

FINANCIAL TIMES

WEDNESDAY 23 NOVEMBER 2022

INTERNATIONAL NEWSPAPER OF THE YEAR

ASIA



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Qatar critics beware as global power shifts

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FTX chief ran crypto group as his fiefdom, court hears

- Disclosures from bankruptcy probe
- Bankman-Fried spending revealed

TABBIE KINDER — SAN FRANCISCO

FTX founder Sam Bankman-Fried ran the cryptocurrency exchange as his "personal fiefdom" before its implosion, according to a lawyer working on the bankruptcy, with "substantial amounts of money" spent on items unrelated to the business such as holiday homes in the Bahamas.

"We have witnessed one of the most abrupt and difficult collapses in the history of corporate America," James Bromley of Sullivan & Cromwell told a US court yesterday. He added that Bankman-Fried's "allowed every one for the first time to see under the covers and recognise the emperor had no clothes".

FTX filed for US bankruptcy protection on November 11 as its customers fled and executives discovered billions of dollars in missing funds, exacerbating turmoil in cryptocurrency markets.

The team of lawyers charged with winding down FTX is attempting to identify a complex web of assets in order to repay creditors. The case has been marked by allegations of misconduct and major governance failures, as well as a jurisdictional dispute between the US and the Bahamas, where FTX's small inner circle ran the business.

Bromley said the bankruptcy team had found that "substantial funds" were transferred from the exchange to Bankman-Fried's crypto hedge fund Alameda Research and "substantial amounts of money were spent on things not related to the business".

This included around \$300mn of real estate in the Bahamas that were "homes and vacation properties used by the

senior executives" of FTX, he said. The Alameda hedge fund also appeared to have used FTX funds to make billions of dollars of illiquid venture investments in funds such as Sequoia Capital and companies like Elon Musk's SpaceX and Boring Company.

FTX filed for protection following an "effective run on the bank", Bromley said, after rival exchange Binance moved to liquidate its FTX tokens, the cryptocurrency issued by FTX. The token lost 80 per cent of its value in two days, tumbling from a peak of \$9.6bn in total market value to just \$422mn.

Bromley also revealed that lawyers working on the bankruptcy would probe a transaction last year between FTX and Binance. The rival exchange run by Changpeng Zhao divested an equity stake in FTX for around \$2.1bn in cash and cryptocurrencies.

FTX is now led by new chief executive and chief restructuring officer John J. Ray III.

Bromley added that the company was working with the US government and global regulators, including the justice department and Securities and Exchange Commission.

Prosecutors working with the justice department's Southern District of New York and the Financial Crimes Investigation Branch of Bahamas have launched two separate criminal probes into the implosion of FTX.

A list of the 20 largest creditors in the FTX businesses has been sealed by the court. But US bankruptcy judge John Dorsey told lawyers to disclose names of people and entities on the creditors' committee, likely to include institutional investors with stakes in FTX.

Suppression strategy Lockdowns return as China struggles with new Covid outbreaks



Kevin Frayer/Getty Images

An epidemic control worker stands on an empty road in Beijing's business district during rush hour yesterday.

Chinese officials have once again locked down large parts of the country as they struggle to contain the latest outbreak of coronavirus.

In stark contrast to more developed countries, which have largely learnt to live with Covid-19, China is still trying to suppress the virus. In a bid to bring

cases under control, local governments have closed restaurants, switched schools to online studies and asked people to once more work from home.

The country yesterday reported almost 28,000 new cases, with outbreaks in Beijing, the southern manufacturing hub of Guangzhou and the south-western city of Chengong.

Almost three years after Covid first hit the city of Wuhan, vaccination rates

among vulnerable sections of China's population lag behind those in many other countries. Despite recent revisions to its strategy, Beijing has said it will stick to its strict zero tolerance policy, with mandatory testing, quarantines and lockdowns.

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Briefing

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Moscow has threatened to restrict supplies to Europe via the last remaining route from as early as next week. — PAGE 2; FT VIEW, PAGE 16; CONSTANCE STELTZENMÜLLER, PAGE 17

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European asset managers have decided to downgrade ESG funds badged with the top sustainability rating after regulatory scrutiny and greenwashing claims. — PAGE 6

► **More time for Trump spac**
Investors have extended until September the deal deadline for a blank-cheque group that plans to take Donald Trump's media business public. — PAGE 8

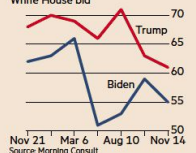
► **Twitter revamp put back**
Elon Musk has postponed the relaunch of Twitter Blue, the authenticity feature, until there is a "high confidence of stopping impersonation". — PAGE 6

► **Iran boosts enrichment**
Tehran has said it will expand its nuclear enrichment programme, in a rebuke to a UN watchdog that suggested that the country had undeclared nuclear sites. — PAGE 4

► **Hong Kong loses lustre**
The city has lost its title as home to the highest retail rents in New York, after pandemic recovery was hit by new Covid curbs that deterred visitors. — PAGE 3

Datawatch

Presidential plunge
% of voters backing a 2024 White House bid



Source: Morning Consult
Voter support for 2024 presidential runs has slumped recently for both Joe Biden and Donald Trump. Republicans have sought to distance themselves from Trump amid his backing for controversial candidates in the US midterm elections



Surging migrant numbers test European consensus

Analysis ► PAGE 2

Australia	A\$700m (CST)
China	RMB30
Hong Kong	HK\$33
India	Rs220
Indonesia	Rp45,000
Japan	¥550m (CST)
Korea	₩4,500
Malaysia	RM150
Pakistan	Rupee 350
Philippines	Peso 140
Singapore	S\$5,800m (CST)
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Thailand	Bht140
Vietnam	US\$4.50

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Only Russia will perform worse than the UK in next 2 years, OECD warns

DELPHINE STRAUSS — LONDON

The UK economy is set to be the worst performer in the G20 bar Russia over the next two years, the OECD said yesterday, underlining the impact of high energy prices on Europe as a whole.

The OECD said in its latest economic forecasts that UK gross domestic product would fall 0.4 per cent in 2023 and rise 0.2 per cent in 2024. That would be a longer and deeper downturn than the forecast for Germany, whose manufacturing-intensive economy is particularly vulnerable to high energy prices.

In an apparent reference to Brexit, Alvaro Santos Pereira, OECD acting chief economist, said the economic adjustment under way in the UK had compounded longstanding concerns about the country's low productivity growth. He singled out Britain's need to

forge post-Brexit commercial relations with the rest of the world, with "trade deals that you need to export and so on high on the agenda".

The UK is the only country in the G7 where output has not yet regained its pre-pandemic levels. Britain's Office for Budget Responsibility said last week that households were facing the steepest fall in living standards on record as the economy entered recession.

The OECD said business sentiment was starting to recover from "a period of deterioration driven by policy uncertainty" — an allusion to the hastily reversed "mini" Budget under former UK prime minister Liz Truss. But it said "lingering uncertainty", combined with higher costs of capital, would continue to weigh on UK business investment.

The risks to the UK's poor outlook were "considerable", the OECD said,

noting that acute labour shortages could "force firms into a more permanent reduction in their operating capacity or push up wage inflation further".

More generally, the OECD said the world economy was "reeling" from the largest energy shock since the 1970s. According to its latest forecasts, growth in almost every large economy was set to be weaker next year than it had thought in June, as high inflation slashed people's spending power.

The OECD expected growth next year of just 0.5 per cent in the US and eurozone, with Germany entering recession, and the more resilient emerging nations driving global expansion of 2.2 per cent.

"Fighting inflation has to be our top priority," said Santos Pereira, arguing that governments needed to scale back untargeted fiscal support that was adding to inflationary pressures.

World Markets

STOCK MARKETS				CURRENCIES				GOVERNMENT BONDS			
	Nov 22	Prev	%Chg	Pair	Nov 22	Prev	%Chg	Yield (%)	Nov 22	Prev	%Chg
S&P 500	3979.38	3949.94	0.75	\$/£	1.028	1.024	0.39	US 2 yr	4.51	4.51	0.00
Nasdaq Composite	11072.60	11024.51	0.44	\$/€	1.188	1.179	0.76	US 10 yr	3.77	3.80	-0.03
Dow Jones Ind	33919.67	33700.28	0.62	\$/¥	0.866	0.869	-0.36	US 30 yr	3.94	3.89	0.05
FTSE100	1722.86	1708.84	0.75	\$/¥	141.360	141.505	-0.10	UK 2 yr	3.16	3.23	-0.07
Euro Stoxx 50	3932.55	3909.28	0.60	\$/¥	167.836	167.278	0.33	UK 10 yr	3.13	3.18	-0.05
FTSE All-Share	7452.84	7376.85	1.03	\$/¥	0.980	0.982	-0.21	UK 30 yr	3.31	3.30	0.01
CAC 40	6657.53	6634.45	0.35	\$/¥	11.132	11.130	0.02	JPN 2 yr	-0.03	-0.02	-0.01
Xetra Dax	14422.35	14378.93	0.29	\$/¥	161.746	157.613	2.61	JPN 10 yr	0.24	0.24	0.00
								JPN 30 yr	1.45	1.44	0.01

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Nikkei	28115.74	27844.79	0.61
Hang Seng	17424.41	17655.91	-1.31
MSCI World	2640.44	2658.90	-0.69
MSCI EM	931.05	943.01	-1.27
MSCI ACWI	611.38	616.04	-0.76
FT Wilshire 2500	5129.59	5152.41	-0.46
FT Wilshire 5000	40254.94	40241.81	-0.46

COMMODITIES	Nov 22	Prev	%chg
Oil WTI	82.03	80.11	2.40
Oil Brent	85.61	87.82	2.27
Gold	1740.40	1751.90	-0.64

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FINANCIAL TIMES

Wednesday 23 November 2022

INTERNATIONAL

Energy crisis

Russia threatens further gas cuts to Europe

Gazprom monopoly accuses Ukraine of taking fuel meant for Moldova

DAVID SHEPPARD — LONDON
ROMAN OLEARCHYK — KYIV
ALICE HANCOCK — BRUSSELS

Russia has threatened to restrict gas supplies to western Europe through the only pipeline still connecting the regions, warning that it could lower flows through Ukraine from next week.

Gazprom, the Russian gas monopoly, accused Ukraine yesterday of taking gas meant for Moldova from lines running through the country, and warned of reduced supplies from November 28.

While the Russian flows to Moldova make up only a small percentage of those transiting Ukraine, any threat to the last remaining pipeline to western Europe is likely to unsettle energy markets as winter deepens. Traders believe Europe needs more than the gas it holds in storage to meet demand.

Tom Marzec-Manser of energy consultancy ICIS said that while Gazprom's threat was, for now, only to volumes going to Moldova via Ukraine, traders were likely to worry it could be the precursor to further cuts. Large-scale Russian supply reductions have often originated with threats to reduce volumes by a small amount initially.

"The industry has long feared that

Russia could threaten the remaining flows to western Europe via Ukraine this winter," Marzec-Manser said.

"We've seen in the past that small cuts in supply can become bigger cuts very quickly, and Europe is not out of the woods yet in terms of gas supplies during the coldest months."

Russia has been accused of "weaponising" gas supplies to Europe in retaliation for western support for Ukraine. Since Moscow's invasion it has closed all but one pipeline to western Europe, including those bypassing Ukraine such as Nord Stream 1. Supplies have been slashed to little more than 10 per cent of the level before the war, stoking a cost of living crisis across the continent.

The latest threat came as the European Commission proposed a cap on wholesale gas prices in an effort to contain energy costs. The cap was set at €275 per megawatt hour. However, it will apply only if prices rise above that level for two weeks and are more than €58 per MWh higher than the average price for liquefied natural gas for 10 days. "This is not a silver bullet," EU energy commissioner Kadri Simson said as she announced the policy yesterday. "But [it] provides a powerful tool that we can use when we need it."

However, critics labelled the plan almost useless. Wholesale gas prices spiked above €300 per MWh, the equivalent of more than \$500 a barrel in oil

prices, over the summer after Russia cut supplies through Nord Stream 1. Even in that instance, the cap would not have been triggered as prices remained above €275 per MWh for only a week.

"It's a joke... It is a proposal that won't deliver anything useful for anyone even under the extreme scenario seen in August. This is a non-cap," said Simone Tagliapietra, senior fellow at Brussels think-tank Bruegel.

"It seriously risks compromising trust in the commission about the handling of the energy crisis."

The European gas benchmark, TTF, rose more than 8 per cent yesterday to €124.50 a megawatt hour.

See The FT View and Opinion

Electricity

Ukrainians told power outages likely to persist for months

CHRISTOPHER MILLER — KYIV
HENRY FOY AND SAM FLEMING
BRUSSELS

Ukrainians have been warned that rolling blackouts will continue for months, and president Volodymyr Zelenskyy has said people are consuming more electricity than is available.

"Ukraine's power system still has not fully recovered from the... [Russian] missile strikes and cannot operate at full capacity," said Ukrenergo, an electricity group, warning of further blackouts.

About half of Ukraine's generating capacity has been disabled in six weeks of Russian missile and drone attacks as the country heads into winter.

Authorities in Ukraine said last week that more than 10m people, or about a quarter of the population, were without power after the Russian attacks.

Zelenskyy appealed to regional authorities and local communities to encourage people to reduce their use of energy.

Concern over how to maintain a functioning grid has been growing as EU officials said the bloc was struggling to keep pace with Kyiv's need for supplies of equipment to generate power.

"We are in continuous touch with the [European] Commission and other member states to provide as much support as possible [to Kyiv]," said a senior EU diplomat involved in efforts to supply Ukraine with critical infrastructure.

"But each week it gets more and more difficult to find the equipment that is needed, given the situation as it is developing."

One domestic energy company warned that outages will probably last through the winter. Sergey Kovalenko, chief executive of Yasnol, a power provider, said: "Ukrainians will most likely have to live with blackouts until at least the end of March."

The best-case scenario, said Kovalenko, was a cessation of Russian attacks on Ukraine's energy infrastructure and conditions in which the "power deficit can be evenly distributed throughout the country".

However, if Russia continued with its missile and drone strikes on the power grid, Ukraine "will have to use not only hourly stabilisation shutdowns, but also emergency shutdowns, during which there may be no light for a very long time," he said.

The EU diplomat said: "The continued bombardment of Ukraine's energy sector has led to the destruction of key infrastructure. We need to mobilise more member states."

The commission has in recent months been working with member states to channel donations of power-generating equipment by governments and private sector companies in response to requests from Kyiv.

Donations since early October included 184 electricity generators and more than 800 pieces of equipment to repair lines damaged by Russia, including high-voltage transformers and welding equipment, the commission said.

The number and length of power outages across the country have increased as temperatures plunged below zero and the first snow fell in several regions. Additional reporting by Sam Fleming in Brussels

Refugees. Asylum claims

Europe struggles with fresh migrant influx

Arrivals rise with end of Covid curbs, adding to pressures from Ukraine war displacement

SAM FLEMING — BRUSSELS
GUY CHAZAN — BERLIN

It took Shafiqullah Sadat almost 10 months to reach Belgium from Afghanistan, which he fled fearing Taliban persecution. His fate since lodging his application for asylum six weeks ago has been to join the swelling ranks of thousands of homeless migrants in Brussels.

"Everywhere I go there are people sleeping on the streets," said the 27-year-old, who has been living rough near the so-called Petit-Château, the federal authority in charge of refugee reception. "I never imagined it would be so hard."

The number of asylum applications is growing across Europe. As of August, applications in the EU, plus Norway, Switzerland, Iceland and Liechtenstein, were up 58 per cent this year compared with the same period in 2021, to 578,875, according to the bloc's asylum agency.

The surge, which is thought partly to reflect the easing of Covid-era travel curbs, is on top of the arrival of millions of Ukrainian refugees, whose applications are dealt with under a separate system. Among those fleeing Russia's invasion are counted, the number seeking protection in Germany alone is 1.1m, just short of the total that arrived during the 2015-16 Syrian refugee crisis.

The influx is stoking fears of a repeat of the divisions between EU member states six years ago over burden-sharing and asylum policy and is placing strains on cities seeking to house the arrivals.

Tents and sleeping bags have become a common sight along the canal in central Brussels, as well as in underpasses and railway stations, as some asylum seekers are forced to wait months for shelter after lodging applications.

"The reception system is completely overwhelmed," said David Vogel of Médecins Sans Frontières, the health charity, in Belgium.

Poor health conditions, including outbreaks of scabies and diphtheria, have prompted MSF to take the unprecedented step of setting up an emergency clinic outside the government building in Brussels that processes applications, where earlier this month, Vogel described the medical situation as "dire".

In Germany, towns are rushing to set



Displaced: Afghan refugees await processing at Ramstein air base in Germany in 2021. — Oliver Douliery/AP/Getty Images

up shelters and convert gyms and hostels. Helmut Dedy, head of the Deutsche Stadttag, the Association of German Cities and Towns, said this month: "The absorption capacity in many cities is exhausted." Municipalities were running out of school places and "integration courses" for adults, he added.

Berlin said its shelters were all full to bursting, with 1,600 asylum seekers and 1,200 Ukrainian refugees still waiting for places. It is planning to pitch tents, each able to house 400, in the former Tegel and Tempelhof airports.

Lioba Hebauer of the Federal Migration and Refugees Agency, linked the rising numbers to political and economic pressures in host countries as well as the "catch-up effects" of Covid-related restrictions being lifted.

The bleak reception for many contrasts with the EU's handling of the influx of Ukrainian refugees earlier this year. While members were praised for their rapid response to the millions who fled Russian president Vladimir Putin's invasion, tensions over migration have begun to spill over at an EU level again.

Giorgia Meloni, Italy's rightwing prime minister, who refused to let a ship of 231 migrants rescued from the Mediterranean dock at an Italian port, has depicted unchecked irregular migration from Africa and Asia as a threat.

She has complained it is unfair for Italy to bear the burden of accommodating and processing the asylum seekers, even for many of them, the country

'Given the high influx of refugees we have to admit that we are hitting our operational limits'

is simply a gateway to the rest of Europe. The European Commission yesterday outlined a plan to reduce "irregular and unsafe migration" ahead of a meeting of home affairs ministers on Friday.

Meanwhile, the Belgian government is subject to two rulings from the European Court of Human Rights over its failure to provide accommodation.

"We will do everything in our power to fulfil our international obligations to operationalise emergency shelter as soon as possible to offer protection to those in need, but given the high influx of refugees we have to admit we are hitting our operational limits," said an official of Nicole de Moor, Belgian secretary of state for asylum and migration.

Belgium was dealing with "exceptional circumstances", she added, including a shortage of personnel to staff the housing centres for asylum applicants, a lack of suitable accommodation, and local authorities' reluctance to open centres, given the need to house 60,000 Ukrainian refugees.

Fedasil, the government agency for asylum seekers, said the country was trying to bolster capacity, including by opening two temporary reception centres to house 500 each. The Brussels region plans to add 1,200 emergency reception places inside its network of homeless shelters, it said.

However, Vovaach Helpdesk, a pro-bono legal aid initiative of law firms, estimates that at least 4,000 asylum seekers in Belgium need shelter.

Cécile Ghymer, a lawyer with law firm DNH Legal, who represents young asylum seekers, said that given the paucity of accommodation available, even children, traditionally given top priority, were sleeping rough. Registered asylum seekers have a legal right to accommodation no matter their age, she said, but "it's dramatic and dangerous for children to be on the street".

One morning earlier this month, Belgian police dispersed scores of people who had slept outside the immigration centre in a bid to start their claims for international protection. Within minutes they were queuing again as they prepared for another overnight wait.

"You can feel the stress," said Nathan Torrini, director at Serve the City, a charity that offers breakfast to asylum seekers. "The government showed with the Ukrainian refugees that there's a better way than this."

Additional reporting from Amy Kazmin in Rome

Western Balkans

Kosovo delays crackdown on Serbian car plates after US drive

MARTON DUNAI — BUDAPEST
HENRY FOY — BRUSSELS

Kosovo has bowed to US pressure and agreed to continue talks with Serbia, as western concern grows over Pristina's plan to crack down on ethnic Serbs who refuse to accept its jurisdiction.

Thousands of ethnic Serbs have refused to switch Belgrade-issued licence plates on their cars to ones issued by Kosovo.

fired shots at Kosovo police. A summit in Brussels to resolve the plates issue ended on Monday without a compromise, a failure EU foreign policy chief Josep Borrell mostly blamed on Kosovo.

Serbian president Aleksandar Vučić was ready to stop issuing and renewing licence plates in Kosovo, but Kurti refused to delay fines issued to ethnic Serbian drivers, diplomats said.

"Both bear full responsibility for the

find a solution during the next two days".

The growing antagonism and lack of a peace deal is hampering the Balkan neighbours' ambitions to join the EU.

The EU statement marked a shift in tone by directly criticising Kurti. Vučić has clashed with EU leaders for his hardline stance towards Kosovo and his ties with Russian president Vladimir Putin, but he left Monday's talks

Kurti said he saw the licence plate deal as inalienable from a broader proposal by France and Germany that has been adopted by the EU. The plan for a lasting peace deal contained language that acknowledged an independent Kosovo entity, but Kurti complained that the EU abandoned that proposal.

