and ethical norms are being reconsidered; national traditions,



Beijing, and it is a late reaction at that. It is worth recalling that China actually paved the way for formal supply chain decoupling with the Made in China 2025 programme. This was announced seven years ago (before the Trump presidency) and explicitly set out the country's desire to be free of western technology – chips in particular – within the next few years.

The Communist party quickly retired the Made in China phrase after some backlash from the west, but the policies largely continued. More recently, a new emphasis from Beijing on the Military-Civil Fusion strategy added fuel to the fire, with economic and military development goals, particularly around technology, becoming more closely aligned.

I find it hard to believe that anyone who has spent time in China in recent years could have thought that it would be otherwise. Like the US, the country has a military industrial complex with

the US should continue to pretend that technology decoupling isn't a fait accompli. Think about it. In an era in which it is nearly impossible to disentangle military and civilian uses of high-end chips, do you continue to ship those products to your biggest strategic adversary?

Many of the complaints about Washington aggression, and much of the continued reluctance to confront the reality of the new trade paradigm, have come from Europe. I can understand that. Both the UK and the EU are stuck literally in between the two superpowers. It is not surprising that they would like to put off choosing between the two, at least in terms of which technology ecosystem to pick, for as long as possible.

But most Americans (and most Chinese for that matter) tend to prefer plain talk to diplomatic can-kicking. US companies and staff in the chip sector are moving out of China. But many

will go, and just how quickly. What exactly will US companies be able to sell in China?

The answer will depend on how porous the new rules are, and how many exemptions are given. It will also depend on China's next move, which may be to restrict some exports of rare earth minerals, the bulk of which it controls. Those are used in the defence industry, as well as in electric vehicles.

The US military could cope, since it has been stockpiling for some time, and allies such as Canada and Australia are also starting to mine more of these materials. The hit to the burgeoning

Just how far decoupling will go depends on how porous the new rules are and on China's next move

would be second in line for supply.

What is more, says Christopher Gopal, a veteran supply chain expert who teaches at the University of Southern California, the Chinese could restrict the export of lower-end chips made in the country, which are used in both traditional automobiles and EVs. Even on the most accelerated timetable, it would take the US, in his estimation, at least two years to produce or acquire those from allies in bulk. This would mean that "cars would go up in price, and down in functionality". China could also cut exports of various electronic components, contributing to inflation in a broad variety of goods.

The bottom line? Countries and companies need redundancy in sourcing. One obvious step would be to ramp up production of low-end chips and components in friendly nations such as India and parts of eastern Europe. Executives will also have to rethink the idea that

Cost per unit will no longer be the sole metric for any wise purchasing decision, be it public or private. There is now a risk calculation that must incorporate the cost of higher inventories, the amount of time and working capital it will take to build that inventory, and the price of distributing and replenishing crucial goods across new supply chain configurations.

Policymakers must continue to refine their lists of the most critical supply chains, including not just chips, but food, antibiotics and other key pharmaceuticals, energy, personal protective equipment and base apparel. I'd argue the commerce department should take the lead on that information gathering. Is all this disturbing to contemplate? Yes. But the only thing worse than wilful blindness is not being prepared for reality.

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differences in nation and culture are being erased," he told a journalist a few years ago, adding that more people are coming around to Russia's "defence of traditional values".

When passing Russia's anti-gay law, he said the country's "traditional family values" were the foundation of its greatness and a bulwark against "so-called tolerance – genderless and infertile".

Putin's crusade against social liberalism has earned him followers the world over. "Time to wake up from blind faith in the western system," said a 2020 commentary in the state-run China Education News. "Vicious partisan fighting has worsened in certain western countries, social fissures have deepened, and a severe social crisis is brewing." Another prominent US conservative asked: Has Russia become the world's new moral leader?

Modern authoritarians believe diversity leads to conflict and decay. They want nations that put their own tribes first. For Putin this means white heterosexual Russians, for the Chinese Communist party it means protecting and enforcing Han culture and language. For Muslim-majority countries it means putting Muslims first, while for India's ruling Bharatiya Janata party it means putting Hindus first.

Multicultural democracies are a unique social experiment and it is in our interest to make them work. At some point, Americans will have to end the vicious spiral of polarisation in their country. Canada and Britain have so far avoided that fate but we can't assume our project will succeed or that the presence of one minority leader represents a broader truth about society.

