

A rare compromise

Biden's spending bill win offers hope for US politics — RANA FOROOHAR, PAGE 17

The boy from Brazil

Bolsonaro's third son provides a key link to Trump's circle — PAGE 3



Wing and a prayer

Air travel hellscape is unlikely to improve soon — PILITA CLARK, PAGE 18

Iraq deadlock
Protesters halt government

Supporters of Shiite cleric Moqtada al-Sadr occupy a hall inside the Iraqi parliament yesterday, after breaking into the Baghdad building.

Sadr's supporters were protesting after his rivals agreed to name a candidate for prime minister.

Opec's second-largest oil producer has been paralysed by a stand-off between competing factions over the formation of a new government, one of its worst crises since the US-led invasion toppled Saddam Hussein in 2003.

As a result of the dysfunction the country has not passed a budget, meaning its people are not benefiting from the boost to state coffers from the surging crude price.

Iraq in crisis page 4



Ameer Al-Mohammedawi/Upa

West eases Russian oil curbs as inflation and energy risks mount

● EU insurance restrictions on tankers amended ● UK still weighing global shipping ban

TOM WILSON, HARRY DEMPSEY AND OLIVER RALPH — LONDON

European governments have eased efforts to curb trade in Russian oil, delaying a plan to shut Moscow out of the vital London maritime insurance market and allowing some international shipments amid fears of rising crude prices and tighter energy supplies.

The EU announced a worldwide ban on the provision of maritime insurance to vessels carrying Russian oil two months ago, expecting co-ordinated action with the British government. However the UK is yet to introduce similar restrictions. UK participation is pivotal because London is at the centre of the marine insurance industry.

The EU's insurance ban prevents companies in the bloc from writing new

insurance for any vessel carrying Russian oil anywhere; existing contracts remain valid until December 5.

However, in late July Brussels amended some curbs on dealing with state-owned Russian companies, citing concerns over global energy security. European companies will no longer be blocked from paying the likes of Rosneft "if those transactions are strictly necessary" for the purchase or transport of crude or petroleum products to third countries, the European Commission told the FT. The EU said the measures were taken to "avoid any potential negative consequences for food and energy security around the world".

Sarah Hunt, a partner at HFW, a law firm, said: "The new EU sanctions effectively permit the lifting of Russian crude

by European companies. We were surprised by this."

Leigh Hansson, partner at Reed Smith, another law firm, called it a "big retreat", adding that lawyers had also been expecting "more robust" measures from the UK.

Britain's latest sanctions against Russia only prohibit providing insurance to vessels carrying Russian oil to the UK, and only after December 31. "There is no current UK ban affecting global shipments of Russian oil," said Patrick Davison, underwriting director of the Lloyd's Market Association, an industry group for insurers at Lloyd's.

The UK Treasury said it was still exploring the best course of action and "working in conjunction with our allies".



The US has expressed concerns that an immediate global ban on Russian oil shipments would create a price surge

A joint UK-EU prohibition on maritime insurance would constitute the most comprehensive restriction to date on Russian oil, ending access to much of the global tanker fleet for Moscow's exports. But US officials have expressed concern that an immediate global ban would push up prices by pulling millions of barrels of Russian crude and petroleum products off the market.

The White House has been pushing G7 countries to support a price-cap mechanism that would allow some Russian oil to reach third countries as long as they paid a below-market price. US president Joe Biden is keen to reduce petrol prices before midterm elections in November.