"This [deal] is not acceptable if it is not accompanied by what we were invited for that is the acceptance of...

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ON THIS PAGE: THE TENSIONS THREATENING TO UNDERMINE STABILITY IN THE WESTERN BALKANS.

Brussels, the main negotiator in the stand-off, is becoming increasingly anxious over the potential fallout should Kosovo prime minister Albin Kurti keep opposing a compromise deal.

"They are playing with fire," pointed out one EU diplomat. "We cannot allow for another crisis in Europe. It cannot happen."

Kosovo declared independence in 2008, a move recognised by most western nations, but Belgrade still considers its former province part of Serbia and issues Kosovo Serbs IDs and licence plates among other services. Serbs in Kosovo have erected barricades in protest several times in recent years and

failure of the talks today and for any escalation and violence that might occur," Borrell said. "We put forward a proposal that Vučić accepted today while Kurti did not... This sends a very negative political signal."

As yesterday's 8am deadline for when Kosovo was set to start imposing fines on non-compliant drivers loomed, the US expressed disappointment and asked Kurti to delay the deadline by 48 hours to allow for more talks.

Ned Price for the state department said Kurti and Vučić "will need to make concessions to ensure that we do not jeopardise decades of hard-won peace in an already fragile region".

Kurti tweeted yesterday he was "happy to work with the US and EU to

find, but the EU's military is still appearing the more conciliatory.

"We acted responsibly and rationally, believing it is terribly important to do our best," Vučić said.



Cover-up: A Kosovo car's registration plate is covered with a Serbian sticker

commit to a final agreement for full normalisation of relations. In the proposal they brought... there was even a deadline of March 2023. Borrell practically gave up on this deadline."

Brussels disputed Kurti's comments. "Every allegation that the EU is giving up on its proposal on normalisation of relations between Kosovo and Serbia is not true," the EU said yesterday.

"The EU continues to fully support this proposal and encourages parties to agree on the text once they are ready to prove to the international community that they are ready to move towards a European solution."

Nato secretary-general Jens Stoltenberg warned against any escalation. Nato has 3,700 UN troops in Kosovo.

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INTERNATIONAL

Football takes centre stage as Qatar battles World Cup teething troubles

Action on the pitch has distracted from high-profile logistical problems that have delayed fans



'Instead of being in the town square, you're in a pub on the second floor of a hotel'

Salem al-Dawsari, second from left, celebrates after scoring Saudi Arabia's second goal to defeat Argentina. Below, a Mexico fan outside a stadium

JOSH NOBLE — DOHA

It was day three of the Qatar World Cup before the first real talking point emerged — at least when it comes to the football — Argentina, second favourites for the tournament, suffered a humiliating defeat against Saudi Arabia, one of the lowest ranked teams.

"We expected to lose three or four to zero," said Thamer Jamal, a Saudi chemist who with his brother had driven over the border to watch the game in Doha. "Those last few minutes" — with the Saudis holding a precarious 2-1 lead — "I've never been stressed like this in my life."

Unable to secure tickets for yesterday's game, the pair made their way to FIFA's official fan festival, held on a patch of open tarmac between Doha's seafarers and the skyscrapers of West Bay. A few thousand spectators had gathered for the lunchtime kick-off, including Asian migrant workers wearing blue and white replica Argentina shirts emblazoned with the name of that country's star player, Lionel Messi. They would leave disappointed.

The festival is meant to be a focal point for those visiting Qatar but not attending matches — and a chance to address the pre-tournament complaint that this World Cup, held in a country with no football tradition, would be lacking in atmosphere.

The open venue, which can hold 40,000 people, mixes game screenings with musical performances



and food stalls. During the opening game, the festival attracted such a crowd that riot police were deployed to help keep control.

But not everyone has been impressed with what Qatar has to offer visitors. "I've been to a lot of fan fests, and this is pretty quiet," said Robert Kennedy, a US marketing executive who has been to six of the past seven World Cups.

"In Brazil, we went to the Amazon, and in South Africa, we went to a game reserve. It's early days, but it's just not the same," he added.

The atmosphere was one of the chief concerns ahead of the tournament, with many worried that high prices, limited public space and a lack of alcohol would also stymie the carnival feeling of a traditional World Cup.

The football vibe, surprisingly, can be found on Doha's gleaming new Metro system, where fans from all 32 countries can rub shoulders and exchange stories as they shuttle to and from matches. Unlike all previous World Cups, every game at Qatar 2022 is taking place in the environs of one city, Doha, condensing a fan base that would typically be spread out over thousands of miles.

The last-minute decision by the organisers to ban beer sales in fan zones outside stadiums — announced 48 hours before Sunday's opening game — has made already limited access to alcohol even more restricted. Fans can still buy beer at the fan festival, but

only after 7pm, and at a few other locations in the city, such as five-star hotels. There have been some high-profile early logistical problems. The digital ticketing system ran into trouble ahead of England's opening fixture against Iran, resulting in thousands of ticket holders missing kick-off. The problems recurred later on Monday when Wales faced the US. FIFA said it was "working on solving the issue", and advised fans to seek support outside match venues.

Some Wales fans also complained after security guards demanded they remove rainbow-coloured hats, a reminder of the sensitivity around LGBT rights in Qatar. The former Welsh international footballer Laura McAllister said she had been told to take off her rainbow hat because it was a "banned symbol". She told *ITV news*: "They were insisting that unless we took it off we weren't going to be allowed into the stadium."

Earlier that day, a host of European teams had been forced to ditch plans to wear rainbow-themed armbands during their opening fixtures following threats of punishment for players from FIFA.

Ashley Brown from the Football Supporters' Association, which represents England and Wales fans at the tournament, said the opening few days had been "positive overall". Most fans had "settled in pretty well", with transport running smoothly and accommodation generally up to scratch.

Ticket problems were concerning, he said, but should be resolved once the technical issues had been addressed. The thing that may not improve is the general feel of the tournament.

Germany Sponsor pulls out over Fifa's armband stance

German retailer Rewe Group suspended its partnership with the country's football association yesterday after Fifa was accused of barring the wearing of rainbow-themed armbands at the Qatar World Cup.

The supermarket chain called the stance by the sport's governing body "scandalous" after European teams including Germany ditched plans to wear the "One Love" armbands promoting inclusion, citing pressure from Fifa. Homosexuality is illegal in Qatar and Fifa made it clear that captains would receive yellow cards for wearing unapproved armbands.

"Fifa's scandalous stance is totally unacceptable to me as the CEO of a diverse company and as a football fan," Rewe said.

The German Football Association and Fifa did not respond to requests for comment.

Rewe said it had planned to end its partnership when its term concluded at the end of this year, but had moved to suspend the agreement in light of Fifa's prohibition on player armbands.

It said it "feels called upon to clearly distance itself from Fifa's position", but wished the German team success in the tournament. Samuel Agini and Sara Germano

"Fans are finding places to go and have a drink and enjoy watching the games," Brown said. "But the atmosphere is lacking. We don't have that street vibrancy you'd typically have at a tournament — I think that's going to be missing here."

Atmosphere inside stadiums has also been mixed. The opening game between hosts Qatar and Ecuador began with a packed crowd inside al-Bayt stadium, a brand new 67,000 seater venue in the middle of the desert designed to look like a tent. But after half time, the crowd of mainly Qataris — men dressed in traditional white robes, women in black — began to disappear with the home side losing 2-0. With 10 minutes remaining, the stands were virtually empty.

The official attendance at Senegal's game against the Netherlands in al-Thumama stadium on Monday was just below 42,000 — close to the 44,400 capacity. But television viewers could see that rows of seats were left empty.

"I'm not sure what I was expecting," said Ryan Harry, a Wales fan. "The atmosphere has been good to be fair."

He and three friends had flown in to Qatar to watch Wales' first appearance at a World Cup since 1958 but would otherwise be following the football from the Rose & Thistle pub inside Doha's Horizon Manor Hotel. "We've had no problems with alcohol — we've found plenty of places."

Lewis Mitchell, another Welsh supporter, said Qatar might be different to previous World Cups, but it was still fun. "Instead of being in the town square, you're in a pub on the second floor of a hotel," he said.

Janan Ganesh See Opinion

Property market

Hong Kong loses title for peak retail rent to New York

CHAN HO-HIM — HONG KONG

Hong Kong has lost its crown for having the world's priciest retail district by rent to New York, after the city's economy was hit by visitor restrictions and strict Covid measures as part of its slow recovery from the pandemic.

Manhattan's upper Fifth Avenue is now the most expensive street globally for luxury shopping, according to the first survey since 2019 by Cushman & Wakefield, commercial property consultant. Hong Kong's Tsim Sha Tsui (TST) district in Kowloon ranks second.

London's New Bond Street slipped behind Milan's Via Monte Napoleone, ranked as the fourth and third priciest districts in the world respectively.

"There was a marginal decline during Covid for [New York City] but that has subsequently rebounded over the past year or so, [with] a bit of rental strengthening," said Dominic Brown, Cushman's global head of demographic insights.

Average annual rents for upper Fifth Avenue shops stood at \$2,000 per sq ft in the third quarter, a 14 per cent surge compared with pre-pandemic levels. Average rents in TST fell 41 per cent to \$1,436 per sq ft over the same period.

While the west has opened up, Hong Kong still requires masks and several Covid tests for visitors after arrival. It has also lost tourists from mainland China, put off by a five-day quarantine rule still in place upon their return.

Tony Lo, head of the Midland estate agent's commercial property branch, said the monthly rent of one 7,700 sq ft luxury outlet in TST had fallen 70 per cent since 2019 to HK\$200mm (\$25.6mm).

"There was a marginal decline during Covid for [New York City] but that has rebounded"

Hong Kong's retail sales fell 1.6 per cent in September compared with the previous month, according to official data, while US retail sales saw a 1.3 per cent month-on-month increase in October despite inflation concerns.

Via Monte Napoleone recorded a 9 per cent rise in average retail rent against pre-pandemic levels. New Bond Street and Paris's Avenue des Champs-Élysées, ranked the world's fifth priciest district, saw average rents softening by 11 per cent and 18 per cent respectively.

In mainland China, Shanghai's West Nanjing Road is ranked the globe's 10th most expensive district, supported by "strength of domestic consumption" despite the rolling lockdowns and Beijing's zero-Covid policy, said Brown.

Across all global prime locations, retail rents fell on average 6 per cent compared with pre-pandemic figures. The Asia-Pacific region was the most negatively affected, with an average 12 per cent dive, while the US was the least, recording a 25 per cent average increase across the country.

The report's findings are based on proprietary data from Cushman, tracking top luxury retail streets in 92 cities and ranking the most expensive areas by their prime rental value.

Inflation

Austrian bank head backs 0.75 point ECB rise

MARTIN ARNOLD — VIENNA

World Bank. "It would tell businesses be necessary as earlier increases meant

Interest rates

Spain to give more than 1mn mortgage relief

BARNEY JOPSON — BARCELONA

as those with an annual income of less

The 12-month Euribor rate as of

The European Central Bank needs to maintain the pace of rate rises at its next vote to convince the public that policymakers are "serious" about taming inflation, said Austria's hawkish central bank chief.

Robert Holzmann, head of the National Bank of Austria and member of the ECB's governing council, backed a third straight 0.75 percentage point rise in the deposit rate at the next rate-setting meeting in mid-December. The move would raise benchmark borrowing costs to 2.25 per cent.

His comments underline the potential for a clash at the next vote, with policymakers split between keeping up the pace and switching to smaller increases on the back of signs of a recession.

Holzmann told the Financial Times that he could "see no signs that core inflation is reducing" in the eurozone and he expected only a "flattening out of growth, or a mild recession", rather than a deep downturn in the 19-country bloc.

Another big rate rise "would give a strong signal about our determination", said the former economics professor who worked for several years at the

and trade unions we are serious so don't underestimate us, he cautions.

Inflation in the eurozone hit a record of 10.6 per cent in the year to October, reflecting soaring energy and food prices following Russia's invasion of Ukraine.

Economists expect the headline rate of inflation to fall next year, though core

Some European politicians have started to warn the ECB not to raise rates too high

prices, excluding energy and food, rose 5 per cent last month and are likely to keep rising well above the ECB's 2 per cent target.

Holzmann said he was still "open to changing my mind" based on the ECB's new quarterly economic forecasts, out at the same time as next month's meeting on December 15.

Philip Lane, the ECB's chief economist and one of its more dovish rate-setters, said in remarks published on Monday that 75 basis point rises may no longer

that its benchmark deposit rate, now 1.5 per cent, was close to the point where it no longer supported growth. "The more we've already done, the less we need to do," Lane told Market News.

However, Boštjan Vasle, Slovenia's central bank head, said the ECB should keep raising rates "even into the territory where monetary policy won't be just neutral, but will become more restrictive".

Some European politicians have started to warn the ECB not to raise rates too high. Last month, Giorgia Meloni, Italy's prime minister, said that tighter monetary policy was "considered by many to be a rash choice", while Emmanuel Macron, France's president, warned that he was worried about central banks "smashing demand" to tackle inflation.

Holzmann said interest rates could have to rise to the point where they "caused pain", but added "hopefully it won't come to that".

It was important to raise rates "early" to stop businesses and households betting that high inflation would endure. "Afterwards the pain is much, much larger," he added.

Spain has moved to reduce the impact of higher borrowing costs on the most vulnerable mortgage holders by approving a package of relief measures.

After weeks of talks between the government and banks, the cabinet yesterday authorised measures that it said would help more than 1m households, including a cut in interest rates for a five-year grace period.

The moves make Spain one of the first eurozone countries to cushion the blow of rising mortgage costs driven by aggressive rate increases in the battle to tame record-high inflation in the region of 10.6 per cent. The European Central Bank has raised rates by 2 percentage points so far this year.

Nadia Calvino, deputy prime minister and economy minister, said: "Now is the time to pull together and help families who may be affected."

Spain is especially vulnerable to the ECB's rate rises because about three-quarters of its mortgage holders have variable-rate loan contracts linked to its monetary policy, although they are generally adjusted only once a year.

The most vulnerable families, defined

than €25,200, will be able to reduce their interest rates to Euribor minus 0.1 percentage points under the proposed measures.

Many mortgage holders pay 1 percentage point above Euribor, an inter-bank rate that anticipates ECB moves. The economy ministry said a family with a mortgage of €120,000 and a

monthly repayment of €524 tied to recent ECB increases would have it cut in half to €246.

Borrowers will also be able to extend the life of their loans by up to seven years under the planned changes, which involve reforms to an existing code of good practice for the mortgage market.

But ADICAE, a consumer group, noted that extending the duration of mortgages would result in borrowers paying more interest in total – even though their monthly payments fell.

The relief package is aimed at families who are struggling with higher costs after interest rate rises

November 18 stood at 2.84 per cent, while the ECB's main deposit rate is 1.5 per cent. The ECB is expected to increase the cost of borrowing again in mid-December.

The economy ministry said the "final details are still to be finalised" in its talks with banks and trade associations. Yolanda Diaz, a deputy prime minister, said there was "substantial room for improvement" in the proposal. Onur Genç, chief executive of BBVA, the bank, said: "We are still working on it."

José Antonio Alvarez, chief executive of Santander, said the outstanding issues were mostly "technical" but could have an impact on banks' loan loss provisions and use of capital.

Families in a higher income bracket, with earnings up to €29,400 a year, will be able to freeze the size of their monthly repayments while benefiting from the seven-year loan extension.

In addition, Spain will eliminate fees for the early redemption of loans and for converting floating-rate mortgages to fixed-rate products.

The measures are voluntary but ministers have been firm in saying that they expect lenders to follow them.

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FINANCIAL TIMES

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INTERNATIONAL

Pandemic

China extends curbs amid Covid surge

Large parts of economy locked down as Beijing maintains tough measures

FT REPORTERS

Covid-19 cases in China are surging towards record highs, forcing officials to again lock down large swaths of the country.

The world's second-biggest economy reported almost 28,000 new cases yesterday, with outbreaks in Beijing, the southern manufacturing hub of Guangzhou and the south-western metropolis of Chongqing.

The country's battle to suppress the virus has battered the economy, disrupting global supply chains and threatening world growth.

Almost three years after Covid first hit the city of Wuhan, vaccination rates

among vulnerable sections of China's population lag behind those in many more developed countries, while its continued use of lockdowns as a primary method of disease control has made it an international outlier.

Officials in Beijing shut most non-essential businesses in the city's largest district, Chaoyang, which has a population of 3.4m, and have closed restaurants and other entertainment venues in much of the city, while telling residents to work from home.

"China is seeing a record level of lockdowns," said Ting Lu, chief China economist at Nomura. "It is even a bit worse than during the [spring] Shanghai lockdown because so many cities are partially locked down."

The bank estimates that Covid restrictions have hit areas responsible for one-fifth of gross domestic product. The Shanghai lockdowns slowed eco-

nomics growth in the second quarter to a 0.4 per cent rise from a year earlier. Retail sales across the country declined 0.5 per cent in October and industrial output remains subdued.

The worsening outbreak and increasingly tough measures come despite demands from Beijing less than two weeks ago to ease up on Covid controls, which sparked a rally for Chinese stocks. Growing case loads have since weighed on market sentiment as traders, once hopeful for an economic boost from reopening, become more concerned about intensifying disruption from the lockdowns.

China's CSI 300 index of Shanghai- and Shenzhen-listed shares was flat yesterday and has fallen more than 2.5 per cent since last week's optimism-driven high over reopening. The benchmark index is down about a quarter in the year to date.

'It is even a bit worse than during the Shanghai lockdown because so many cities are partially locked down'

Ting Lu, Nomura

Beijing's Centre for Disease Control and Prevention said the capital faced "the most complex and challenging" environment since the start of the pandemic, while the city's top official reaffirmed the country's zero-Covid policy. "We must resolutely win the war of pandemic prevention and control, win the blockade battle and the battle of annihilation" of Covid, Yin Li said in remarks published by state media.

Rising cases have required a growing number of apartment blocks in Beijing to be quarantined, putting local officials and residents under stress. An official in Shilipu said he and nine colleagues were struggling to serve more than 7,000 households under home quarantine.

Reporting by Ryan McMorrough and Nian Liu in Beijing, Sun Yu in New York, Gloria Li, Hudson Lockett and Primrose Kiordan in Hong Kong
See Lex

GLOBAL INSIGHT

BRAZIL

Michael Stott



Latin American voters prove unforgiving with their leaders

On January 1, Luiz Inácio Lula da Silva will join one of the world's most demanding clubs. As Brazil's president-elect, he is the latest opposition politician to win office in a region whose combination of vibrant democracy, strong civil society and dire economic and social problems makes a successful presidency a daunting challenge.

Latin America's longstanding problems of poverty, inequality, corruption and economic stagnation have been magnified by the Covid-19 pandemic. Voters have been unforgiving. Jair Bolsonaro's defeat last month by Lula marked the 15th victory in a row by an opposition party in a Latin American election.

The only leaders in the region who could be confident of re-election now would be those controlling a system that could guarantee the result in advance: Cuba, Nicaragua and Venezuela. For other aspirants to high office, the endorsement of a sitting president amounts to a kiss of death (with the exception of Mexico, whose populist president is likely to pick a successor who will win).

Lula's election has been wrongly understood by some as signalling a return of the "Pink Tide" of leftwing Latin American governments that ran the region in the early years of this century. This time is different.

While most incumbents who lost recent elections were conservatives, "it is not about voters realising they are leftists, because we have found that they are not", said Shannon O'Neil, senior fellow for Latin America at the Council on Foreign Relations in New York. "They are just angry with what the last four years have brought them. It is frustration with the system,

frustration with the economy, with lack of opportunity and with Covid."

Eager to turn out incumbents and despairing of traditional politicians, voters have propelled some unlikely figures from the fringe to high office. Rural primary school teacher Pedro Castillo in Peru is a prime example, but former urban guerrilla Gustavo Petro in Colombia and tattooed ex-student leader Gabriel Boric in Chile fit the pattern too.

Their honeymoons have been short. After 100 days in office, fewer than half of Colombians approved of Petro's performance. Boric's approval rating after eight months has plunged to 35 per cent. Castillo is faring even worse, as he fights corruption investigations and repeated attempts to impeach him. His approval rating is just 16 per cent.

Amid the hand-wringing over the challenge to Latin America's vulnerable democracies from populists, outsiders and authoritarians, Brazil offers a sign of hope from a political cycle that is running several years ahead of its neighbours. Brazil's street protests against poor public services and inequality came in 2013, six years before Chile and Colombia, and it elected a populist president in 2018. But this time round, despite frustration at poverty and high food prices, voters did not repeat the experiment.

Instead, Brazilians picked Lula, a one-time radical who governed as a moderate from 2003-10. This time, he led a broad pro-democracy coalition of 10 parties, including prominent figures from the centre and centre-right aligned by Bolsonaro's tirades against the supreme court and the voting system and his praise of past dictators.

"The threat which Bolsonaro represented to institutional stability outweighed the reservations which some people may have had about Lula," said Bruna Santos, senior fellow at the Wilson Center's Brazil Institute. "Part of Brazil's urban elite seems now to accept the moderate Lula who we saw in this year's elections."