It's important we accept that multiculturalism isn't easy. Maintaining social cohesion is hard work and easily derailed. Our social media-driven environment – which rewards exaggerating differences and dunking on small dissimilarities – makes it even more difficult.

There is no reason why multicultural democracies should be the norm. But this is the world I want to live in and fight for. So yes, Sunak's premiership is hugely symbolic in a global context. One day we'll look back and see it as the sign of a nation confident in its own skin. Or we may lament it as a failed experiment. I very much hope it's the former.

The author is a TV presenter and writer

## Scholz should send an explicit message on his visit to Beijing

Guntram Wolff

When German chancellor Olaf Scholz arrives in Beijing this week, he will be the first G7 leader to visit China since the start of the pandemic. This trip has sparked controversy both at home and in the rest of Europe.

The critics argue that it is time to break with Angela Merkel's example: instead of deepening economic ties with authoritarian regimes, Germany and the EU should decouple from them. This, they say, is one lesson from Berlin's dependence on Russian gas, which has now become a costly liability. Instead of decoupling, Scholz is allowing the Chinese shipping company Cosco to take a minority share in parts of Hamburg's container port, despite opposition from his own government. Members of the Green party – a junior coalition partner

that opposes the deal – argue privately that the chancellor has only agreed to this potentially risky sale of critical infrastructure as a gift to his host Xi Jinping.

Those in favour of the trip argue that re-establishing personal contact with Xi is crucial after years of pandemic isolation. According to this rationale, Vladimir Putin's isolation during the Covid outbreak encouraged his "radicalisation" on Ukraine. Moreover, the Chinese market is simply too big to ignore. Many large German companies are deeply invested in China and generate large shares of their profits there. Those defending the trip have bet on China for their growth, even if they are potentially overestimating the country's overall growth potential.

There is no question that the trip comes at a difficult moment. While Scholz's messaging has been ambiguous, Germany needs to be clear-eyed on its strategic priorities at a moment of geopolitical confrontation. If the chancellor finds the right way to explain his actions, he can still make the Beijing visit a success.

First, he needs to take a firm line on the importance of sanctions against Russia. Any weapons assistance or material support to Russia undermines the European security order – which is more important than economic benefits from trade. Beijing's support for Moscow's war against Ukraine has so far been muted. Chinese technology companies have reduced their activities in Russia, ensuring that sanctions

It is necessary for Germany to be clear-eyed on strategic priorities at a moment of geopolitical confrontation

continue to weaken the Kremlin's military activity. China's financial sector has steered clear of Russia. And since Beijing has declined to supply weapons, Moscow has had to buy them from Iran and North Korea. When he meets Xi, Scholz must be clear that any change of position would lead to an escalation of geopolitical tensions. Germany will

have to set out the likely consequences – even if these bring economic costs.

Second, while German companies, workers and consumers depend on trade with China, massive state subsidies from Beijing distort the level playing field. China is increasingly making technology transfer a condition for market access and is using trade as a means of political coercion, as it did recently against Lithuania. Scholz should make clear that Germany will spearhead a tough, united EU position on these matters. Trade and investment treaty negotiations are an exclusive EU competence. He should say that Germany will continue to support the development of tools such as the EU mechanism against economic coercion and its vetting system for Russian and Belarusian investments. In the single market, economic coercion against one EU country will be regarded as economic coercion against the entire bloc.

The third message should be targeted at those travelling with Scholz to Beijing. German companies can continue trading with China, but critical dependencies must be reduced. This may, in the

event of geopolitical confrontation, mean sacrificing profits. That does not mean ending business relations and losing those profits now. Those arguing for general economic decoupling seem to forget the impact this would have on workers and consumers. Instead, companies need to put in place contingency plans to ensure continuity of operations in case China weaponises its trade ties. The EU has high dependencies for 6 per cent of its imports, including in energy and green industries ecosystems, health, and digital including among others semiconductors. These must be addressed.

Maintaining open channels with China is important, and the German chancellor can be congratulated on being the first western leader to re-establish contact. But only with clear signals on the need to prioritise western security, its economic interests and European unity can this visit be a genuine success.