It is unlikely in today's more difficult global environment that Lula can repeat the feat of his first two terms, when he was helped by a booming economy. And Bolsonaro remains a potent political force, with strong representation in congress. O'Neil said that if Lula failed to address voters' demands, "I would expect a turn again to the outside, to very anti-establishment radical populism."

Indonesia Quake death toll increases

The death toll from an earthquake that struck an Indonesian city 100km south of Jakarta has risen to 162, with more than 500 injured, according to West Java governor Ridwan Kamil.

The quake, which struck one of Indonesia's most densely populated provinces on Monday, has left 13,400 homeless. At least 3,250 homes have been damaged, the Indonesian Red Cross said.

Indonesia's meteorological, climatological and geophysical agency said the quake was at a depth of 10km with an epicentre about 10km south-west of Cianjur, pictured, a city of 175,000 people.

Authorities said they feared some people might be trapped in remote areas. The governor warned that the number of casualties would rise with rescue efforts hampered by aftershocks. William Langley and George Russell



Aditya Agni/AFP/Getty Images

Middle East

Iran steps up nuclear enrichment in riposte to watchdog

NAJMEH BOZORGMEHR – TEHRAN

Iran has announced an expansion of its nuclear enrichment programme, in a provocative response to a rebuke by the UN's watchdog over the alleged existence of undeclared nuclear sites.

The head of the Atomic Energy Organization of Iran said yesterday it had added the underground Fordow facility to the list of sites where it was enriching uranium to the 60 per cent purity level, just below weapons grade.

This followed a resolution by the International Atomic Energy Agency's board last week calling on Iran to co-operate over uranium traces found at three undeclared sites.

make Iran change its approach," said Muhammad Islami, who heads Iran's nuclear programme, referring to the IAEA statement. "For this reason, we started enriching uranium at Fordow."

The escalation comes as Iran faces international criticism for its crack-down on protesters over dress codes, and the alleged sale of missiles and drones to Russia that are being used to attack Ukrainian cities.

Iran has insisted its nuclear programme is purely for peaceful purposes, although experts say uranium enrichment to 60 per cent is a step away from weapons-grade levels of 90 per cent. Tehran has also said that allegations about its nuclear activities had been

'We had warned before that political pressure and resolutions would not make Iran change its approach'

the US in 2015 and could not be reopened. Iran's past activities were glossed over as part of the deal that helped curb its nuclear programme in return for lifting most US sanctions.

But after the US, under then president Donald Trump, withdrew from the accord in 2018 and imposed sanctions, Iran rolled back its commitments without officially walking out of the deal. A year later it restarted enriching uranium while installing advanced centrifuges. The 60 per cent level was reached in April 2021. The IAEA said this month that Iran had an estimated 62.3kg of uranium enriched up to 60 per cent, causing concern in western capitals.

US president Joe Biden has pursued a

under EU mediation, have stalled since August.

John Kirby, a spokesperson for the US National Security Council, said yesterday that the White House was watching Iran with "great concern", adding: "We're going to make sure... all options are available to the president. Nothing has changed about our policy. Iran will not be allowed to achieve a nuclear weapons capability."

Western diplomats say sitting at the table with Iran will be next to impossible if the Islamic republic continues to violently suppress anti-regime demonstrations, in which more than 200 people, including 30 children, have been killed, according to Amnesty International.

"We had warned before that political pressure and resolutions would not

addressed in its accord with China, France, Germany, Russia, the UK and

revival of the 2015 deal but indirect talks between Tehran and Washington,

Additional reporting by Lauren Fedor in Washington

michael.stott@ft.com

Latin America. Climate change

Drought stunts Argentina grain production and imperils fragile economy

Three-year dry spell has led to sharp cuts in wheat export estimates at time of global need

DAVID FELIBA — BRAGADO, ARGENTINA

Walter Malfatto, 59, lays back on a chair at his ranch, arms crossed as he stares through a window. Clouds are forming but the hopes of what they may bring grow fainter by the hour.

"It's not going to rain today," he said, resigned to another dry day. With his wife, Malfatto farms 770 hectares in Bragado, 220 kilometres south-west of Buenos Aires in Argentina's rural heartland. "This time of the year, I should be up in the air taking care of my crops," he said, referring to his crop duster. But the operation is at a standstill. Harvesters and seeders are stowed, and the spray plane remains in the hangar.

"It's been almost five months now with little to no rain. Not even my dad, who is 86, remembers anything like it." This year, he lost his entire wheat harvest because of the drought, he said, and

feared a similar fate for corn and soy, which he would not sow until it rained. "I am not taking chances any more."

In areas of the Pampas, a vast, fertile swath of land that is the lifeblood of Argentina's agricultural economy, there are many cases such as Malfatto's. Several farmers reported losing their crops to dry weather, which has lasted three years and grown particularly damaging this year. This puts the country's ability to supply global food markets at risk and adds pressure to a fragile economy.

The country is a top operator in the global food market. Last year, Argentina's produce accounted for 8 per cent of global wheat exports, 18.5 per cent of corn exports and 40 per cent of exports of soyabean oil and meals.

It produced 22.15mn tonnes of wheat in the 2021-22 season, of which 16.25mn were exported, almost as much as Ukraine's 18.8mn. But the widespread effect of the drought this season has led to sharp cuts in estimates. The US Department of Agriculture now expects production of 15.5mn tonnes, while local exchanges forecast 11.8mn.

"The sector is preparing for one of the

worst crop years in the last 20 years," said Cristian Russo, an agronomist at the Rosario stock exchange. "Water reserves are like fuel for these crops, and we are starting the crop year with an empty tank."

Earlier this year, president Alberto Fernández touted the country's agribusiness exports as a potential solution for the world's food problem.

But in many cases, poor-quality wheat is thrown out or fed to animals,

while dry weather delays planting of other critical crops.

"Argentina's wheat harvest is now beyond recovery," said Enrique Erize, who leads agro consultancy firm Novitas. "What is now at stake is corn and soy. And the outlook is not good."

For three consecutive years, the country has faced unusually dry conditions associated with a triple "La Niña" effect. The global climate pattern is defined by strong winds that blow warm Pacific

Ocean water away from South America, resulting in drier, cooler weather.

Farmers are frustrated about a lost opportunity to serve global markets. "Those chances are gone," said Fernando Rivara, who farms in Buenos Aires province and is president of the country's federation of grain storage groups.

In addition to the drought, farmers say there is a lack of long-term economic policies to help exports. Chief among their complaints are export levies of 12 per cent on wheat and corn and 33 per cent on soyabeans. In addition, an 80 per cent gap between the official currency exchange rate for exporters and the black market rate deters investment, farmers say.

In September, the government opened a 26-day window for soyabean producers to export boarded stock at a better rate, resulting in huge sales. But this has now closed.

"With a good harvest, the government makes a case for collecting more export levies," Rivara said. "But when farmers lose money, it's like screaming in the middle of the desert."

Finance minister Sergio Massa last

month announced a subsidy of up to 20,000 pesos a hectare for small soyabean and corn producers to spend on seed and fertilisers. "We are facing a unique drought with three years of lower water levels," he said. "This is creating risks and obstacles for us."

The government said even though officials were "aware that a single measure is not enough", they hope it will help farmers to "invest more".

A smaller wheat harvest could be a problem for Argentina's trade balance. According to Fernando Baer, an economist at Quantum consultancy, there is a "high degree of fragility" in the economy as reserves run low. The combination of lower world prices and smaller output will result in a wheat harvest worth \$5.5bn, down 36 per cent from \$8.6bn in the previous season.

In Bragado, Malfatto pulls up barley from the ground, dry earth sliding from his hands. He has 70 tonnes of soy seeds ready. "We believed this season was going to be an opportunity. But despite everything, I have more faith in climate than in our own governments."

Martin Wolf See Opinion



Trying times: wheat grain is unloaded in Bragado, Argentina — Sarah Rabot/Bloomberg

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THERE IS ETERNITY
IN EVERY BLANCPAIN

3.8 fms

15 fms

70th

Fifty Fathoms

70th anniversary

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Iger's encore 'It says something at Disney that there's such a dearth of internal talent that there's no one else . . . ' PAGE 9

Companies & Markets

Fund chiefs cite regulatory tweaks for ESG downgrades

- European managers unclear on rules
- Big groups reclassify green products

ADRIENNE KLASA — LONDON

Europe's top asset managers are downgrading ESG funds holding tens of billions of dollars of client money that had been badged at the highest level of sustainability but have come under increasing regulatory scrutiny.

The asset managers say that confusion over new EU sustainability rules has forced changes, arguing that guidance issued by European officials has failed to provide the industry with a clear definition of sustainability.

The downgrades come as the environmental, social and governance sector faces criticism and accusations of green-

'We would have liked a clearer definition . . . there are as many definitions as there are asset managers'

washing, which have prompted investigations by regulators and law enforcement in the US and Germany. Amundi, BlackRock, Axa, Invesco, NN Investments, Pimco, Neuberger Berman and Deka are among the groups that will reclassify some Article 9 funds — the highest sustainability designation under Europe's Sustainable Finance Disclosure Regulation rubric — to the less demanding Article 8 category.

Amundi has said it will reclassify the majority of the €45bn worth of strategies it holds in Article 9 funds after a Brussels intervention in the summer that set a higher bar for 'dark green'

managers, downgraded a number of passive funds covering \$26bn in assets under management two weeks ago, while Invesco has downgraded five Paris-aligned passive funds.

Netherlands-based NN Investment Partners, which is owned by Goldman Sachs, was among the first to announce its decision to relabel some Article 9 funds midway through the year, according to data provider Morningstar.

Axa has already downgraded more than 20 strategies, but says that it will affect about 50 in total in the near future. 'We would have liked a clearer definition of what is a sustainable fund . . . because now there are as many definitions as there are asset managers,' said Clémence Humeau, head of sustainability co-ordination and governance at Axa.

'These uncertainties are completely shared by clients . . . They are also confused.'

There were more than 1,000 funds, representing 4.3 per cent of all products distributed in Europe, classified as Article 9 as of the end of September, though this number is expected to fall over the next six months, Morningstar said.

The European Commission's July guidance raised the bar to qualify as an Article 9 product by saying that these funds must not only prioritise making ESG impacts but all issuers in the funds must be considered sustainable.

Less than 5 per cent of Article 9-badged funds currently target sustainable investment exposures of between 90 and 100 per cent. And only 25 per cent have achieved a 100 per cent

In tune Outgoing Warner Music chief ends on a high note with sales approaching \$6bn



Warner's revenues were boosted by sales of new releases by artists such as Lizzo — Charles Sykes/Invision/AP

ANNA NICOLAOU — NEW YORK

Shares in Warner Music jumped more than 15 per cent yesterday after the music label behind Lizzo, Dua Lipa and Ed Sheeran revealed it made nearly \$6bn in sales over the past year despite a 'challenging' economic environment.

'It's no secret that we've been challenged on multiple fronts', outgoing chief executive Steve Cooper told investors, listing market volatility, rising interest rates, the cratering subscription market and inflation as

payments from social media companies, which now send Warner Music \$370mn a year in royalty fees for access to its songs, Cooper said.

As growth on Spotify matures, social media have become the next

'It's no secret that we've been challenged on multiple fronts'

Steve Cooper, chief executive

feared for music companies, which

For the year ending September 30, Warner made net income of \$555mn on \$5.9bn in revenue.

Warner Music's stock has been battered this year alongside other media and entertainment groups, dropping by more than 35 per cent in 2022. Its shares were up 14.9 per cent in afternoon trading in New York.

Cooper, who will be replaced by former YouTube executive Robert Kyncl early next year, left with an optimistic speech to investors yesterday, declaring that 'we are at the doorstep of a new golden age of

Musk delays Twitter Blue relaunch over fraud worries

IAN JOHNSTON — LONDON

Elon Musk has postponed the relaunch of his flagship subscription service, Twitter Blue, in the latest sign of the challenges the billionaire faces in overhauling the social media platform.

The entrepreneur, who bought Twitter for \$44bn last month, said in a tweet he was 'holding off' from launching the product again until there was a 'high confidence of stopping impersonation'.

Musk had planned to restart Twitter Blue on November 29 after its botched rollout earlier this month, which saw its 'blue tick' feature abused by impersonators on the platform.

Musk said on Twitter last night that the subscription service would 'probably use different colour check for organisations than individuals'.

It is the latest development in a tumultuous few weeks for Twitter under Musk's direction, during which he has axed half the company's workforce and prompted the departure of hundreds more last week after urging them to commit formally to 'hardcore' work conditions or take three months' severance pay.

The botched Twitter Blue rollout has exacerbated concerns among brands about whether the platform is a safe place to advertise or post, given Musk's previous pledges to relax content moderation and his move on Sunday to reinstate Donald Trump's Twitter account.

Trump was banned for life on the platform soon after his supporters stormed the US Capitol last year.

Musk identified the launch of the subscription service, which enables paid users to access additional features including a blue tick, as a priority when he took over Twitter. He has pitched 'Twitter Blue' as a way of boosting revenue by charging users \$7.99 a month for exclusive benefits.

Paying users will be given a 'blue tick' — at present reserved for verified companies, politicians, celebrities and journalists — as well as other benefits, including the ability to edit tweets and filter notifications. But Twitter Blue has been plagued with difficulties, with the first iteration withdrawn within days

that set a higher bar for "dark green funds." "The regulation is not bringing enough clarity in terms of definition... which creates strong discrepancies in the market while leaving plenty of grey areas," said Elodie Laugel, head of responsible investing at Amundi. BlackRock, one of the biggest fund

26 per cent have achieved a 100 per cent allocation, Morningstar noted. Global flows into ESG strategies slowed in the third quarter of 2022, while total assets slipped 1.6 per cent to \$2.24tn amid turbulent markets. **Martin Wolf** see Opinion **See Lex**

advertising market, and innovation as examples.

Warner's revenue rose 16 per cent, after adjusting for currency changes, to \$1.5bn in the quarter ending September 30, helped by sales of new releases by Lizzo and others.

The results were boosted by

ironies for music companies, which have struck contracts with groups such as TikTok and Meta to earn royalties every time their songs are played on these platforms.

Net income for the quarter climbed to \$150mn, from \$30mn in the same period a year ago.

doorstep of a new golden age of music".

The company's chief financial officer, Eric Levin, added that consumers will continue to turn to music service subscription services. "We think there's a lot of runway to look forward to," he told analysts.

first iteration withdrawn within days after users abused the system to impersonate high-profile people and brands.

Twitter has also suffered an exodus of executives over the past two weeks, adding to concerns from regulators about its data security and compliance with privacy rules.



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Australian business welcomes signs of a thaw in China relations

BUSINESS INSIDER

ASIA

Nic Fildes



The relief was palpable among Australian business leaders when prime minister Anthony Albanese met China's president Xi Jinping last week at the G20 summit in Bali.

The first bilateral meeting between the leaders of China and Australia since 2016 raised hopes that acrimonious tensions between the countries might be easing, leading to the eventual lifting of trade sanctions imposed by Beijing.

It will be two years this month since China's shock and awe campaign was launched on the Australian economy. That followed a call by former Australian prime minister Scott Morrison for an inquiry into the origins of Covid-19, increasing tensions that had been building since Australia banned Huawei kit from being used in its 5G networks.

Australian wine, barley, lobsters, beef and coal were among the products that were hit by tariffs, some as high as 200 per cent. The government has estimated this has cost the economy about A\$20bn (\$13.3bn) a year. It underlined Australia's economic dependence on its largest trading partner.

Resentment towards Morrison and his administration grew among business leaders who feared the geopolitical brinkmanship had backfired. Chief executives, off the record, would lament that national security concerns, while

paramount, threatened to overwhelm an economic partnership that had not only boosted Australia's terms of trade but was also a mainstay of domestic sectors, including education and tourism.

But the Australian economy proved more resilient than had been feared. Iron ore, wool and gas were not hit by the sanctions, meaning many of Australia's largest companies continued to benefit from exports to China.

The sanctions might also have spurred the diversification of Australian exports. China accounted for 42 per cent of exports in 2021 as the effect of the sanctions started to surface, but fell to less than 30 per cent in August, according to the Australian Bureau of Statistics, amid clear signs of trade expanding across the Association of Southeast Asian Nations region.

The need for such diversification was driven home after Russia's invasion of Ukraine forced Australian companies to sever ties with sanctioned businesses and oligarchs. If Beijing were to invade Taiwan, it would have a catastrophic effect on businesses still reliant on China's markets, if similar sanctions were applied.

Albanese, elected in May as prime minister, was clear that the meeting with his Chinese counterpart was only a first step in improving relations. But the promise of further meetings and his statement that Xi had said the two countries had "highly complementary economies" was a cause for celebration among Australia's business community.

Andrew Forrest, the vocal billionaire behind iron ore miner Fortescue, said the meeting laid "the groundwork for

a much more positive relationship".

Jennifer Westcott, chief executive of the Business Council of Australia, said the resumption of diplomatic relations was "highly important", despite the complexity of the relationship. "That's a very big signal to business. It's a big signal to the rest of the world," she said.

Whether the tentative steps towards a more stable relationship between China and Australia will dismantle the trade barriers remains to be seen. Deliberations around Beijing's desire to join the trade pact known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership could provide further friction points. But the diplomatic freeze has clearly started to thaw.

For some Australian companies, the opportunity for growth in China has been too significant to wait for tensions to ease. One is Bubs, a baby formula company that has grown rapidly on the back of exports to China after an infant formula scandal there more than a decade ago opened the market to its imports. This year it has gone further and formed a joint venture to produce Chinese-labelled goat milk formula.

Bubs company chair Dennis Lim, whose family sent him to Australia from Taiwan when he was 11 over fears China would invade, said the trade tension in the past two years had not deterred its high-risk expansion plan. "If you just sit there and read the tea leaves then you'll never get anything done," Lim said.

If Australia succeeds in convincing Beijing to end the sanctions, then the steady flow of Aussie lobsters to mainland China will no doubt resume. But the experience of the past two years should serve as a warning that a future geopolitically driven clampdown on trade could be even more painful.

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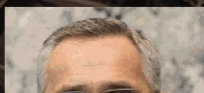
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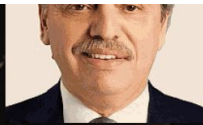
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COMPANIES & MARKETS

Media

Trump Spac investors agree extension

Executives given until September to take former president's group public

ORTENCA ALIAJ AND ANTOINE GARA — NEW YORK

Executives behind a blank-cheque company that plans to take Donald Trump's media business public will have until next September to complete the deal after shareholders finally approved a motion to extend that deadline even as they face scrutiny from federal prosecutors.

Shares in Digital World Acquisition

Corporation, the special purpose acquisition company run by Patrick Orlando, were up more than 9 per cent following the announcement yesterday. The Miami-based businessman, who stands to make hundreds of millions of dollars if the deal is completed, has been working for months to get shareholders to approve the extension.

DWAC will now have until September 8 to complete the deal with Trump Media & Technology Group.

But the deal with TMTG still faces significant hurdles that include investigations by the Securities and Exchange Commission and federal prosecutors as well as a whistleblower complaint that

alleges the companies violated securities laws. US authorities have not spoken publicly about their investigations, and no person or company has been

Deal with TMTG still faces hurdles that include investigations by the SEC and federal prosecutors

accused of any wrongdoing in connection with the Trump deal.

The Spac has spent heavily to get its shareholders, most of whom are retail investors, to vote in favour of granting

the company extra time to win shareholder approval for the deal. DWAC spent more than \$11m in the nine months to September on "formation and operations costs" versus just \$161,297 last year, regulatory filings say.

The spending underscores the heavy financial burden of keeping the much-delayed deal alive.

If successful, the transaction will result in a public listing for TMTG and proceeds of more than \$1bn to pursue its agenda of "cancelling cancel culture" and "standing up to Big Tech". It is uncertain whether the company still stands to receive this sum as its so-called pipe investors, short for "private

investment in public equity", have the right to withdraw from the deal with no penalty, according to multiple sources briefed on the matter.

Investors who had committed \$138.5m to the private placement already redeemed their cash in late September. Some who remain are looking to negotiate far better terms if they were to proceed, the FT has reported.

The future of TMTG relies heavily on Trump, who recently said he plans to run for president again in 2024. The former president's Twitter account was recently reinstated by new owner Elon Musk, but Trump has said he intends to stay on his own platform, Truth Social.

Energy

Enel in €21bn asset sale to cut debt and focus on six core countries

DAVID SHEPPARD — ENERGY EDITOR

Italy's Enel has announced plans to sell assets valued at €21bn as it moves to cut debt and streamline its business to focus on six core countries and the development of renewable energy.

The Italian state-backed utility, one of the world's largest renewables producers, said yesterday it would sell its gas assets in Spain and withdraw from countries including Argentina and Peru to focus on clean energy developments in Europe and the US.

The move comes as the energy crisis in Europe promises to speed up the roll-out of renewable energy sources to try to replace Russian gas, while the US under President Joe Biden has provided ample funding for clean energy projects. But Enel is also looking to reduce debt that is likely to become more costly to finance as interest rates rise.

Francesco Starace, chief executive, outlined that Enel would seek to raise €21bn through the disposals, reducing net debt towards €51bn-€52bn while focusing on "geographies that can add value despite the current challenging scenario, embracing a leaner structure and a more robust set of financial ratios".