The writer is the director and CEO of the German Council on Foreign Relations (DGAP)

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Rutherford Hall

The metaverse is the future. It's just not clear what you'll do there

● WORK & CAREERS

## In praise of swearing and its glorious benefits



Pilita Clark  
Business Life

THE UK, as most of the world knows, has just been through a crazed period of political turmoil.

Yet future historians will find the chaos of having three prime ministers in seven weeks also led to a spate of something that brings a mix of upset, joy and hypocrisy: unexpected swearing in public. In the last torrid days of Liz Truss's government, politicians, journalists and others all turned the country's airwaves a deeper shade of blue. It is hard to know why. Perhaps the scale of misrule unleashed a spirit of verbal wantonness. Maybe it was just coincidence. Either way, it was probably beneficial.

Foul language can boost group bonding, raise pain tolerance and increase physical strength, according to a review of more than 100 academic papers on swearing that was published in the middle of this outbreak of obscenities. It also eases stress.

I certainly felt my own stress levels subside when the Daily Mail reported on "foul mouthed outburst" from a



Kenneth Anderson

Gillian Tett, who I don't think I've ever heard curse. When a TV news anchor asked what she made of ministerial claims the government's budget had not caused the market fiasco, she said such talk was "pretty much bollocks".

The news anchor, Krishnan Guru-Murthy, apologised if anyone had been offended, but later said he had looked up the rules and while bollocks was a potentially unacceptable word, it was less problematic when used to mean "nonsense". "I should, however, apologise to people who were relying on subtitles, for whom it was spelt 'bollocks', he added.

The affair made me wonder, yet again, precisely how many people are sincerely offended by words like this in 21st century Britain. Let alone "damn", "hell" and other religious words that still apparently stir complaint.

Still, genuine offence is clearly caused by what the new academic

● Foul language boosts group bonding, raises pain

paper on swearing describes as "words in the sexual/excretory categories". Unfortunately for Guru-Murthy, one of these passed his lips just a few days after the bollocks bomb, when he had a minor off-camera biff with a minister he had just been questioning.

"It wasn't a stupid question," he told the minister, before chucking to himself and adding, "What a c\*nt."

The remark was never broadcast but Guru-Murthy's employers took a dim view and he was taken off air for a week.

Interestingly, we don't precisely know what gives a word like this such power. There is nothing special about how it sounds or looks. One explanation, says the swearing study, is that we are trained to get a visceral jolt from such words after all the "aversive conditioning", or punishment, we get for cursing as children.

There is not much evidence to prove this, but, regardless, Guru-Murthy was not the only one to fall foul of a foul word. His woes came just as the BBC

that Truss had never considered Sajid Javid, a former health secretary, for the role of chancellor because she thought he was "shit".

Weirdly, the man Truss picked to be the new chancellor, another ex-health secretary, Jeremy Hunt, inadvertently landed the BBC in some hot linguistic water when he was interviewed on the broadcaster's flagship morning news programme, *Today*. The guest who took his studio seat after he left was mouthy actor Miriam Margolyes, who confided on air that although she had wished him luck to his face, "What I really wanted to say was, 'Fuck you, bastard!'"

Finally, but most memorably for English speakers, a German TV reporter delivered proof of the academic study's finding that the cathartic power of swearing is nearly always greater when cursing in one's first language. Summing up Truss's final shambolic hours, Annette Dittert told her viewers in German that one government MP was so angry he said: "I'm fucking furious and I don't fucking care anymore." A bit more, you see, that

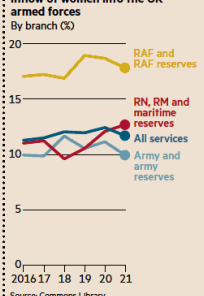
## lex. Demographics: women warriors

Women remain poorly represented in most militaries

Share of female military personnel on active duty



Inflow of women into the UK armed forces



Women warriors are a bigger hit in the popular imagination than with army recruiters. *The Woman King*, this autumn's surprise box office hit, dramatises the female fighters of the historic African kingdom of Dahomey.

Other challenges to stereotypes have come from historical battles such as Boudicca and Ukraine's modern-day women volunteers. But women remain poorly represented in most militaries.