The company will also increase its dividend from 40 cents a share to 43 cents between 2023 and 2025.

"The market will say more focus on the US and

Automobiles. Supply chains

Carmakers seek to water down Biden's EV rules

Industry moves to put brakes on White House drive to cut China from US manufacturing

CLAIRE BUSHEY — CHICAGO
AIME WILLIAMS — WASHINGTON

The world's largest carmakers are trying to water down a Biden administration effort to replace Chinese components with US ones in electric vehicle manufacturing as the industry grapples with dependence on battery materials processed overseas.

President Joe Biden's flagship climate legislation, the Inflation Reduction Act,



offers generous tax credits to electric vehicles made in North America. The new rules on the origin of batteries, their components and the critical minerals of which they are made will take effect in phases starting in 2024.

From that year, to qualify for the maximum \$7,500 tax credit under the new law, EVs must not have any battery components made or assembled "by a foreign entity of concern" — a reference to China, Russia, Iran and North Korea. In 2025, those batteries must exclude critical minerals extracted, processed or recycled in the same countries.

Carmakers, however, still depend heavily on minerals processed in China, and they worry they will lose customers for any vehicle not made \$7,500 cheaper by the US government.

While carmakers initially welcomed the new law, companies and their trade groups have been pushing for a loosening of the rules around what counts as a Chinese-owned company, with some advocating for a small amount of Chinese content to continue to be allowed.

"As our industry works to domesticate our supply chain, clarity and guidance on what would constitute a foreign entity of concern is necessary to ensure that joint ventures in critical mineral extraction, processing or recycling will not cause vehicles to be automatically excluded [from the tax credit]," said Christopher Smith, Ford's chief government affairs officer. "Relatedly, clear guidance on the scope of ownership is essential."

Ford, Stellantis and Volkswagen are among the carmakers asking regulators to establish a threshold allowing a small amount of Chinese content in batteries. Volkswagen suggested setting it at 10 per cent or less.

Ford also wants to avoid the foreign entity of concern label for any company



Power moves: a Ford Mustang Mach-E, a model that will have its batteries supplied by China's CATL
Michael Nagler/Bloomberg

organised in the US, regardless of ownership, and for joint ventures that are affiliated with blacklisted countries.

The Michigan carmaker said in July that CATL, the Chinese battery manufacturer, will supply batteries for the Mustang Mach-E car next year and for the F-150 Lightning truck in 2024. The two companies have signed a non-binding memorandum of understanding to explore expanding the relationship.

China has invested in mining critical minerals around the world for the past decade, said Chicago Federal Reserve automotive policy expert Kristin Dziczek. While mineral deposits are mined where they are discovered, the International Energy Agency reports that China controls the processing of 35 per cent of the world's nickel, half its lithium, 60 per cent of cobalt and 90 per cent of rare-earth elements.

Production at all stages of the EV battery supply chain is concentrated in a handful of companies, with the manu-

facture of cathodes and anodes, both crucial components for batteries, dominated by Chinese companies.

A recent IEA analysis found that seven companies were responsible for more than half of global cathode production, with two of the top three being Chinese. The six largest manufacturers of anodes, another critical battery component, are Chinese and account for two-thirds of global production capacity, the IEA said.

The country's dominance means that for carmakers "to switch on a dime to not using any of it is going to be tough", Dziczek said. But representatives for US suppliers are eager to hasten the day when China's battery role is reduced.

Ben Steinberg of Venn Strategies, a Washington lobbying firm representing US battery manufacturers and critical mineral miners, said allowing Chinese content through "loopholes today" would have "long-term implications for the supply chain". "The North American

For carmakers 'to switch on a dime to not using any of it is going to be tough'

industry is interested in setting up shop in our country, and we need to give them every opportunity to do so," he added.

Carmakers, suppliers and environmental groups have until the end of the year to lobby the Internal Revenue Service, when it plans to issue the final rules. The stakes over "arcane accounting rules" are nonetheless high, said Guidehouse Insights analyst Sam Abuelsamid, because carmakers "want to be able to make the EVs as affordable as they can, so they can sell as many as they can".

The US car industry ultimately does want to reshore the supply chain in order to avoid the supply disruptions that have plagued it since last year, Abuelsamid said. It just does not want to move as swiftly as the IRS mandates.

"It's so hard to cut China out of this supply chain," said Chad Bown at the Peterson Institute for International Economics. "In order to do it, you have to use policy instruments that we have never thought about using before."

Europe . . . but there is a focus on some EMs'

"The bulk of this plan is expected to be rolled out by the end of 2023, resulting in a more agile company focused on six core countries" of Italy, Spain, the US, Brazil, Chile and Colombia, Enel said.

Starace said that Brazil, Chile and Colombia remained the emerging markets the company wanted to remain in as they saw "strong growth" there, and said the company was not only going to focus on established regions even as it directs more of its capital towards the US and Europe.

"The market will say less emerging market growth and more focus on the US and Europe, and that's fantastic, but there is a focus on some emerging markets where we think the growth is going to be phenomenal."

The company pointed out, however, that about 90 per cent of its capital expenditure on power generation and retail markets would be deployed in its largest markets which were Italy, Spain and the US, "taking into account the countries' supportive regulatory environments".

Part of the plan involves selling off gas assets during the current high price environment to reinvest the cash in renewables.

The company said that by 2025 it expected group ordinary earnings before interest, tax, depreciation and amortisation to reach between €22.2bn and €22.8bn, compared with projected 2022 ebitda between €19.0bn and €19.6bn.

Group net ordinary income is expected to rise to about €7bn to €7.2bn, compared with a forecast of between €5bn and €5.3bn for 2022.

Technology

India drafts 'very balanced' data protection bill after backlash

JOHN REED — NEW DELHI

India's revamped data protection bill is "balanced" and designed to encourage growth, the country's IT minister said, after the government scrapped a previous draft criticised by technology companies and civil liberties groups.

Ashwini Vaishnaw, minister of railways, communications, electronics and IT, said Narendra Modi's government would seek passage of the draft by the end of the next parliamentary season in April or May 2023.

"We had very extensive consultations with all the stakeholders including the civil society groups, including industry, including the start-up ecosystem," Vaishnaw said. "And this bill is basically an outcome of all these consultations."

India's fitful and protracted efforts to regulate the digital space are being watched closely at home and abroad by companies from Amazon to Walmart-owned Indian retailer Flipkart, as one of the leading countries whose legislation will shape online commerce.

The world's largest democracy, the

country has about 760mn active internet users in a population of 1.4bn, a number the government forecasts will hit 1.2bn later this decade.

In drafting the new law, India says it studied "global best practices," including data protection laws in Singapore, Australia, the EU and the US.

"Since India is one of the major participants in the digital economy, we definitely would like to create a framework which is very much in tune with the times, balances all the stakeholders, and creates a system which helps in further growing the economy," Vaishnaw said. "It's a very balanced bill."

India began deliberations on legislating protection of personal data after a 2017 Supreme Court ruling recognised privacy as a fundamental right in a ruling on a case challenging the government's digital ID system called Aadhaar.

After five years of discussions and consultations, the Modi government withdrew the most recent draft of the bill in May, describing it as unwieldy after it was heavily amended in response to submissions from the public.

The draft published last week is India's fourth.

Civil liberties groups had complained that previous drafts gave government agencies too much scope to access personal data without users' consent.

Facebook parent Meta was among the tech companies that criticised provisions of the legislation, including a

'We definitely would like to create a framework which is very much in tune with the times'

requirement to store personal data locally, which industry lobbyists said were onerous and would hamper the ease of doing business online.

The free movement of data across borders has emerged as one of several contentious issues in negotiations on a proposed free trade agreement between India and the UK, according to people briefed on the talks.

The new draft eases the localisation

requirements, allowing personal data to be transferred outside India to "certain notified countries and territories" where it thinks users' data will be protected.

"The trusted geography should be able to protect Indian citizens' data," where we protect our citizens' data," Vaishnaw said. "That's the fundamental construct."

Arghya Sengupta, founder of the Vidhi Centre for Legal Policy, a think-tank, said the latest draft of the law was "skeletal" in some areas, and would have liked it to offer "greater transparency" on the uses to which companies can put data they collect.

But he added: "I would prefer some law rather than no law . . . Even if this law has some faults, I would rather iron out the creases than start over again."

The Asia Internet Coalition, an industry group whose members include Amazon, Spotify, Google and Facebook, said it was in the process of reviewing the bill, and would make a formal submission in time for a December 17 deadline for public comments.

Financials

Two Estonians face \$575mn charges of fraud in the US

SCOTT CHIPOLINA — LONDON

Two Estonian citizens have been arrested and charged in connection with what US prosecutors described as a \$575mn cryptocurrency fraud and money laundering scheme.

Sergei Potapenko and Ivan Turõgin are accused of defrauding hundreds of thousands of victims, said the US Department of Justice, which unsealed an indictment against them yesterday.

The defendants allegedly induced victims to sign rental contracts for fraudulent equipment with the men's crypto mining service HashFlare. They are also accused of soliciting investments in a virtual currency lender Polybus Bank, which prosecutors said was neither a bank nor paid pledged dividends.

The arrests of both men, aged 37, in Tallinn, Estonia, are the latest indication that law enforcement agencies are becoming increasingly focused on illicit crypto activity across the globe.

"New technology has made it easier for bad actors to take advantage of innocent victims, in the US and abroad, in increasingly complex scams," said assistant attorney-general Kenneth Polite.

Earlier this month, the US secured the conviction of James Zhong, who once held more than \$3bn worth of bitcoin taken from Silk Road, a dark net marketplace that accepted cryptocurrency in exchange for illicit goods.

The indictment against Potapenko and Turõgin claims both portrayed HashFlare as a massive crypto mining operation. Between 2015 and 2019, more than \$550mn worth of HashFlare contracts were set up with customers worldwide. But those contracts were fraudulent, prosecutors have alleged.

HashFlare allegedly did not have the virtual currency mining equipment it claimed to have, and when faced with investors seeking to withdraw funds paid off investors with crypto from the open market, the indictment added.

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COMPANIES & MARKETS

Disney chief Iger will face plenty of drama as he begins his sequel

Streaming is a challenge for returning boss but another will be finding a longer-lasting successor

CHRISTOPHER GRIMES — LOS ANGELES
HARRIET AGNEW — LONDON

As Bob Iger was honing his pitch to the Disney board of directors to select him as the replacement for then-chief executive Michael Eisner in 2005, he sought the advice of a trusted political consultant.

The adviser, Scott Miller, told Iger he could only succeed if he focused on his plans for the future, rather than dwelling on Eisner's mistakes. Iger took the lesson to heart. "I can't do anything about the past," he wrote in his memoir. "[W]e don't get any do-overs."

Now, as Iger assumes the top job at Disney for the second time, following the ousting of successor Bob Chapek, it may be harder for him to avoid do-overs. Iger, who served as CEO until 2020 and chair until January, will be revisiting strategies with which he is intimately familiar.

He will have to take a hard look at Disney's loss-making streaming business, which he introduced to great fanfare in December 2020. Wall Street is also demanding a plan to deal with the rapidly declining television business, a tra-



Banks

SocGen hopes equities arm tie-up will extend reach

OWEN WALKER
EUROPEAN BANKING CORRESPONDENT

French bank Société Générale has agreed to create a joint venture with US investment company AllianceBernstein, with the two financial groups merging their equities research and cash equities businesses.

The deal, announced yesterday, will create a global operator in equities services that SocGen will have the option of buying outright five years after it launches, which is expected to happen by late next year.

The merger has been discussed since last year by Seth Bernstein, AllianceBernstein chief executive, and Slawomir Krupa, head of SocGen's investment bank, who is due to become group chief executive in May.

"What you should expect from me is trying to create value — that's for sure. This is what we are doing here," Krupa told the Financial Times.

Krupa has been handed the task of rebooting the French bank after years of restructurings and underperformance compared with European peers. Under his leadership, the investment

ditional cash cow in which Iger cut his professional teeth. And the board has tasked him, again, with helping to find his successor.

"Iger's return is probably a net positive, as he's generally highly thought of among investors, content creators and consumers," said one of the company's top-10 shareholders. "He was responsible for many of the strategic decisions and acquisitions over the past couple decades that made Disney into what it is today."

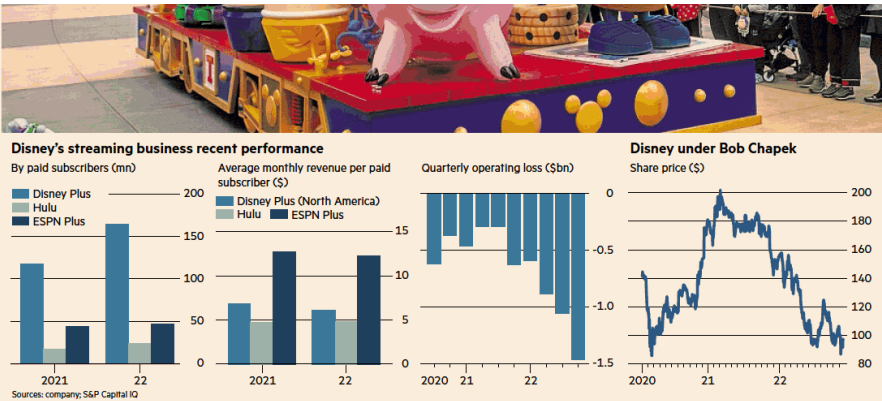
Under Chapek, Disney's theme parks division posted an impressive rebound from the depths of the coronavirus pandemic, in part through the kind of aggressive price increases that analysts believe Iger opposes. And its streaming business has grown rapidly, reaching 255.7mn across Disney Plus, Hulu and ESPN Plus.

But shareholders are no longer willing to fund streaming growth at any cost, as they were in the early stages of Disney's foray into the business. Disney shares fell 13 per cent earlier this month after it reported that quarterly operating losses had risen by \$800mn to \$1.5bn due to exploding content spending and marketing expenses. Days later, Chapek announced a cost-cutting plan.

Iger has wasted little time in tackling an issue at the heart of Disney's streaming business: a management structure that Chapek created to ensure that the services had a steady flow of original content.

Under his plan for the Media and Entertainment Distribution division, Chapek stripped studio chiefs of much of their traditional authority to determine budgets and distribution strategy. Those decisions were placed under the authority of Kareem Daniel – a central Chapek lieutenant who was dismissed by Iger on Monday.

Creative executives bristled at the lack of autonomy under Daniel, hurting morale to the point that some complained to the board. "We have been worried that the restructuring... has hurt the morale of the creative leadership and has created



Shanghai Disneyland was hard hit by Covid-19 but the parks mostly bounced back. Bob Iger, below, is undoing some changes made by Bob Chapek, right. — Alexander Kordakov/Nancy

more bureaucracy, which has slowed decision-making," analysts at Moffett-Nathanson wrote in a research note released after Iger's return.

Someone who prides himself on his close relationships with the creative community, Iger sought to lift their spirits on Monday in a memo to the group, known internally as DMED.

"It is my intention to restructure things in a way that honours and respects creativity as the heart and soul of who we are," he wrote, pledging to create a "more efficient and cost-effective structure".

Iger's return is also expected to lead to renewed calls for Disney to address the acceleration of "cord-cutting", which is hurting pay TV channels such as the ESPN sports channel. In September, Iger said linear TV "is marching to a distinct precipice, and it's going to be pushed off", leading analysts to conclude that he will take an aggressive approach to reducing costs.

Earlier this year activist investor Dan Loeb urged Chapek to spin off ESPN to reduce Disney's debt load. Chapek rejected Loeb's suggestion, saying he had a plan to restore the network to growth. Analysts at MoffettNathanson said they now expected Iger to slash costs at ESPN, including by being more selective about spending on sports rights as they come up for bids.

Loeb had also pushed Disney to buy out Comcast's stake and give itself control over the Hulu streaming service, a perennial discussion that is expected to be revived now that Chapek is out of the company.

While Disney faces challenges on several fronts, some investors said its shares, down 38 per cent this year, were good value given the collection of assets that Iger assembled during his first stint as CEO, including Marvel, Pixar, Lucasfilm and 20th Century Fox – some of the most valuable franchises

Under Chapek, Disney's streaming business has grown rapidly

in the entertainment business. The issue of who will eventually take the reins has been a vexing one in the past for Iger, 71, who delayed his retirement from the company four times before passing the baton to Chapek in February 2020.

This time round, the Disney board has given him a two-year term and a mandate to set the company's "strategic direction for renewed growth".

However, the top-10 investor noted: "This isn't a forever solution. We'll be addressing the succession plan again within the next 12-18 months."

Another shareholder, whose firm has been cutting its position in Disney, said Iger's return raised larger concerns about its culture. "It says something at Disney that there's such a dearth of internal talent that there's no one else to fill the spot," the shareholder said. "How does [Iger] find a replacement in such a short period of time?"

bank has tried to move away from a reliance on equity derivatives – financial products that caused heavy losses for the bank at the outbreak of the coronavirus pandemic.

SocGen will offer its corporate and investor clients a wide range of equities services alongside those in the joint venture, including equity capital markets, equity derivatives and prime broking.

The joint venture will allow SocGen to compete head-on with its Paris rival BNP Paribas, which bought out its equities joint venture, Exane, last year.

For AllianceBernstein, the deal could eventually see the investment group with \$62.7bn of assets under management part ways with the research division that has been a key part of the company throughout its 55-year history.

"There were a lot of things we needed to grow in our businesses but we didn't have the resources to give our sellside team what they needed in Asia, in the US and in Europe," Bernstein said. "We had to make choices."

Four years ago, AllianceBernstein's research arm bought Autonomous Research, which specialises in financial institutions and will be included in the joint venture.

The new business will be based in London and led by Robert van Bruggen, currently chief executive of AllianceBernstein's research arm, with Stephane Loiseau, head of SocGen's cash equities business, becoming his deputy. SocGen will own 51 per cent of the new venture, with AllianceBernstein owning 49 per cent.

Krupa said that because the two businesses had little geographic overlap – with AllianceBernstein strong in North America and Asia, and SocGen bigger in Europe – there would be minimal job cuts and loss of clients.

SocGen said the deal would result in 15 to 20 basis points of additional return on tangible equity by 2025, with about a 10bp impact on the group's common equity tier 1 ratio.

Both companies' boards have signed off on the merger, although it will still require regulatory approval.

See Lex

Media

China says children's gaming issue 'resolved'

ELEANOR OLCOTT — HONG KONG

China's top gaming industry association has declared that the problem of children's video game addiction has been "resolved", the clearest signal so far that Beijing will ease its curbs on the approval of new titles.

China's Game Industry Group Committee, which is affiliated with the state gaming regulatory body, released a report yesterday that found 70 per cent of minors played less than three hours of games a week. "Minors' gaming addiction has been basically resolved," the body wrote in a report co-written by Beijing-based research body CNG.

Any easing of China's crackdown on online video games would be a boon for industry leaders Tencent and NetEase, which have borne the brunt of the restrictions.

Beijing sent a shockwave through the gaming industry in August 2021 when it restricted children to playing online games for one hour on Fridays, Saturdays and Sundays. The move came after state media highlighted the mental and physical toll gaming addiction was having on China's youth, calling online games a form of "spiritual opium".

The time spent by children on Chi-

nese internet giant Tencent's games has plummeted since the regulation change and was down 92 per cent in the third quarter compared with the same period last year. During an earnings call with investors last week, Tencent said it had become "fully compliant" with Chinese regulations on gaming for minors and expected "more licenses will be forthcoming in the future".

'From next year, we expect to see gradual and more regular approval of gaming licences'

Experts say children can still circumvent the restrictions. The industry association's report noted 35 per cent of parents allowed their children to use their identification cards to register accounts, a popular method to flout the rules.

Nevertheless, the report is the latest indication Beijing's attitude towards gaming has eased further since it ended an eight-month ban on the launch of new games in April. Some new games have been allowed to launch since then, but many are still awaiting approval.

The People's Daily, the Communist

party's official newspaper, published an opinion piece last week saying the gaming industry could "support the development of advanced technologies" and "play a more important role in enhancing the global influence of Chinese culture". In September, Tencent and its biggest local rival NetEase received approvals to launch new paid games for the first time in more than a year.

"From the start of next year, we expect to see gradual and more regular approval of gaming licences," said Cui Chenyu, a gaming analyst at research company Omdia. "The total number of games receiving approval will be lower than before the policy change," she said. "Foreign games will face stricter censorship than before."

Tencent and NetEase have focused on international expansion after Beijing's curtailing of minors' gaming time. In recent months, both have invested in foreign games publishers: Tencent in Tokyo-based FromSoftware and NetEase in Paris-based Quantic Dream.

Cui noted the two were also seeking to "leverage their gaming technology" and "cash flow from gaming" to develop metaverse-related tech such as virtual reality glasses and cloud services.

Additional reporting by Nian Liu in Beijing

Media

Penguin-Simon & Schuster megamerger folds

ALEX BARKER — LONDON

Penguin Random House's proposed \$2.2bn acquisition of Simon & Schuster has collapsed over antitrust concerns, ending a costly two-year effort to create what would have been a book publisher of unprecedented scale.

Simon & Schuster's parent company, Paramount global, sounded the death knell for the deal by deciding not to appeal against a ruling by a US federal judge that earlier this month blocked the tie-up on the grounds it would damage competition.

The collapse is a serious blow to

German media group Bertelsmann, the owner of Penguin Random House, whose leaders pursued the megamerger despite warnings it would push the limits of competition law.

Bertelsmann initially said it would appeal but, under its agreement with Paramount, only had two years from when the merger was announced to secure approval – a period that expires this week. As a result of the failure to secure regulatory clearance, Paramount said Bertelsmann was "obligated to pay a \$200mn termination fee".

Paramount decided to halt the process because of the protracted uncer-

tainty hanging over Simon & Schuster and the limited prospects for securing merger approval through an appeal, said people familiar with the decision.

The challenge for Paramount's chief executive Bob Bakish is now to relaunch a sale process for Simon & Schuster in more challenging market conditions.

Bertelsmann significantly outbid Rupert Murdoch's News Corp and French media group Vivendi for Simon & Schuster. The failure is one of a series of setbacks for Thomas Rabe, the Bertelsmann chief executive who has bet on a consolidation strategy in books and television.

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Public Notice

PUBLIC AUCTION ANNOUNCEMENT SUMMARY

By virtue of the no. 1337/2021 report of the Bankruptcy Prosecutor of Perlas Vasilogiannitis, of Nafplio, Mr. Dimitris Agapostopoulos, President of the Court of First Instance, the trustee of the bankruptcy creditors' association of Perlas Vasilogiannitis was granted permission to sell, by direct agreement, the signing of which will be attended by the Bankruptcy Prosecutor, 12,000 common registered shares owned by the above bankruptcy, issued by the Cyprus company named "Metor Oil Holdings Ltd" and corresponding to an 8% participation in the said company's share capital, at the opening price for the first bid amounting to 88,933,919.45 EUR. The sale will take place on the first Monday after 20 days have passed since the publication of this summary notice report no. 1337/2022 in the Judicial Publications Bulletin of the Legal Fund, at the premises of the Court of First Instance of Athens at 11,00, and will be repeated every following Monday, at the same place and time, until the price is approved by the Bankruptcy Prosecutor. The transfer fee, transfer tax and costs will be borne by the successful bidder.

Athens, 7 October 2022

The trustee of the bankruptcy creditors' association
ZOE KOIVYLANTZIOPOULOU
LAWYER
15 LYKAVITTOU - ATHENS, GREECE
TEL: 210 86.35.479 - email: zkoivylantzio@otenet.gr

COMPANIES & MARKETS

Fixed income. Lender reprieve

US banks take advantage of trading thaw to shift 'hung loans' off their books

Investors nibble on debt less exposed to economic slowdown but keep clear of riskier groups

ERIC PLATT AND HARRIET CLARFELT
NEW YORK

Wall Street banks are using a thaw in corporate debt markets to offload billions of dollars' worth of loans tied to risky private equity takeovers but many are still incurring losses to clinch deals with investors.

The sale of debt this month linked to the buyout of television ratings provider Nielsen offered a reprieve to lenders including Bank of America and



markets, which are desperate to clear "hung" deals that have piled up on their balance sheets this year because of a dearth of investor appetite.

The \$3.2tn market for riskier corporate bonds and leveraged loans has begun revving up in recent weeks after a long lull, paving the way for banks to sell some debt on to investors.

However, confidence in markets remains shaky and rising recession fears mean that many deals remain too risky for investors to touch, even though others are beginning to go through.

"The hung [loans] have clogged up the system and held up capital but [this] is likely temporary," said Peter Gleysne, chief executive of asset manager AGL Credit Management.

He added that uncertainty in the global economy had "caused investors to stop, look and listen... There's a lot of capital available but it's not being put to use in the usual way".

The bond and loan deals that banks have been stuck holding were struck late last year or early this year before markets were jolted by soaring borrowing costs. The banks committed to finance the takeovers at far more generous terms than a company could find in markets today.

Last week, lenders led by Citigroup and Bank of America abandoned part of a planned \$2.4bn debt sale to fund Apollo Global Management's \$7.1bn takeover of car-parts maker Tenneco, after steep discounts and double-digit yields failed to win creditors.

Weeks earlier, a \$3.9bn debt offering to fund Apollo's purchase of telecoms group Brightspeed was scrapped.

One lender called the Tenneco deal "a Hall Mary effort to see if [the banks] could capitalise on recent market strength". In the end, investor orders came up short.

Instead, banks have had luck drumming up interest in debt offerings from companies with higher quality ratings, including those judged by investors as being better equipped to withstand an economic slowdown.

Banks have been able to offload \$2bn worth of hung debt tied to the \$16bn takeover of Nielsen and they are in the final stages of selling a further \$1.75bn loan linked to the deal. The loan is finding solid demand and is expected to be finalised this week, according to people briefed on the matter.

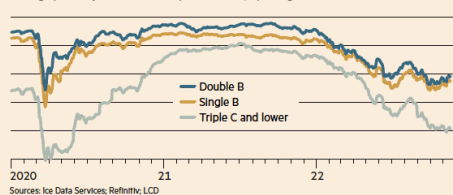
The Nielsen debt nonetheless carried eye-watering yields for potential investors with banks offering steep discounts



Clearer road: lenders including Bank of America are desperate to clear 'hung' deals that have piled up on their balance sheets this year because of a dearth of investor appetite — Amir Hany/Bloomberg

The sell-off this year has walloped the junk bond market

Average price of junk-rated US corporate bonds, by rating (cents on the dollar)



Sources: ICE Data Services, Refinitiv, LCD

to help move the bonds off their books. Even after the bond and loan offerings are completed, banks will be left holding billions of dollars of Nielsen debt.

Other debt deals, particularly ones not tied to new leveraged buyouts, have raced through the market.

Bankers at Goldman Sachs underwriting a \$1.7bn loan for motor racing series F1 last week were able to lock in lower than expected borrowing costs for the company after investors telephoned in large orders.

The company, which has a double B rating from S&P Global — near the top of the agency's speculative grade rankings — issued the loan with a yield of roughly 7.9 per cent, paying 3.25 percentage points above a key benchmark for this type of debt. When bankers first started marketing the loan, the yield was expected to be as high as 8.5 per cent.

The recent borrowings are "helping dispel the myth that there is this ton of high-yield [debt] that can't clear the market", according to Andrzej Skiba, head of US fixed income at RBC Global Asset Management. "There is a price for

everything. What is true is that people have reservations about particularly cyclically sensitive credits"

The more tentative mood in credit markets represents a shift from the early months of the year. Central bank stimulus at the height of the coronavirus crisis had sparked an era of cheap money that flowed into the early

'What is true is that people have reservations about particularly cyclically sensitive credits'

months of 2022, spurring enthusiasm for dealmaking and the refinancing of existing debt as interest rates stood close to zero.

But bonds and equities have since come under acute pressure, taking a hit from high inflation and rising interest rates. In turn, fears have intensified that the US Federal Reserve and its global peers will tighten monetary policy into a

protracted economic slowdown as they strive to curb rapid price growth.

A recession would potentially mean lower consumer spending just as groups face a dramatic escalation in borrowing costs that has already effectively locked many out of capital markets.

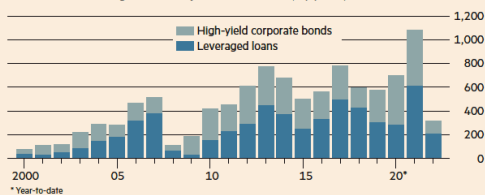
Junk-rated US bond sales have this year slumped to their lowest levels since the global financial crisis in 2008, generating proceeds of just \$101bn, according to data from Refinitiv. Last year, issuance stood at \$464bn.

Leveraged loan sales have also slowed dramatically after a bumper 2021. And the debt that has been able to attract willing investors over the past two months has tended to be single and double B rated with borrowers often having to provide stronger investor protections in the documents that govern their bonds and loans.

Adam Abbas, the co-head of fixed income at Harris Associates, said markets were "effectively" closed for triple C-rated companies looking to raise debt, raising the spectre of "a natural default cycle".

Junk bond and loan sales slide to lowest level since financial crisis

Issuance of new leveraged loans and junk bonds in the US, by year (\$bn)



Debt financing has been a central component of private equity takeovers for years, supporting buyout firms' acquisition strategies.

But it also constitutes a critical source of funding for companies of all sizes around the world as they go about their daily operations, from tech and media giants to high street retailers.

At the same time, the underwriting of corporate debt sales has proved hugely lucrative for banks during hot periods of dealmaking when there are many willing buyers and sellers in the market.

But it has become a major headache and a drain on lenders' own coffers as investors have stuck to the sidelines this year for fear of further volatility to come.

"I don't think we've seen the last of this volatility, especially when you think about inflation, the big R word [recession], broader economic uncertainty and everything going on in Europe," said Cade Thompson, head of US debt capital markets at KKR. "It feels like we're stuck here for a bit".

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Asset management

Abrdn poised for FTSE 100 index comeback after surge in share price

ADRIENNE KLASA — LONDON

Abrdn is poised to rejoin the FTSE 100 index after a sharp rally in its share price, helped by a planned return of capital to investors.

The investment manager's stock has risen 35 per cent since August when it was dropped from the index, the first time it had not been included in the top table of UK companies since it was formed through the merger between Standard Life and Aberdeen Asset Management in 2017.

Data from FTSE Russell indicated that the investment group will rejoin the list of blue-chip stocks when the index rebalancing is finalised next week.

The recent surge in shares has restored the group's market capitalisation to \$4.1bn, although it is still down 20 per cent this year while the overall index has largely erased losses from earlier in 2022.

The company's share price had declined by about 40 per cent from the start of the year to the end of August, which was part of a broader market sell-off.

Active investment managers have

also struggled with performance and outflows because of longer term worries about their ability to compete against cheap, passive alternatives.

However, Abrdn's problems were viewed as more pronounced than its peers, as investors questioned its investment performance and the wisdom of building out a wealth platform business by acquiring Interactive Investor near the top of the



Abrdn's market capitalisation has been restored to \$4.1bn

market. The company, which has £508bn under management, reported a pre-tax loss of £320mn in the first half of the year.

However, efforts by executives to sell the new strategy, the completion of the Interactive Investor transaction, efforts to rationalise underperforming funds and the announcement of a chunky capital return programme appear to have helped turn its fortunes round.

"People have been frustrated by the pace of change five years after the merger but I've been here since September 2020," Abrdn chief executive Stephen Bird told the Financial Times following its first-half earnings announcement. "I can only move as quickly as you can manage change [and] we are moving very, very quickly."

The other expected FTSE 100 addition, which will be confirmed at market close next Tuesday, is Scottish engineering group Weir Group, while Decra Pharmaceuticals and Harbour Energy are slated for relegation.

Abrdn declined to comment.

Equities

Chinese regulators warn zero-Covid winners of tighter checks on IPOs

CHENG LENG — HONG KONG
NIAN LIU — BEIJING

Chinese regulators have warned that a wave of initial public offerings from companies claiming to be involved in China's booming Covid-19 testing sector will be subject to added scrutiny over concerns that their high growth is unsustainable.

A group of companies including Dakewe Biotech, a medical equipment distributor, that have prospered under Beijing's pandemic policies have filed IPO applications in Shanghai, Shenzhen and Hong Kong.

Some of them, such as CoWin BioSciences, a biotech company, have already been given the green light to list. Shares of CoWin BioSciences gained 13.6 per cent in Shanghai since it listed on October 25 while the benchmark Shanghai Composite index added 3.7 per cent during the period.

Earlier last month, Shanghai-based food supplier Pang Xiang also filed its prospectus to Hong Kong Stock Exchange. Pang Xiang's profit margin spiked in the first five months of 2022 to 74 per cent, driven by huge

growth in its deliveries during Shanghai's lockdown.

The listing attempts and the profit disclosure of zero-Covid beneficiaries have unleashed criticism on social media site Weibo and WeChat about their fundraising plans.

"We pay close attention to the listing applications of companies involved in nucleic acid testing and insist on strict

'We pay close attention to the listing applications of companies involved in nucleic acid testing'

reviews, especially in the front of business sustainability," Shenzhen Stock Exchange said in a statement on Monday on its official WeChat account.

For those already listed, the exchange said it had "earnestly reviewed applications from those companies with a focus on whether the nucleic acid testing business is their core business and whether related revenues are sustainable".

It added: "We'll strictly control the

quality of IPOs and push forward IPOs of relevant companies in a prudent manner." The Shanghai Stock Exchange also issued a similar statement.

Dakewe said in a statement yesterday that the testing tube business only accounted for a limited portion of its full business portfolio.

Businesses such as tourism, aviation and catering services significantly suffered over the past three years due to Beijing's strict social distancing rules while prices of vegetables and meat soared during lockdowns, leaving residents suffering from higher living costs.

But the Covid testing groups and some food delivery services boosted bumper profits. The net profit of Dakewe jumped sixfold in 2020 from a year earlier, the company's March filing showed.

Residents in most major Chinese cities still need to take PCR tests every 24 to 72 hours to meet strict requirements. The gross profit margin of Pang Xiang skyrocketed to 74.7 per cent in the first five months of this year, its prospectus filed in October showed.

CoWin BioSciences and Pang Xiang did not immediately reply to requests for comment.

COMPANIES & MARKETS

The day in the markets

What you need to know

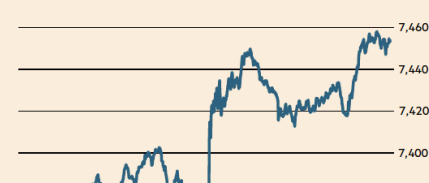
- Wall Street stocks tick up as crude oil prices steady
- US dollar declines, extending its retreat in November
- London's FTSE 100 rises as oil majors BP and Shell rebound

US stocks ticked higher yesterday as traders kept close tabs on the Covid-19 situation in China and the oil price recovered following a volatile session.

Wall Street's S&P 500 added 0.8 per cent in early afternoon trading in New York while the tech-heavy Nasdaq Composite gained 0.6 per cent.

UK stocks rise as oil prices steady

FTSE 100 Index



Heed warnings over state encroaching too far on Europe's banks

Jérôme Legras

Markets Insight

Large European banks have excess capital of more than €500bn. For listed banks, this represents 45 per cent of their

European Central Bank imposed a blanket dividend ban, whatever the strength of the bank's balance sheet. This was justified not only on solvency grounds but

some sectors such as weapons are more difficult. Bank shareholders might have the impression that they are asked to do the job of lawmakers afraid to take



US equities fell in the previous session as rising cases of Covid-19 in China weighed on hopes that the world's second-biggest economy might be about to relax its virus control measures.

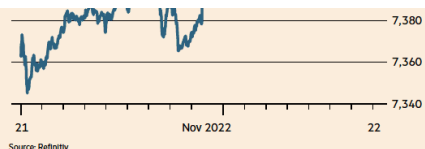
The country reported almost 28,000 new Covid cases yesterday, close to its record daily caseload.

China's zero-Covid approach had "suddenly returned as a very central driver for global markets" and was helping to fuel "a return to the dollar", said Francesco Pesole, FX strategist at ING.

The US dollar fell 0.4 per cent against a basket of six other currencies over the past week, bringing its decline in November to 3.8 per cent.

"Optimism on China's outlook was one of the two key forces, along with speculation about a dovish pivot by the [US Federal Reserve], behind the sharp dollar correction earlier this month," Pesole added.

Minutes from the Fed's November meeting, due to be released today, may



provide further clues on the outlook for monetary policy.

Elsewhere in equity markets, London's FTSE 100 gained 1 per cent, boosted by gains for oil and gas majors such as BP and Shell, up 6 per cent and 7 per cent respectively.

The pan-regional Stoxx Europe 600 added 0.7 per cent.

Hong Kong's Hang Seng index fell 1.3 per cent while the CSI 300 of Shanghai and Shenzhen stocks finished flat.

Tokyo's Nikkei rose 1.1 per cent and Seoul's Kospi shed 0.6 per cent.

Oil prices steadied yesterday after the

cartel of major exporters and their allies reiterated plans to stick to targets to cut production rather than increase output to make up for any shortfall from Russian supplies.

Brent crude, the international benchmark, added 2.1 per cent to \$89.34 a barrel. West Texas Intermediate, the US marker, also rose 2.3 per cent to \$81.86.

The market had a volatile previous session after the Opec group of oil-producing nations denied a report by the Wall Street Journal that the group might increase supply by up to 500,000 barrels a day. **George Steer and Jaren Kerr**

market value.

In a world where banks were free to remunerate shareholders as they wished while keeping capital above minimum requirements, they could pay 43 per cent of their entire market value as a special distribution.

This is a stunning number. Yet, Europeans banks trade on an average valuation of 0.6 times their book value.

This is not new: banks have been trading at low valuations for a long time. For years, the blame was mostly on negative rates, hurting profitability. The reversals of monetary policies worldwide have changed that and expectations of banks' profitability has risen sharply.

So what is going on? Back in the mid-2010s, there was an old joke about banks' excess capital: as a shareholder, you'd be a fool to believe it belonged to you, because it belonged to governments. They would take it through fines for past misbehaviours or new capital requirements. But that also is a story of the past: the Basel IV revamp of banking regulations is almost finalised and global litigations are falling fast – except maybe for a few banks.

Have governments found a new way of "taking" banks' excess capital?

There is a theory gaining traction that our times are eerily like the 1970s with deflation, recession, energy shocks etc. And that, as in the 1970s, this will lead governments to control banks and control excessively, something that will ultimately hurt shareholders.

There are indeed some worrying signs, of which I will describe four. At the onset of the Covid-19 crisis, the Euro-

pean central bank was also because banks "needed to continue to fund the economy".

The underlying assumption – banks must act in the general interest, not in their own – sounds very noble, but is also not usually associated with private companies. Banks are normally free to contract or expand their balance sheet, depending on their perceptions of the economic environment.

Additionally, during the pandemic, a large share of new loans were guaran-

A theory gaining traction is that our times are eerily like the 1970s – deflation, recession, energy shocks

teed by governments. In theory, a bank's role in the economy is to allocate capital and assess risks. When they lend hundreds of billions with state guarantees, they are effectively transforming a big part of their balance sheet into quasi-government entities.

The rise of environment, social and governance factors is directing banks' lending more. This works in subtle ways with complex regulatory disclosures and veiled threats of higher capital requirements but the conclusion is the same: bank lending is channelled to some specific sectors, based on considerations that are not entirely financial.

It is very easy to understand the dramatic need to fund the low-carbon energy transition but discussions around the taxonomy or exclusion of

decisions themselves.

Finally, recent tax developments have reinforced the idea that a bank's money is government's money: after years of depressed returns, some countries (such as Spain and the Czech Republic) have decided to impose a "bank windfall tax" to offset the effect of monetary policies.

The financial impact remains modest but investors are afraid of generalisation and permanency, especially as central banks face big losses on their quantitative easing bond-buying programmes as interest rates rise – losses that will be passed on to governments. The temptation to recoup those will be huge.

Still, I believe we should not exaggerate those trends. Most lending remains unconstrained. Moreover, Covid was truly an unprecedented event and the argument that "there will always be another crisis to justify government intervention" is a bit weak.

But this should be a warning. A world of low rates has brought us capital misallocation. It would be a shame to replace one misallocation with another.

From 1972 to 1985, France had a quantitative credit control system. A few years after it ended, the country faced its "worst banking crisis since World War Two", according to the Senate, and part of the damage was done by 13 years of credit control.

We should not repeat those mistakes – strong banks make a strong economy.

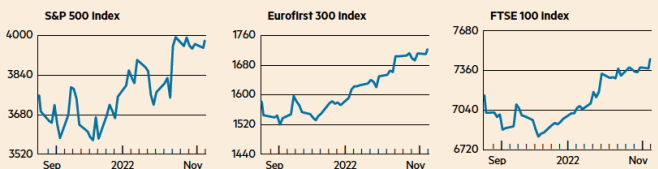
Jérôme Legras is managing partner and head of research at Axiom Alternative Investments; Axiom is an investor in bank shares and bonds

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	3979.38	1722.66	28115.74	7452.84	3088.94	108873.86
% change on day	0.75	0.75	0.61	1.03	0.13	-0.80
Currency	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	107.405	1.028	141.360	1.188	7.134	5.346
% change on day	-0.399	0.391	-0.405	0.763	-0.415	-0.107
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	3.749	1.979	0.240	3.154	2.835	13.053
Basis point change on day	-3.280	-1.100	-0.120	-4.700	1.100	18.700
World Index, Comms	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LME)
Level	405.14	89.61	82.03	1740.40	20.64	3735.20
% change on day	0.73	2.27	2.40	-0.64	-2.16	-2.68

Yesterday's close apart from Currencies - 1600 GMT; S&P, Bovespa, All World, Oil - 1700 GMT; Gold, Silver - London pm fix. Bond data supplied by Tullett Prehon.