Equality aside, there is a demographic and economic argument for developed nations to make service life more attractive to women. Populations are ageing, shrinking the pool of young men military recruiters have traditionally depended on to accept modest military wages. Women make up only 17 per cent of US armed services and 11 per cent in the UK, according to Nato figures. The US Army recently admitted it had missed its fiscal year recruiting goal by 25 per cent, equivalent to 15,000 soldiers. Leaked documents last year pointed to a similar undershoot in the UK.

The exemplary records of some female service personnel, such as US

chicken-and-egg problem remains: when one group is thinly represented, the prevailing culture will not change.

A Nato study on the integration of women into the armed forces found they are trained like men, evaluated on the same basis, pressured to become "one of the guys" and picked on. British women soldiers have complained of bullying and body armour that does not fit. There is also a pay gap, albeit much smaller in the UK armed forces than in the broader workforce. The median is 2.3 per cent.

The US Army claims it has no pay gap because male and female ranks are equally remunerated. That ignores a higher promotion rate for men.

Armed services should reflect the values of the society they represent. All-male occupying forces have a deservedly dreadful reputation. The presence of female personnel can provide modest reassurance to anxious locals. The task of military recruiters is already hard enough. Challenges include recessionary pressure on defence budgets, a trend for more young people to attend university and



ON A FOUR-MINUTE COURSE, FROM A financial journalist after the Truss government's "mini" Budget sparked a market meltdown. The journalist turned out to be my FT colleague,

**tolerance and physical strength, according to a recent study** 🍌

reported that a senior adviser to the ever more troubled Truss had also been suspended, this time for a word in the excretory category. The move came after a Sunday Times reporter wrote

care anymore. A bit rude, yes, but also, as swearing often is, utterly and perfectly apt.  
pilitta.clark@ft.com

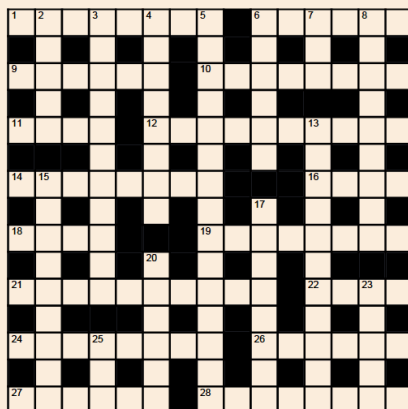
Army combat hero sergeant Leigh Ann Hester, have weakened arguments against women soldiers based on traditional gender stereotypes. But a

securing public fitness levels. Armies, like companies, need access to all the talent they can muster. That means employing more women.

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## CROSSWORD

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### ACROSS

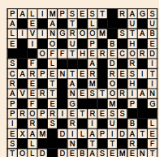
- 1 Announcement in departures? (8)
- 6 Two gents, both ignoring last set of steps (3-3)
- 9 Strong men brought over small statue (6)
- 10 Male turnkey's nickname for a barber? (8)
- 11 Small child's slide (4)
- 12 An editor in pants is unrestrained (10)
- 14 Members only venue for swingers? (4,4)
- 16 Grass on duke pinching dame's rear (4)
- 18 In a good way, I can be nice to look at (4)
- 19 Linesmen known for footwork bit amiss, sadly (8)
- 21 Doc right to transport fish in rickety vehicle? (10)
- 22 See Mark boil sort of light jam (4)
- 24 Old boy about to tuck into wine and curry (8)
- 26 Place where one at the wheel could be better? (6)
- 27 In-house Seat workers? (6)
- 28 Aussie leader splitting tight strides is a calamity (8)

### DOWN

- 2 Small waterway by British castle (5)
- 3 Outstanding accomplishment to cure red of hiccups! (4,2,5)
- 4 Homes in which one finds social workers? (3-5)
- 5 Path to success? Work cordially, be fantastical (6,5,4)
- 6 Spies will catch villain with bug (6)
- 7 Dope mule? (3)
- 8 Sign of life stirring at the bar, drug involved? (9)
- 13 People who are huge fans of The Mirror? (11)
- 15 Awful riot arose in small prayer rooms (9)
- 17 Yours truly pushed up suspenders and clasps (8)
- 20 Makes cold calls without a welcoming greeting (6)
- 23 Spring back to avoid black cat (5)
- 25 River of many fathoms appears bottomless (3)

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