Main equity markets



Biggest movers

	US	Eurozone	UK
Ups			
Best Buy	11.53	Repsol	6.83
Eq1	7.00	Eni	6.52
Agilent	6.39	Tenaris	6.57
Celanese	5.58	Eni	4.52
Hess	5.20	Galp Energia	4.19
Downs			
Dollar Tree	-9.50	ThyssenKrupp	-4.26
Rollins	-6.03	Dsm	-1.75
Medtronic	-5.63	Merck	-1.57
Walt Disney (the)	-2.58	Carlsberg	-1.41
Mgm Resorts Int	-1.86	Kleppner	-2.17

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone.

All data provided by Morningstar unless otherwise noted.

Wall Street

Forecast-beating results lifted **Best Buy**, with the electronics retailer reporting third-quarter earnings of \$1.38 per share, which comfortably beat Wall Street's \$1.03 estimate.

Corie Barry, chief executive, said Best Buy anticipated shopping patterns "more similar to historical holiday periods" with activity concentrated between the Black Friday week and December 25.

Providing a further fillip were upgraded comparable sales targets for the full year and news that it had resumed share repurchases this month, leading to around \$1bn worth of buybacks in 2022.

Preppy clothes retailer **Abercrombie & Fitch** surged after snapping a two-quarter losing streak to post a small profit of 1 cent per share in the third quarter, way better than the 16 cents loss analysts had expected.

These results were driven by Abercrombie brands, which delivered the highest third-quarter net sales since 2016. Discount store chain **Dollar Tree** sank despite posting third-quarter earnings of \$1.20 per share, which edged past the Refinitiv-compiled estimate of \$1.18.

Weighing on Dollar Tree was its more cautious outlook caused by pressure on margins as the retailer lured in price-sensitive shoppers. This meant full-year earnings per share would be in the lower half of a \$710 to \$740 range. **Ray Douglas**

Europe

A ratings upgrade helped lift **Repsol**, the Spanish energy operator, which was raised from "sector perform" to "outperform" by RBC Europe.

The group was set to benefit from "continued tightness in the middle distillate market", said the broker, referring to products such as heating oil, diesel and jet fuel.

This situation would be exacerbated by EU oil-product sanctions in early February next year, added the analysts.

Repsol was also well placed to navigate a period of significant crude volatility, owing to a "complex refining system" that gave it flexibility to source a variety of crudes, said RBC.

Germany's **ThyssenKrupp** sank after reports that investment firm Cevian Capital had slashed its stake in the industrial group to less than 1 per cent.

The Anglo-Swedish activist investor raised its holding in ThyssenKrupp back in 2013, sparking speculation it would press for a break-up of the business – reforms that largely failed to materialise, bar the sale of its elevator unit.

The suspension of its dividend dragged Germany's **TAG Immobilien** lower.

The real estate group said that this decision was made because "inflationary trends and sharply higher interest rates" had made capital markets more volatile to assess. **Ray Douglas**

London

Electricals retailer **AO World** surged on signs that its recent performance "may have bottomed out" and was "ready to recover", said Russ Mould, investment director at AJ Bell.

Profit for its fiscal full year was expected to be near the top end of its previous guidance and AO's outlook for the following year had "been set above current consensus", the company said.

Vodafone retreated following a double downgrade by Credit Suisse, which lowered its rating of the telecoms operator from "outperform" to "underperform".

The revision came after "disappointing" half-year results, said the broker, which anticipated higher energy costs in 2024 for Vodafone and costlier access to Germany's fibre market over the long term.

An isolated takeover rumour helped push **Entain** higher.

A post on oga.com, described as an "independent" watchdog agency that monitors the offshore sportsbook, casino and poker industry, said BetMGM was prepared to "do whatever it takes" to buy the gambling group.

Quoting "a source with strong connections to MGM", the article claimed that the US suitor was particularly keen on gaining full control of Entain's North American operations. **Ray Douglas**

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FT BOARD DIRECTOR PROGRAMME



MARKET DATA

WORLD MARKETS AT A GLANCE

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



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120

ARTS

Italian artist Evaristo Baschenis' works at Galerie Canesso are an unusual window on to 17th-century craft. By Susan Moore

A fine layer of dust veils the backs of musical instruments left on a table. The music has stopped, the musicians departed: the lutes, cittern, mandola and guitar are streaked by marks of recent touch. In the surrounding darkness, these artfully lit abandoned instruments loom large. Their representation could almost be described as portraiture.

"Still Life with Musical Instruments" is one of three canvases that make up the Agliardi Triptych, the masterpiece of the enigmatic and highly original 17th-century Italian painter-priest Evaristo Baschenis. It forms the centrepiece of the first monographic exhibition of his work in France, at the Galerie Canesso in Paris.

There are no paintings by this little-known artist in French museums; in fact, very few exist outside Italy, even there, the nucleus remains in private collections in his hometown of Bergamo. It was the gift of a painting to the Musée des Beaux-Arts in Brussels in 1908, and the subsequent discovery of his signature, that launched a re-evaluation of Baschenis – just at the time when Braque and Picasso were also turning to the violin, mandolin and guitar as inspiration for their Cubist works.

While Baschenis can lay claim to having invented the genre of the still life of musical instruments in the 1640s, the questions of why he did so, and the real subject of his rich but allusive art, continue to intrigue art historians. We know Baschenis was a passionate amateur musician: his estate sale reveals that he owned some 14 instruments and numerous scores. His sole self-portrait appears as one canvas in the Agliardi Triptych and shows him playing the spinet alongside Count Ottavio Agliardi, who plays an archlute. The third painting of the triptych depicts the other Agliardi brothers. Figures are rare in Baschenis' work, portraits even rarer, and even here the instruments remain the real protagonists, not least the elaborately figured guitar played by Count Alessandro, clearly signed by the



Venetian maker Giorgio Sellas. Such makers deserved their due.

Cremona, Brescia and Venice, all close to Bergamo, produced the greatest stringed instruments in Europe. It was probably also no coincidence that many of the artist's tabletop scenes were covered with silk damask, the source of Bergamo's wealth. In his most theatrical canvases, such as that on loan from the Accademia Carrara (another "Still Life with Musical Instruments"), tasselled swags of drapery open to reveal the whole gamut of intellectual pursuits

engaging the town's refined and cultivated elite. A statuette by Alessandro Vittoria and richly patterned "Lotto" carpets suggest their collecting interests, spines of books reveal the poetry they read, their interest in law, science, philosophy and mathematics.

In this sense the works are not so much allegories of the liberal arts as cultural portraits. Baschenis's own study of geometry and mathematics is evident in the mastery of his perspectival foreshortening and the almost architectonic volume of his full-bodied lutes. He may

Priest's paintings dusted off

'Still Life with Musical Instruments', circa 1660

will have used a perspective viewfinder device, such as that described in the previous century by Dürer.

Yet these paintings are not exercises in illusionism and fidelity alone. The melancholic, almost metaphysical Agliardi still life, for instance, is an invitation to contemplate the inexorable passage of time, the ephemeral nature of pleasure and life itself. Dust gathers, the corners of the vellum-bound sheet music curl as they are exposed to the atmosphere, apples slowly rot. This is the stuff of northern European vanitas paintings, but the candles, skulls and hourglasses are absent here, as is any obvious moral message.

Fruit and a cut carnation may have been included to make this also a symbolic representation of the five senses: sight, touch, hearing, taste and smell. Baschenis might also have delighted in verbal and visual puns

In the surrounding darkness, these artfully lit and abandoned instruments loom large

in various languages. The dish of apples – *mela* – is close to *melos* (melody), the trompe l'oeil fly – *musca* – aligns on another score, *musica*. Conceits of this kind were common in texts of the period which relished the unlikely juxtapositions of opposites.

Perhaps this partly explains why Baschenis set up shop in 1643 as a painter of still lifes of musical instruments and kitchen scenes. The musical still life in the Museum Boijmans Van Beuningen in Rotterdam even has a representation of fish and dead game as its pendant. Food for the body and the soul.

Baschenis's paintings have long drawn the attention of musicians, musicologists, instrument makers and conservators captivated by the painter's attention to detail – the grains and hues of different woods, the ribs on the cases, the restorations, the signatures, the inscriptions and notes of musical scores for various instruments. Research for this exhibition has identified the precise score on the spinet stand in a work on loan from a private collection – a variant to the composition borrowed from the Museo Teatrale alla Scala in Milan. It belongs to a 1568 edition of a book of madrigals by Orlando de Lassus, a setting of 14th-century verses taken from Petrarch's collection of poems, *Canzoniere*. They must have had a particular meaning for the artist's learned patron.

To December 17, canesso.art



Evaristo Baschenis' sole self-portrait (circa 1665), with the artist at the spinet and Count Ottavio Agliardi with an archlute

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The rise of the silver snipers

GAMING

Tom Faber



Her family calls her granny. On official documents she's Inger Grotteblad. But to the Swedish gaming community, she goes by Trigger Finger. Grotteblad is 70, with ice-blond hair. When I speak to her over Zoom, she's wearing a T-shirt emblazoned with the name of her competitive gaming team, the Silver Snipers. The group is dedicated to older players, with an average age of 70.4; the oldest member is 80. They specialise in popular shooter *Counter-Strike: Global Offensive* and when they go on to the streets of Stockholm wearing their branded jackets, people recognise them. "Young kids love us," says Grotteblad with a smile. "We show that games are for everyone."

The Silver Snipers represent older gamers, a demographic which is growing as the first generation of life-long gamers now approaches retirement age. The average age of gamers has risen to around 35 and a survey found that the number of gamers aged between 55 and 64 has increased by a third in the past three years. One of the most prominent is Shirley Curry, aka "the *Skrym* Grandma", who streams gameplay multiple times a week to a fan base of more than a million YouTube subscribers, who she calls her "grandkids".

Gaming is still largely considered a pursuit for the young, and not without reason. The Silver Snipers struggle to compete at a professional level. They did beat other teams of older players in a 2019 tournament but when they played Norway's best team, Grotteblad suspects the youngsters let them win. "It's hard to compete with young players

is usually mere fractions of a second, these intervals matter.

Grotteblad started a Facebook group called Senior Gamers to introduce others to her hobby and help them work around their reaction times, alongside other age-specific obstacles. Where older players might find modern games have complex controls, she suggests they might play strategy or puzzle games. If people don't have long stretches of time to play because of family and work responsibilities, they might avoid 50-hour blockbusters and instead try casual or turn-based games which can be played in short bursts.

Shirley Curry streams gameplay multiple times a week to a fan base who she calls her 'grandkids'

Games have been shown to improve cognitive function, strategic thinking and boost memory, and can have other benefits for older people too. Alexander Cotgrave, 54, told me that gaming was a lifeline for him when he had to rest following a stroke and heart attack. "I used gaming as part of my recovery and it proved what a positive force it can be, keeping me engaged at a time when I was feeling very low," he says.

Alongside her 570-strong Facebook group, Grotteblad gives in-person

gaming lessons to a group of older women. She says they are mostly motivated not by entertainment but by gaming's sense of community and fun. "They're able to build bridges towards their grandchildren," she says. Her own teenage grandsons have helped improve her aim on *Counter-Strike*, while she has introduced her granddaughters to survival game *Valheim*.

Cotgrave extols the social benefits of gaming. Every Christmas, three generations of his family play *Wii Sports*, including his 80-year-old father-in-law. Meanwhile he connects with his son through *Fifa*. "I'm not a football game fan but this means that I get to spend quality time with my 11-year-old doing something that he loves," he says. "It makes me feel fantastic to know that I'm engaging with my children on something that they're interested in."

While researching this article, I sent out questions to a community of older gamers who congregate on online chat platform Discord. The subject that garnered the most strident responses was: "How long do you think you'll continue gaming?" One 57-year-old said: "You're never too old to be a gamer. As my mother told me once: 'Inside, I'm 16'. Gaming lets that 16-year-old out. I will game until I'm physically unable to."

Another in their late fifties said: "Gaming is a way that we can inhabit our imagination and share it with others. As long as I'm alive, that shared experience is too important to ignore."

Trigger Finger: 70-year-old Inger Grotteblad is one of the Silver Snipers





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because they're faster on the trigger," she says. "If I stand in front of them, they'll always shoot me first." Research shows that human reaction time peaks in the late teens and begins to decrease from the early twenties, and older players can have trouble with finger and wrist mobility. Although the difference



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FINANCIAL TIMES

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FT BIG READ. ENERGY

The Middle East's most ambitious renewables programme will help the kingdom meet domestic emissions targets, but the energy ministry says it will also free up more oil to sell to others.

By Andrew England and Samer Al-Atrush

When Paddy Pamanathan first pitched the idea of introducing a sliver of renewable energy into Saudi Arabia's electricity supply, the state utility gave him short shrift.

The chief executive of Riyadh-based energy firm ACWA Power recalls being politely told to "go away" in 2007 after it was pointed out that the supplier was receiving oil at a "very competitive price," far cheaper than solar.

It was a predictable response in the world's top crude exporter, which has for decades happily burnt billions of barrels of oil to fuel power plants, desalination units and industries at heavily subsidised rates. "The incentive was not there," says the Anglo-Sri Lankan executive.

But 15 years on, he and ACWA are on the front lines of the Middle East's most ambitious renewables programme as the energy-guzzling kingdom that is one of the planet's top emitters of CO₂ promises to go greener and cleaner. Saudi Arabia last year set the target of having half its electricity generated by renewables by 2030.

That means raising the amount of power generated by solar and wind from less than 1 gigawatt to 58 gigawatts in just over seven years. ACWA, a state-affiliated company, is the lead vehicle developing renewable projects.

"Yes, it's ambitious, [but] it's been done in a heartbeat in China, it's been done on a significant basis in India," Padmanathan says. "Money is not in short supply [and] the commitment is there from the procurer. The supply chain, yes it's a challenge, but it's not insurmountable."

The state-backed plan, if successful, would represent a radical shift in the kingdom and be critical for Riyadh to lower its emissions to net zero by 2060, as it pledged in October 2021.

Despite the state's dependence on fossil fuels, officials say the kingdom is serious about tackling climate change and adapting to the energy transition.

They cite plans to harness emissions generated by the production of hydrocarbons by developing carbon capture and storage technology; ambitions to become the world's top exporter of clean hydrogen; and the launch last year of Riyadh's "green initiative," with goals that include planting 10bn trees in the kingdom.

But climate experts remain sceptical that the kingdom will meet its promises, having watched previous announcements about renewables come and go with little, if any, traction on the ground. Instead, they see a state addicted to fossil fuels that has historically been obstructive at global climate change talks. At COP27, it successfully campaigned alongside other countries to keep language on the phaseout of all fossil fuels out of the final declaration.

"It's a little hard to take it seriously before having actually seen the concrete development," says Mia Moiso at the NewClimate Institute. "There's a history of kind of stop-and-go in terms of renewable energy policy."

'A triple-win situation'

But officials in Riyadh say this time there is genuine appetite for renewables — with more at stake than burnishing the kingdom's image with the green lobby.

While much of the world is looking to transition to cleaner energy to wean themselves off fossil fuels, in Saudi Arabia the shift is just as much about freeing up more crude oil for export.

The calculus among Saudi policymakers is that even as nations seek to go green, the world will still need oil, particularly from the lowest cost producers like Saudi Arabia. The less the kingdom burns for domestic use, the more it will be able to export at global prices, reaping more petrodollars to help finance the government's grandiose plans to develop the nation. "It's a triple-win situation," says energy minister Prince Abdulaziz bin Salman, in that it will save the kingdom money, bring in revenues and lower domestic emissions. "We wish we had the means to do it in one year, but because we need to expand



Saudi Arabia's green deal

Saudi energy minister Prince Abdulaziz bin Salman says the kingdom's plans will save the government money, bring in revenues and lower domestic emissions

FT montage: Bloomberg/AFR/Getty Images

ment entities have been mobilised to support an "oil sustainability programme" to ensure the commodity remains part of the future energy mix by developing new uses for hydrocarbons, including using polymer-based materials in concrete, roads, tiles and packaging. It is what Prince Abdulaziz calls a "hedge" to ensure the longevity of oil's future as traditional uses of the fuel, particularly for transport, decline and the kingdom looks at how best to monetise its primary resource while it can.

"You will still have growth [in oil demand], and even if you plateau or it comes down, look at who [else] is going to remain producing," Prince Abdulaziz says. "In absolute numbers, your production may not change, as a matter of fact it may grow because some other producers may shrink."

The kingdom is already working to increase its production capacity from 12.2mn b/d to 13.4mn b/d by late 2026, and Prince Abdulaziz says that transitioning to renewables will equate to "adding excess capacity which was going down the drain".

Hence, the "government is totally incentivised to do that [renewables] programme", he says.

Power-hungry kingdom

For years there have been warnings that Saudi Arabia's voracious domestic energy consumption was on an unsustainable path as cheap, subsidised prices fostered an environment of excessive use and waste.

Households account for about 40 per cent of the country's electricity consumption, with air-conditioners responsible for more than two-thirds of that figure in a country where summer temperatures can soar to about 50C. In 2020, the nation of about 34mn people was the planet's 11th largest energy consumer, according to the US International Energy Administration.

Twelve years ago, Khalid al-Falih, then head of Saudi Aramco and current investment minister, warned that domestic energy demand was expected

to rise from about 3.4mn b/d of oil equivalent to about 8.3mn b/d of oil equivalent by 2028. If nothing changed, the oil availability for exports would decline by 5mn b/d, he predicted.

The kingdom began considering alternatives, including a brief dalliance with renewables that led it to establish the King Abdullah City for Atomic and Renewable Energy in 2010, a sprawling research campus to be based in Riyadh. Three years later, it released a white paper that outlined ambitions of producing 23.9GW of renewables by 2020 and 54GW by 2032. Yet none of those plans made it off the drawing board.

"The leadership, the people in high positions, have been conscious of it, but I think there's also been major conflicts of interest and major differences of opinions," Moiso says.

Instead, the focus was put on ramping up gas production, which historically was considered less financially attractive to develop than oil. Since 2010, gas

The kingdom boasts vast stretches of sparsely populated desert that is prime land for solar farms



production has increased by almost a third to more than 9 cubic feet. By 2030, the kingdom hopes to increase production by more than half.

The authorities have also sought to curb decades of soaring electricity consumption through an energy efficiency programme. Demand had been growing at an average annual rate of about 6 per cent since 1990.

"The problem was the energy intensity was [increasing], so to produce each extra dollar of gross domestic product you would require more and more energy," says Fahad Alajlan, president of the King Abdullah Petroleum Studies and Research Center (Kapsarc), a Riyadh-based think-tank.

The policymakers realised that by failing to address the issue of energy

The reforms, combined with a period of subdued economic growth, caused electricity demand to flatten and drop in 2019 for the first time on record.

In per capita terms, consumption declined 5 per cent per year on average between 2016 and 2019, although it was still nearly three times the global average, according to Kapsarc. In June, a World Bank report estimated that Saudi Arabia was losing \$128bn a year by subsidising petroleum products and energy lower than the international market, to implicit costs such as air pollution and global warming.

Saudi Arabia consumes about 3.6mn barrels of crude and related liquids a day to meet its domestic energy and fuel needs, says Jim Krane, a Gulf energy expert at Rice University's Baker Institute for Public Policy. "The oil intensity in the kingdom is just unsustainable."

The turning point

Saudi officials acknowledge there has been in the past been uncertainty and discomfort towards renewables.

Padmanathan recalls a period when there was a lot of internal debate, concern that renewables would eat into oil and gas "as well as disbelief that, really, can be cost competitive".

At times it has been unclear which entity was driving the renewables agenda. "It was all carrying on in a vague manner for a few years," he says.

The "inflection point," he says, was around 2015 when prices for solar tariffs fell, particularly in the Gulf, which has gone on to deliver some of the world's lowest rates. The following year, Crown Prince Mohammed bin Salman unveiled Riyadh's plan to overhaul the conservative kingdom, which set "an initial target" of generating 9.5GW through renewables and to develop local industry to serve the sector.

Padmanathan says greater clarity came after the energy ministry was given a more central role in preparing a master plan and "validating the work done by different agencies".

its targets, he returns to the theme of freeing up oil to export. "That's the incentive," he says.

What to believe

But even those who believe the plans are feasible question whether the kingdom will meet its schedule. Nick Mabey, co-founder of Third Generation Environmentalism, says Saudi Arabia's goals were "technically viable" but "the big question mark is why they haven't been doing it already."

He says he is "inherently sceptical... but this is not philanthropy, this is purely in their economic and political interests." He adds that no one thinks Riyadh "is going to become a supporter of Greta Thunberg and rapid climate transition. But the fact is the more people who displace dirty fuels, like oil, with renewables... it's good for the planet."

Few doubt the kingdom's potential as a producer of renewables as it boasts vast stretches of sparsely populated desert that is prime land for solar farms. "It's the cheapest place to make solar electricity in the world," Krane says. But "their credibility in meeting targets is not, let's say, ironclad".

In 2018, Prince Mohammed signed a preliminary agreement with SoftBank for a \$200bn scheme to develop a solar parks project to generate 200GW, promising that the deal was "a huge step in human history". But there has been no progress or public updates on that project. There are also questions about what electricity demand will look like over the next decade as Riyadh pushes ahead with hugely ambitious plans to modernise the nation, including a raft of megaprojects and an industrial and logistic programme that seeks to attract \$425bn in investment over a decade.

When the development plan was launched six years ago it forecast local energy consumption would rise threefold by 2030. Installed electricity capacity is now about 85GW and it is expected to be expanded to about 140GW by 2030. "Producing the power to make all those things happen is going to be a Her-

'The Saudis' advantage in solar is almost the same as its advantage in oil. It's the cheapest place to make solar electricity in the world'

'It's important

our gas master system it will have to be in a phased approach."

He estimates that the kingdom could make a net saving of \$130bn in the years to 2050 by introducing more gas and renewables into the energy mix and freeing up oil to export.

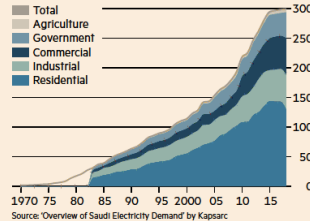
At present, just under half of Saudi Arabia's electricity is fired by oil and related liquids, with the kingdom burning an average of 1mn barrels of crude and related liquids a day to keep the lights, air conditioners and desalination plants on. The remainder relies on gas.

Saudi officials make no apologies for insisting oil will remain core to their plans, despite Riyadh's push to diversify the petrodollar-dependent economy.

As part of the strategy, Saudi govern-

Soaring Saudi electricity use

Electricity demand, by sector (TWh)



Source: 'Overview of Saudi Electricity Demand' by Kapsarc

demand, he adds, "the opportunity cost they were wasting was huge."

In 2016, financial pressures drove Riyadh to raise electricity and fuel prices as it began to tackle the politically sensitive issue of price reform, while grappling with a yawning budget deficit and an economic slowdown. It followed up with a second round of price rises two years later, including a 260 per cent tariff increase for some household users.

While the move was designed to ease the burden on the treasury, it also signalled an attempt to address a culture of profligacy as many Saudis, born into a cradle-to-grave welfare system, have traditionally had little reason to fret over energy bills or wastage because of the subsidised system.

Policymakers realised they would struggle to achieve their targets "tender by tender," he says, and instead determined that the Public Investment Fund, the \$620bn sovereign wealth fund, would be given responsibility for 70 per cent of the renewables target, with the remainder put out to competitive tender. ACWA, now 44 per cent owned by the PIF after receiving its first direct investment in 2018, has become the main vehicle through which the sovereign fund aims to deliver on its commitment of getting 42GW online by 2030.

The kingdom has about 3GW under construction and 7.1GW tendered. Prince Abdulaziz says the target is to have another 15GW tendered this year and next. Asked how Riyadh will meet

to view the energy transition through the lens of regime security. Saudi elites depend on oil exports to maintain their power'

cutane lift. Doing it with 50 per cent renewables is going to be even tougher," Krane says. "They have to meet demand growth for all these new projects while shutting down oil-fired plants and replacing them with renewables."

Much will depend on the whims of the leadership. As an autocracy, the kingdom has a streamlined, top-down policymaking process.

Leaders can also be "capricious," Krane says. "It's important to view the energy transition through the lens of regime security. Saudi ruling elites depend on oil exports to maintain their power. They certainly want to develop a Plan B in case oil demand goes away, but right now their biggest concern is protecting the oil business."

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The FT View



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"Without fear and without favour"

ft.com/opinion

Ukraine needs emergency help to keep its people warm

Russia's cynical bombing of energy systems requires more aid from allies

After nine months of war, millions of Ukrainians are confronting new foes: darkness, cold and taps running dry. With temperatures already dropping below zero in parts of Ukraine, another hail of Russian missile attacks on infrastructure last week left nearly half the energy system out of operation. The power grid operator spoke yesterday of "colossal" damage; an energy provider warned blackouts would last at least until March. President Volodymyr Zelenskyy has said if Ukraine can survive the coming winter, it can "definitely win this war". To do so, it will need huge aid to keep homes, factories, schools and hospitals running.

When a barrage of Russian rockets hit Ukrainian infrastructure early last month, it was assumed to be retaliation

for an attack on the Kerch bridge linking Russia to Crimea. Successive waves of missile strikes have made it clear this was the beginning of a co-ordinated strategy. Moscow also bombed natural gas production in east Ukraine last week, and Gazprom's threat yesterday to restrict supplies to western Europe through its remaining trans-Ukraine pipeline was ominous for Kyiv too. Ukraine no longer buys Russian gas directly, but reimports volumes from Europe, some of which come from Russia. After its humiliating battlefield setbacks, Russia is trying to make life miserable for millions away from the front lines, and force Kyiv to sue for peace.

Ukrainians' extraordinary resilience is unlikely to crack. Energy companies have done an impressive job, too, of repairs and improvisation to keep electricity flowing. But many citizens are without power several hours a day, and if damage goes above a certain level systems could start to collapse. The risk of a new humanitarian crisis is real.

Authorities have begun evacuating civilians from liberated areas of Kerson and Mykolayiv because of severe damage there — though the national grid operator played down the need to evacuate civilians from cities further west. The government is urging the country to conserve energy, and discouraging refugees from returning.

Ukraine's allies need to do more to help. Since targeting civilian infrastructure is a war crime, foreign governments should make clear they will pursue all Russians responsible. Continuing to provide sophisticated air defence systems must also be part of the response, and doing whatever possible to thwart Russia's efforts to replenish its dwindling cruise missile stocks and obtain new weapons — including ballistic missiles that are harder to shoot down.

Yet some western officials concede discussions on financial support to Ukraine had not properly anticipated Moscow's damaging new tactics. Zelenskyy told finance ministers in Washing-

ton last month Ukraine would need \$38bn to cover its forecast budget deficit and \$17bn to rebuild infrastructure next year. Both figures now seem likely to rise. Emergency funding will be needed to bridge budget gaps and pay for repairs and support activities. A portion of the billions of dollars already earmarked for postwar reconstruction will need to be pulled forward for rebuilding to keep services and the economy functioning. That is likely to require blended finance, using aid money to help attract private capital, with the involvement of multinational development banks.

More immediately, the mosaic of aid agencies and charities active in Ukraine together with foreign capitals will need to step up efforts to provide everything from diesel generators and blankets to transformers and switchgear. EU officials warn of difficulties keeping up with demand. Millions outside Ukraine have opened their homes to refugees; now support is needed to help those still in the country through the icy winter.

Opinion Science

'Immunity debt' theory is misguided and dangerous



Anjana Ahuja

Respiratory syncytial virus is a little-known and hard-to-spell seasonal scourge that, like flu, most seriously affects children and older people. It usually triggers coughs and colds but can cause serious breathing difficulties in a small minority of infants.

RSV is so common that more than 80 per cent of UK children are infected by their second birthday — but case numbers plummeted during the Covid-19 pandemic. Measures such as masking, plus school and nursery closures, intended to slow the spread of Covid, also put the brakes on infection rates. Now the virus is resurgent, particularly in the US, with the wave hitting earlier than expected.

That has fuelled speculation that pandemic mitigations, including lockdowns, created a harmful "immunity

with cholera if this idea were followed to its logical conclusion." Delaying RSV infection may actually be beneficial, he adds, as the virus is deadliest to infants younger than six months. Globally among under-fives, one in 50 deaths is attributable to RSV.

Deborah Dunn-Walters, professor of immunology at the University of Surrey, says it is critical to distinguish between individual and population immunity (herd immunity) when scrutinising how pandemic measures may have altered the spread of non-Covid diseases. A smaller pool of people being infected during the pandemic can lead, after the lifting of measures, to a bigger pool of susceptible people. That fall in population immunity can fuel a surge simply because there are more people available to be infected (other factors, including the weather and virus severity, can also affect transmission).

But there is no evidence that an individual is worse off for having avoided earlier infection. "Immunity debt as an individual concept is not recognised in immunology," Dunn-Walters says. "The immune system is not viewed as a muscle that has to be used all the time to be kept in shape and, if anything, the opposite is the case." The constant onslaught of common pathogens such as cytomegalovirus, she adds, means the immune system begins to malfunction and slacken with age. She rejects the idea that infection is somehow good for health, saying vaccination is a far safer way of building population immunity.

Stephen Griffin, a virologist at Leeds University who believes paediatric pandemic vaccines were underused, argues we are still too complacent about childhood respiratory diseases

Letters

US has set a challenge for Europe's carmakers

The US Inflation Reduction Act is a wake-up call for Europe ("US subsidies for green technology ring alarm bells in EU capitals", Report, November 21). It confirms batteries and electric cars, not engines, are the future. But if Europe wants to decarbonise its cars while avoiding becoming a net importer of batteries and electric vehicles made in China and the US, it needs to act now.

The EU's plan should focus on boosting electric vehicle and battery supply chains, including critical mineral refining in Europe, by

encouraging European investment as well as from China, the US and elsewhere. Success will require simpler procedures, more predictability but, above all, more money.

A European sovereignty fund, modelled on the Covid recovery funds, is needed to ensure generous funding is made available across the EU, not just in Germany and France.

Subsidies need to be backed up by local content requirements, and a trade policy that protects nascent industries. European governments will dish out billions in electric vehicle purchase

subsidies this year. Yet, supply of electric vehicles is constrained and waiting times are long. Additional support to carmakers should be conditional on carmakers committing to higher production, in particular in Europe's company car market and entry-level segment.

Without guarantees on this, additional subsidies would increase carmaker profits with no benefits for consumers or the European economy. William Todts, Executive Director, Transport & Environment, Brussels, Belgium

Here's what else FTX and WeWork have in common

In the last few days you have reported on WeWork's ongoing massive losses and now the spectacular crash of Sam Bankman-Fried's FTX.

In her Long View (November 12) Katie Martin said such business are based around "hand-wavey ambitions rather than on traditional boring stuff like revenues, dividends... and institutional resilience". Spot on.

But it seems also that in each case these businesses are built off the towering and hubristic egos of a relatively untested and youthful man. Adam Neumann's ambition for his shared-office business was no less than to "elevate the world's consciousness" and Bankman-Fried saw no reason last year why FTX shouldn't acquire Goldman Sachs. It would all be comical, if it wasn't the case that many inexperienced investors suffer in such implosions.

These "emperor's new clothes" business models had something else in common. Masayoshi Son of Softbank stood cheering them on, helping to



pump up company values to \$47bn (WeWork) and \$32bn (FTX). Perhaps Masa's money, combined with a narcissistic young founder should be a sure-fire sign to sell and get out fast! Charlie Metcalfe, Lisbon, Portugal

'Crypto winter' is part of an inevitable consolidation

Confidence in the crypto industry continues to waver given recent liquidity concerns, particularly the failure of Terra and its twin coin luna in May.

However, it's not all doom and gloom. For one, the aftermath of FTX's collapse ("Crypto world rocked by fall of FTX empire", Report, November 12) will not be as severe as the Terra-luna fallout, as the main risks here are the assets tied to FTX, and how quickly these can be sold.

More importantly, this is an opportunity to phase out weaker industry players, a crucial step for the long-term health of blockchain — especially those that are too heavily reliant on poor fundamentals and inflated media hype.

This evolutionary stage is similar to the "dotcom bubble", and with this comes an inevitable "crypto winter" as the market consolidates itself. Alan Vey, Founder and Chairman, Aventus London EC1, UK

Why ex-BP boss is right to talk about geoeengineering

John Browne reports from COP27 (Opinion, 15 November) that the focus is still on Plan A — mitigation — and B — adaptation — but he is one of the first persons of substance to suggest that we should start thinking seriously about Plan C — geoeengineering or the deliberate large-scale intervention in the Earth's natural systems to counteract climate change.

Many pure environmentalists refuse. However, think of your car. You drive carefully (A), you keep your car well maintained (B) but you still buy insurance for events outside your control (C). Phillip Hawley, La Jolla, CA, US

And pheasant is more Christmassy than turkey

In answer to Judith Evans's piece "Butchers tempt families with beef Christmas as bird flu kills off turkeys" (Report, November 16), I can heartily recommend pheasant for Christmas dinner and I would even argue that pheasant is more Christmassy. And very well it goes with port sauce, swede mash, parsnips and red wine.

However, furthermore there are many health properties to game foods. And less carbon footprint. One is supporting rural communities, from the gamekeepers to those who "pick up" — and of course the shops. As they say from "field to fork". John Barstow, Pulborough, West Sussex, UK

Correction

San Francisco International Airport's planned 10-mile sea wall is projected to cost \$590mn, not \$590bn as incorrectly stated in a letter on November 18.

OUTLOOK

BRITAIN

Behind nurses' pay row lies

... of the NHS

NHS nurses took a historic step this month, voting to strike in their first ballot on industrial action since the Royal College of Nursing was founded more than 100 years ago. When my girlfriend, who works for a central London trust, received her ballot paper in October, she filled it out in an instant.

Never mind that many accident and emergency nurses like her will still have to work through the strike. Of

making it hard to maintain healthy routines. Last year's survey of NHS staff found that nearly half felt unwell and a third suffered musculoskeletal injury due to work.

My partner is on a list of over 1mn people across the country — NHS staff and others — waiting for mental health support. The causes are complex, but have been exacerbated by work, while the irregular nature of her job adds to the challenge of battling NHS bureaucracy to get care

girlfriend has had to cut her contracted hours and take up bank shifts which she can control more easily.

This is a loss-loss situation: less job security for nurses and more staffing uncertainty for the trust, which has to use costlier temporary workers. The Commons health and social care committee recently called for NHS employers to give all staff access to flexible work patterns, though this will mean raising overall numbers. Meanwhile, it is little wonder nurses

as discussed.

The discussion swirling around immunity debt shows how easy it is for a plausible-sounding theory to circulate as misinformation. In this case, misinformation risks promoting the unfounded assertion that infections are clinically beneficial to children, as well as feeding the revisionist narrative that Covid measures did more harm than good.

Professor Peter Openshaw, a respiratory doctor and immunologist who studies RSV and flu at Imperial College London, says the current "high and unseasonal" RSV wave is assumed to be a result of lockdowns causing levels of immunity to wane in children, parents and carers, paving the way for more infections.

But to frame this as an immunity debt, Openshaw warns, mistakenly suggests "that immunity is something we need to invest in, and that by protecting ourselves from infection we are building up a deficit that has ultimately to be repaid. This would not be a good message for public health: we would still have open sewers and be drinking from water contaminated

While there is no vaccine for RSV, Griffin acknowledges, "we can vaccinate against both flu and Covid – and yet we don't". Changing that norm, he says, could help to neuter the worst effects of a predicted "triple epidemic" this winter. The UK Health Security Agency advises that eligible children should receive the flu vaccine.

The immunity debt theory appeals because it can be employed in many ways. It seems to intuitively explain the current wave of respiratory illness. It is attractive to those who would downplay disease in children, and those who advocate for infection over vaccination. It provides a post-hoc justification for opposing measures such as masking, even though evidence suggests that such measures curbed Covid and virtually banished flu.

Immunity debt also plays to the idea that the ebb and flow of childhood illnesses are best left to nature – until one remembers that the entire childhood vaccination schedule is about keeping the worst of nature at bay.

The writer is a science commentator

a sickness in the NHS workforce



by Joseph Bambridge

It is a sickness that has taken hold of some hospital departments already operating with staffing levels below the minimum legal requirements for strike days. Returning her vote felt like a rare victory in her struggle with an institution that she fears is slowly consuming itself, and her with it.

Discussion of the ballots has mostly focused on pay. With annual inflation above 10 per cent, the government's offer of a £1,400 pay increase for the average nurse means a devastating cut in real terms. But nurses' frustrations are likely to have had more to do with their wider wellbeing than money alone. A real-terms pay drop means less disposable income to do things that improve wellbeing and make a difficult job feel worthwhile.

An increasingly important factor in nurses' decisions may be how their work is affecting their health.

From the NHS work is almost perfectly designed to create illness: it is physically and mentally draining, shifts are long and hours unsociable, putting pressure on relationships and

She knows better than most that services are stretched. But private care is prohibitively expensive; she's still paying off debts from studying for her nursing licence.

Anxiety, stress, depression and other psychiatric illnesses are the leading cause of absence among NHS staff – far more than Covid. In June 2022 alone, they lost the NHS the equivalent of 476,000 days. Most trusts have neither dedicated staff psychiatrists nor give staff priority to see specialists – yet reducing absence and improving wellbeing would boost NHS productivity and outcomes, according to the King's Fund think-tank. That would help address waiting lists and reduce the drag of ill health on the wider economy.

Since the start of the pandemic, some other sectors have moved to greater working flexibility, but NHS arrangements remain archaic. With little to no say over when they work, many staff are finding they would rather switch to agency or NHS bank work to gain some autonomy. My

are leaving at the highest level in a decade, driven by younger ones who are not prepared to sacrifice their own wellbeing for their job. Retail and hospitality both offer better pay and conditions. Chancellor Jeremy Hunt, a former health secretary, is well aware of NHS staff shortages – he admitted in the summer to having helped create them. He did increase NHS funding in his Autumn Statement, but he needs to go further to ensure there are the resources to introduce working practices fit for the 21st century.

The risk now is that the NHS begins to devour itself in a spiral of ill, overstretched staff needing treatment from an ill, overstretched service. My girlfriend loves the NHS, and does not want to leave it. After we dropped her ballot in the post box, we discussed whether acknowledgment of the pressures in the health service would help her feel better about her work.

"I guess," she replied hesitantly. "I just want to feel well again."

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Wednesday 23 November 2022

FINANCIAL TIMES

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Opinion

Qatar World Cup critics are unprepared for the rest of this century

POLITICS

Janan Ganesh



In the years after 9/11, as liberal sympathy for the US wore thin, you heard a lot of this:

The west is in no position to judge less democratic parts of the world. Scolding the Middle East in particular risks looking anti-Muslim. Regimes aren't bad, much less "evil", just products of local cultures that untravelled Americans don't understand. Even if things were so black and white, shame on us for courting Arab states in the past as oil suppliers or as cold war chess pieces. Did you know, by the way, that Texas still puts people to death?

Such was this relativism, this refusal to speak ill of what is now the "global south", that Christopher Hitchens left the left. The estrangement had begun when his comrades equivocated over the Rushdie affair in 1989.

So now, as liberals deploy World Cup host Qatar with such vehemence, it is natural to tease them. "What kept you?" and so on. "We are all neocons now", etc. A generation ago, their line wasn't just Stop the War in Iraq. (If only that campaign had carried the day.) It was that western values weren't for everyone. Today, on sex, on labour standards, on freedom of the press, it seems there is a universal minimum that must bind all countries.

What if they were closer to the truth the first time? The relativism of the noughties had its problems. It came close to suggesting that non-white countries were held to a lower standard. It snubbed the brave reformers in

autocracies and conceded the central argument of their oppressors. If nothing else, though, it was prudent. It understood the limits of western influence.

How much tighter those limits are now. To judge by the criticism of Qatar, lots of people are psychologically unprepared for the rest of this century. Whether or not China surpasses the US,

People have paid lip service to a less western-skewed balance of power without reckoning with its effects

the centre of world power is likely to creep away from the established democracies. (Look at projections of the biggest economies in 2050.) There will have to be a *modus vivendi*. If a sports tournament in a Gulf state is too much,

what is permissible? Should Mario Draghi not have signed a gas deal with Algeria as Italian premier last summer? Should the US not be building up its vast embassy in Bangkok, given the *lèse majesté* laws and on-off democracy there? As for Qatar itself, is sportswashing a regime bad, but directly enriching it through energy imports fine? If so, on what moral or strategic grounds?

Vietnam, that 100mn-strong beneficiary of friend-shoring, is "not free", in US watchdog Freedom House's reckoning. Indonesia, the fourth most populous nation on Earth, is just "partly free". So too much of the subcontinent, from where lots of the mistreated workers in Qatar have come. There is no western counterbalancing of China, no Asia strategy at all, without the help of some or all of these nations.

Until recently, liberals had seemed to absorb and accept all this. The rise of the "rest" was a well-ventilated subject even

before the process really got going. But the outrage over Qatar – whose host status we have had 12 years to get used to – has been stunning. I am glad it exists. Give me Enlightenment chauvinism over the pretence that all models of government are equal. This is the first World Cup since early childhood that I have not essentially suspended my life for, and unease with the host must be part of the reason.

The outrage reveals something about those who feel it, though. It is plain now that lots of people have paid lip service to the idea of a changing world, a less western-skewed balance of power, without reckoning with its practical effects. A World Cup in a not exceptionally brutal Gulf state: do we think this is the end of the moral compromises?

Fifa stands condemned for selling out to despots, as though it pretended to be a democratic club in the first place. In fact, it is a global one, with illiberal or

corrupt countries as members, that happens to be Zurich-based. Argentina in 1978 (under the junta) and Russia in 2018 (while it occupied Crimea) are past hosts of its grandest tournament.

If this tawdry organisation scandalises people, imagine the reaction as great western nations navigate this century. Four months have passed since Joe Biden bopped fists with Saudi Arabia's crown prince. Having talked up a clash between democracies and autocracies, the US president now seems to define the enemy more narrowly as Russia and other active revisionists of the world system. He knows that victory depends on enlisting allies that fall short of the Jeffersonian ideal of governance. Others are slower to the same realisation. Liberals have traded relativism for a universal conscience just as the world makes such a thing unaffordable.

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Markets can go green – just not fast enough

Martin Wolf Economics

Policymakers and governments need to work out how to accelerate the transition to clean energy



Whatever else may be wrong with economics, its starting point is correct: people do indeed respond to incentives. Suppose renewables provided the dominant technologies for energy supply; suppose, in short, that it was more profitable to use solar, wind or other renewable sources of energy than fossil fuels. Market forces would then drive the transformation of economies in a climate-protecting direction on their own. It might still be necessary to reduce the costs of capital in emerging and developing countries. It might still be necessary to accelerate the transfer of technology. But the wind of profit would be at their back. Is this the world we live in? If not, how might we create it?

Start with a simple proposition: if something is profitable, it will be done. Asset managers may dispose of shares in fossil-fuel businesses and banks may refuse to finance them. Some investors might refuse to own or fund companies that do things they consider wicked. But my fellow columnist, Stuart Kirk, is correct that someone else will then own and finance them, if they are profitable.

Those actors might be foreign governments and businesses or domestic pri-

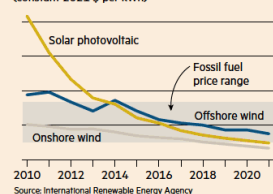
Egypt. If one doubts just how difficult it is to halt a profitable business, take a look at the history of drug prohibition. How close then are we to making renewables the dominant technology for energy supply? The answer is that we have made remarkable progress. But it is not fast enough to be transformative within the relevant timescale, one that has become ever shorter as a result of the past decades of delays.

The good news is that, as the International Renewable Energy Agency shows, a dramatic fall in the so-called "levelised cost" of electricity from renewables has occurred since 2010. This is true for onshore and offshore wind and even more so for solar voltaics. Costs are now at the lower end of the range for generation by fossil fuels or even below it. This is potentially transformative. (See charts.)

The bad news is that this fall in costs has not been transformative enough, quickly enough. A rise in the share of renewables in electricity generation has indeed occurred. In the EU, it reached 25 per cent in 2021. But in the world as a whole it was still only 13 per cent. Meanwhile, total emissions from all sources have not fallen. Yet, if the 1.5°C limit is to be kept alive, total emissions have to fall



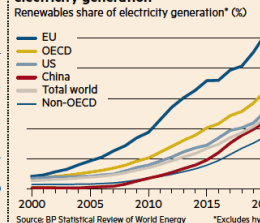
The costs of renewables have fallen fast, especially in photovoltaics
Global weighted average levelised cost of electricity (constant 2021 \$ per kWh)



To remind ourselves, this is in the next eight years.

Nothing happened in Sharm el-Sheikh to suggest this is likely. The reasons for the relatively slow adjustment to renewables so far, even as they have become more competitive, are many: the overhang of low marginal cost installed capacity, not just in electricity generation but also in heating, transportation and industry; the costs of a fast transition to alternatives; resistance to loss of existing business and

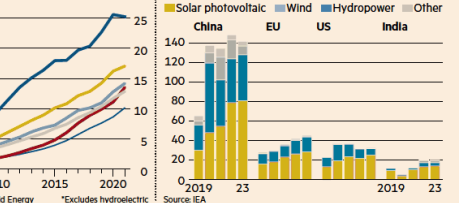
The EU leads in share of renewables in electricity generation
Renewables share of electricity generation* (%)



employment in production, refining and distribution; resistance to building solar and wind farms; resistance to undertaking needed investments in systems integration; and difficulties in arranging finance for emerging and developing countries, but also for households just about everywhere. Delaying everything is sheer inertia.

With market forces increasingly pushing in the right direction, the question is how to accelerate them. This is why, despite scepticism over attempts to make profit-seeking businesses pur-

Solar photovoltaics have become the most important new technology, followed by wind
Renewable capacity additions (GW)



energy sources add security to energy supplies. Yes, wind and sun will vary over the day and the seasons. But Vladimir Putin cannot cut them off. For China, Europe and India, to name but three big players, the security case for renewables is overwhelming.

Broadly speaking, five policy changes do still need to be made, or strengthened: increase investment in scientific research; increase subsidisation of the application of new technologies, with a view to accelerating learning-by-doing in each, as well as speeding up invest-

from working their way fully into the market, and de-risk finance especially in developing countries.

None of this is new. But the politics just might be. Yes, the world has talked far more than it has acted. Yes, it is far behind where it needs to be. And, no, the market is not going to deliver the needed transition fast enough. But there is now a significant chance of delivering safe, secure, clean and cheap energy to all. Moreover, the possibility might, properly supported, generate a global investment boom that would absorb

vate entities. Regulation might curb some activities. But political resistance is likely to make such regulation difficult – consider the debate over production of fossil fuels in the US. Moreover, oil producers will defend their interests to the death, as they showed at COP27 in

sharply by 2030, particularly in electricity generation. For this to happen, there must be a huge expansion in the use of what the International Energy Agency calls “low-emissions sources”, the bulk being from renewables, while use of unabated fossil fuels falls by a third.

Wind and sun will vary over time, but the security case for renewables remains overwhelming

sure moral objectives, I am pleased that these desired changes are at least in line with what the markets are clearly saying: one can hope to do well by doing good. Furthermore, as the IEA's *World Energy Outlook* argues, in addition to being increasingly cheap, renewable

ment in complementary technologies; cease subsidisation of fossil fuels, which amounted to \$700bn in 2021, other than in carbon capture and storage; introduce carbon pricing in one of several possible ways, perhaps by preventing prospective declines in energy prices

excess savings for an extended period. The energy transition should no longer mean hair shirts forever, but an opportunity that politicians can sell. They should try to do much harder.

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Ukraine crisis could transform the future of neutrality

WORLD AFFAIRS
Constanze Stelzenmüller



Walthy, neutral, sheltered from aggressive or impetuous neighbours by craggy mountain ranges: Switzerland is the country some Germans wish they had. Relations between Bern and Berlin have tended to tick along smoothly. But Russia's invasion of Ukraine is sending shivers of political disruption across the European continent, and they don't stop at the Alps.

“Switzerland as a problem” ran the headline of a recent leader in a conservative German newspaper not

otherwise given to hyperbole. Germany's defence minister Christine Lambrecht has been writing angry letters to her counterpart in Bern concerning more ammunition for the Gepard air defence cannons Berlin has sent to Kyiv. Russia's recent missile attacks on targets across Ukraine add urgency to the appeal.

The 12,000 35mm rounds in question were made in Switzerland, which has a veto over their resale or donation. Bern has formally refused two requests from Berlin to permit re-export to Kyiv – and indeed its hands are tied by its strict legal rules on armaments exports.

The dispute has exacerbated debate in Switzerland about the viability and value of its hallowed tradition of neutrality at a time when war has returned to Europe. In the past, that principle has been interpreted with a dose of pragmatism: it has not stopped Bern sending soldiers on EU military missions, nor

its armed forces from working with Nato. But it will not join any military alliance; it pulled the plug on a framework agreement with the EU in 2021 and it has refused to allow Nato planes to fly weaponry through Swiss airspace.

The dispute has fuelled debate in Switzerland about the viability of its hallowed tradition

To be fair, the Swiss have unequivocally condemned the Kremlin's aggression, taken in Ukrainian refugees and mirrored almost all of the EU's sanctions against Moscow, including asset freezes against hundreds of individuals with ties to Vladimir Putin, many of whom have bank accounts in Switzerland (estimated value at least \$100bn).

Even more importantly, trading of Russian commodities has been curbed – 80 per cent of Russian oil was traded in Geneva before the war.

For the populist and isolationist Swiss People's party (SVP), this is already anathema. Its leader Christoph Blocher has accused his country of “abetting the death of Russian boy soldiers”.

Others seek much greater change. Liberal party leader Thierry Burkhalter wants Switzerland to lean into partnership with Nato; the leaders of the Social Democrats urge more co-operation with the EU. Gerhard Pfister, head of the Mitte (Centre) party has demanded that Swiss law be changed to let Germany send ammunition to Ukraine – because, he said, “we too are being defended in Kyiv”. In late October, an alarmed Swiss government attempted to quell the argument with a 38-page paean to the status quo.

Meanwhile, other neutral countries

have also been discreetly reconsidering their relationships with Nato, especially given the decisions by Finland and Sweden to apply for membership after the invasion of Ukraine. Austria, like Switzerland, prefers to retain its principles while being highly flexible in practice. Yet an open letter signed by over 50 public intellectuals called this stance “not only unsustainable but dangerous for our country”.

Ireland's foreign and defence minister Simon Coveney has called for a “fundamental rethink” of Dublin's security posture – a government defence review had found that it “lacks a credible military capability to protect Ireland”. But he added that Ireland was unlikely to join Nato “anytime soon”.

Bern, Vienna and Dublin are distant from the combat in Ukraine. Nonetheless, they are racing to increase their defence budgets (from less than 1 per cent to more than 1 per cent of GDP by

the end of the decade). But will that suffice? All three are deeply integrated into global networks of trade and finance and susceptible to economic coercion.

Moscow is watching these domestic debates closely. In May, a spokesman for the Russian embassy in Bern said the Kremlin “would not be able to ignore” a Swiss renunciation of neutrality. Last week, foreign ministry spokeswoman Maria Zakharova called the discussion in Ireland “illogical... and unconstructive”. She added, ominously: “As historical experience shows, the loss of one's sovereign rights spells nothing good.”

Her point is more aptly made by Putin's current attempts to obliterate Ukraine's independent nationhood. Europe's neutral states might consider whether sovereignty is not better protected by an alliance.

The writer directs the Center on the US and Europe at the Brookings Institution

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FINANCIAL TIMES

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Twitter: @FTLex

Covid/China: unchained malady

If you believe the spread of Covid-19 has ended, think again. In China the number of coronavirus cases has more influence over markets than comments from US Federal Reserve governors.

The effect of China's zero-Covid policies, once confined to local stocks, is spreading to world markets again. Many investors had hoped China was ready to start reopening, but a worst-case scenario may be materialising.

In the capital, cases have hit a fresh high. Beijing shut down public spaces such as shopping centres and parks yesterday, while many other Chinese cities have restarted mass testing for Covid. A nationwide surge in cases is taking daily infections towards a record for the year.

Beijing has warned it faces its most severe test of the pandemic. That is worrying as such alerts have previously preceded strict lockdowns. More than 40 Chinese cities are under curbs. Analysts estimate these would affect nearly a fifth of manufacturing output.

An even bigger problem is that Guangzhou is the epicentre of the latest surge of cases. The southern metropolis is China's manufacturing hub. The area has become home to so many factories, spanning industries including electronics, cars, telecoms equipment and steel, that it is referred to as the world's production centre.

Should the current surge in cases prompt a citywide lockdown in Guangzhou comparable to that in Shanghai earlier this year, global supply-chain disruptions will exceed those in the past year. Beijing has already ordered a five-day lockdown for Guangzhou's most populous district, Baiyun. A worst-case scenario for all concerned cities could affect more than \$1tn in output from China.

No surprise that shares of US groups with key exposure to China have suffered after the announcement of rising cases. Tesla lost nearly 7 per cent on Monday. Its fastest-growing sales are in China. Last year they accounted for a quarter of total revenues. They hit a monthly high in September.

Hopes that the Fed's hawkish views on inflation could soon moderate have reignited interest in world equity and bond markets. Yet prices of commodities such as crude oil and

copper quickly reversed as news spread of the lockdowns. China is the world's second-largest consumer of oil and the most important for refined copper.

Its struggle with Covid will remain the world's problem for a while longer.

Babylon/telehealth: strong medicine required

Telehealth start-up Babylon wrote itself a duff prescription. The British company last year opted to join the New York Stock Exchange by merging with a special acquisition company. It ended up raising \$275mn, less than half as much as hoped. Founder Ali Parsa has called it an “unmitigated disaster”.

The harsh response from investors is, in part, a sign of a wider reappraisal of the market amid a tech rout. This year's digital-health venture capital funding could be less than half of last year's \$29.1bn, says fund Rock Health.

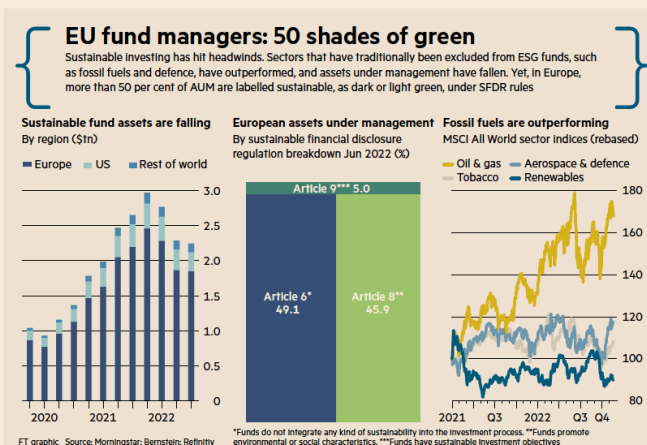
There are questions over the staying power of telemedicine. It boomed in the pandemic, but a McKinsey survey of US physicians found that three in five would recommend in-person over virtual care to patients.

The economics can disappoint as well. Though accused of skimming off younger, healthier patients, Babylon says those motivated to switch tend to have more complex needs. Unable to make money from its NHS contracts, Babylon now firmly focuses on the US. The group made more than half its revenues from the UK in 2020.

Having fallen more than 90 per cent since its debut last year, Babylon trades on 0.3 times forward revenues, less than a fifth of the multiple boasted by rival Teladoc. Babylon recently raised about \$80mn of new funds and plans to sell a California-based business, which Berenson says could fetch \$500mn. All of this should provide enough cash until its hoped-for move into the black in 2025.

Investors might hope to benefit from consolidation in the sector. In August, Babylon had to deny speculation about takeover talks. M&A activity is starting to pick up in the US, with 144 digital-health deals in the first nine months of this year, including Amazon's \$3.9bn bid for One Medical. Mergers would help digital-health groups cut costs and boost their services.

Even so, these deals will struggle to



Amundi, Europe's largest fund manager, has caused sector ructions. It has declassified most of its \$45bn of “really green” funds to “sort of green”. This highlights one of the complexities of ESG investing: it is not clear what counts as a sustainable place to put one's money. There are more fundamental concerns, too.

The EU's approach to sustainable investing makes some sense. The energy transition is partly a challenge of financial plumbing. Regulators do not want groups labelling their funds as sustainable if they are not.

Germany's DWS has this year faced accusations of such greenwashing. Europe's Sustainable Finance Disclosure Regulation (SFDR) and taxonomy define what should count

as green and make funds label themselves according to their underlying investments. These policies should enable investors to put their cash to good use in a measurable way.

Some evidence of success exists. More than 50 per cent of European funds are labelled as article 8 (light green) or 9 (dark green). Yet evolving guidance means 380 products changed designation in the third quarter, Morningstar research says. This is what Amundi and some others have done, partly to avoid legal challenges later.

But the real question for investors is: to what extent can ESG investments deliver higher risk-adjusted returns and help save the world in the process?

On the first point, ESG sectors should have a growth tailwind and lower risks.

They will still suffer from economic cycles.

Indeed, since the start of 2021, sectors often excluded from ESG funds – defence, tobacco and oil and gas – have outperformed the wider market and renewable electricity. But there is also merit to ESG investing. Pouring money into renewable energy stocks should make it easier for these companies to speed up investment plans.

But it is not clear that a box-ticking approach will always be sensible. Some grey-hued groups may be in the process of turning themselves green. Judging from the recent behaviour of some fund managers, that lighter green segment of the SFDR has lots of potential.

deliver on ambitious promises. The US healthcare system remains notoriously immune to disruption.

SocGen/Bernstein: eat what you kill

Almost five years ago, European regulators implemented MiFid II to “unbundle” equity research from trading commissions. The rationale was to save investors from indirectly paying for excessive or unnecessary research. Spending on equity research has fallen sharply since. But the shrinking pool of independent analysts suggests risks to market efficiency.

A venture between AllianceBernstein and Société Générale to combine cash

equities and research capabilities, announced yesterday, continues that trend. The former's \$627bn fund management unit is not affected. The deal comes a well-regarded independent research brand with SocGen's full-service equity franchise.

SocGen will hope to expand its US investment banking services as part of incoming chief Slawomir Krupa's turnaround brief. AllianceBernstein's research brokerage business, though primarily US-focused, highlights the price impact on research from MiFid II.

European equity research spending hit a decade low of \$640mn in 2019, or half that in 2015, Bloomberg data show. MiFid II required fund managers to pay separately for research. While spending has grown modestly since, an increasing share goes to the largest

institutions: 53 per cent went to the top 10 providers in 2021, up from 51.6 per cent in 2020. Most of that spending goes to the top three, said Mike Carrods of Substantive Research.

A previous bias towards scale that existed via trading continues for research alone. That is leaving slim pickings for independent research houses, priced out of the market by in cross-subsidisation of research within the largest banks.

A sustained bear market in bonds and equity volatility could yet tilt demand towards active portfolio managers desirous of independent research. Even so, pricing will remain under pressure. Some independents that specialise can maintain pricing power but the trend of consolidation with larger banks should continue.

US credit markets: thaw point

If the messiest leveraged buyouts suddenly look interesting to Wall Street debt investors, then a soft landing for the economy may be afoot. Banks have for months struggled to sell off the debt they extended to fund private equity acquisitions. These bridge loans have been clogging bank balance sheets even when loan and bond yields have been approaching or exceeding 10 per cent.

In recent days, lenders to the \$16bn buyout of Nielsen Holdings, the media data company, have offloaded billions of debt backing the transaction. The easing of conditions comes as the latest US inflation reading showed slowing price increases, even as the labour market and economy remain resilient. That presents an opportunity for fixed income investors. Widened credit spreads along with increased base interest rates have pushed yields to levels not seen in years; the Moody's A-rated corporate bond index is offering an annual yield of about 5 per cent, a figure not seen in a decade. The temptation is to lock in such yields at a time when risks may be moderating.

The same risk-on posture appeared in summer – only to be quashed by the Fed's commitment to crushing inflation followed by data showing resistant consumer prices. The Fed itself has indicated it will keep raising rates through the slope of those increases.

Over the past five weeks, high-yield bond funds have pulled in \$12bn, a winning streak not seen since the stimulus-charged 2020, say figures compiled by Leveraged Commentary & Data. But overall, investors have yanked nearly \$30bn of cash from high-yield funds in 2022.

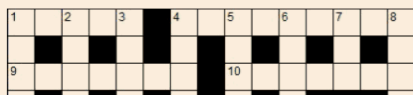
Even as corporate debt investors start to bite at leveraged buyout debt, most new deals remain on hold. Any debt sold on has required sweeteners for buyers. In previous tightening cycles, buyers of congested LBO debt – often savvy buyout firms – made double-digit returns simply by waiting for lending banks to offer bargains. That tactic is one ordinary institutional investors could now selectively adopt.

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CROSSWORD

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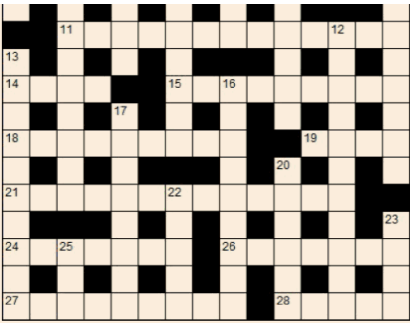


ACROSS

- 1 Store took a lot of booze back (5)
- 4 Short time, almost too short for bike racing (7)
- 9 Horror of King and Queen being infected (7)
- 10 Mike Tyson vs Queens's middle...

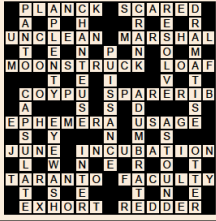
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JOTTER PAD

Solution 17,258



You can now solve our crosswords in the new FT crossword app at ft.com/crosswordapp

- 10 Maybe kings or queens saddle on horse's back (7)
11 New air hostess jogged for fitness on transatlantic trip, perhaps (13)
14 American sailors docked in Middle Eastern port (4)
15 Residents come to mind being fed pudding with spades (9)
18 Quarter of London church during a mass contains women (9)
19 Fall road trip heading for red leaves (4)
21 Ray stole jewellery including diamonds for sport (13)
24 Rather ruins tea dunking sandwiches (7)
26 Virginia played without Charlie after Charlie left (7)
27 Foul dank creek completely drained (9)
28 Helen's second husband runs forward in doubles (5)

DOWN

- 1 One down comes from nought (4)
2 IKEA reports wobbly reconstruction behind the curtain (11)
3 A western island NATO mostly protects? On the contrary (6)
4 Maiden bowed before sweet explorer (5,4)
5 Unspoken magnetic attraction keeps returning (5)
6 Name one work by English female that's inspiring (8)
7 Encouragement for Ballesteros, perhaps, if his target lacks aspiration? (3)
8 Flight tires out relative (10)
12 Venus usually gave tennis shot a bit of rage (7,4)
13 Length of a light tie attracts criticism (10)
16 Elaborate fraud attempted; Victor's taken in by it (9)
17 Audio equipment to bug the fifth floor? (4,4)
20 Slight difficulty listening to bumpkin going on (6)
22 Class seconds from hometime tries addition very grudgingly (5)
23 An operating system's troubles (4)
25 Spring ultimately comes every year (3)

Come back in a year and tell us if cutting your budget was a good idea

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