Additional reporting by Alice Hancock and David Sheppard

Briefing

► **Manchin defends U-turn on climate bill**
US senator Joe Manchin has defended his decision agreeing to reverse Trump-era corporate tax cuts and backing Joe Biden's \$369bn energy, climate and social spending bill. — PAGE 2

► **Bullish credit card groups in US push**
US issuers are waging a fierce marketing battle for new customers, signalling their faith in borrowers' ability to pay back debt, even as the economy tips into a technical recession. — PAGE 5

► **UG fund hedges against Taiwan conflict**
UG Investment, a hedge fund specialising in Chinese markets which manages assets worth \$4bn, plans to open a Singapore office to guard against the risk of conflict between Beijing and Taiwan. — PAGE 7

► **Crypto investors step back into the fray**
Cryptocurrency markets are showing signs of life, with investment products that track digital assets attracting inflows of nearly \$400mn since the start of last month. — PAGE 5



► **Call to release probe into Khan party**
Pakistan politicians have urged authorities to release a probe into ex-prime minister Imran Khan's party after allegations it had received banned donations from foreign citizens and companies. — PAGE 4

► **Singapore carries out more executions**
Singapore has defied international criticism and carried out six executions so far this year, the highest number since 2018, after two years without any hangings. — PAGE 4

► **Blame game over Sri Lanka IMF delay**
New Sri Lankan president Ranil Wickremesinghe has blamed weeks of protests, which forced his predecessor to flee, for delays in securing a package of IMF funding for the crisis-hit nation. — PAGE 4

Datawatch

High in fibre

Share of fixed broadband subscriptions, OECD countries (%)

High-speed fibre internet is now the main broadband technology across 38 OECD nations. In 2021, there were more than 164mn fibre connections, up 121mn in 10 years. As recently as 2013, DSL was responsible for more than half of connections.

Source: OECD

Record-breaking retreat by overseas investors shakes emerging markets

JONATHAN WHEATLEY — LONDON

Foreign investors have pulled funds out of emerging markets for five straight months in the longest streak of withdrawals on record, highlighting how recession fears and rising interest rates are shaking developing economies.

Cross-border outflows by international investors in EM stocks and domestic bonds reached \$10.5bn in July, according to the Institute of International Finance. That took withdrawals during the past five months to more than \$38bn — the longest period of net outflows since records began in 2005.

Investors have also pulled \$30bn so far this year from EM foreign currency bond funds, which invest in bonds issued on capital markets in advanced economies, according to JPMorgan. The foreign currency bonds of at least 20

frontier and emerging markets are trading at yields of more than 10 percentage points above those of comparable US Treasury bonds, a spread that often indicates severe financial stress and default risk.

Jonathan Fortun Vargas, economist at the IIF, said that cross-border withdrawals had been unusually widespread across emerging markets; in previous episodes, outflows from one region have been partially balanced by inflows to another. "This time, sentiment is generalised on the downside," he said.

The capital outflows risk exacerbating a mounting financial crisis across developing economies.

Sri Lanka has defaulted on its sovereign debt and Bangladesh and Pakistan have both approached the IMF for help. A growing number of other issuers are also at risk, investors fear.

This weekend Zambia reached a landmark debt relief deal with creditors including China, paving the way for an IMF bailout and setting a possible precedent for other troubled economies that have borrowed heavily from Beijing.

Analysts warned there was little immediate prospect of global conditions turning in EM's favour. Adam Wolfe, EM economist at Absolute Strategy Research, said the US Federal Reserve was "more willing to risk a US recession and to risk destabilising financial markets in order to bring inflation down" than in previous cycles.

There is also little sign of an economic rebound in China, limiting its ability to drive a recovery in other developing countries that rely on it as an export market and a source of finance.

Additional reporting by Kate Duguid
Sri Lanka IMF delay page 4



Europe banks grapple with a world of positive rates

Era of uncertainty ► PAGE 6

| | | | |
|------------|--------|-------------|----------|
| Austria | €4.30 | Morocco | Dh50 |
| Bahrain | Din1.8 | Netherlands | €4.30 |
| Belgium | €4.30 | Norway | Nkr43 |
| Croatia | Kn32 | Oman | ORI60 |
| Cyprus | €4.00 | Pakistan | Rupee350 |
| Czech Rep | Kc120 | Poland | Zl24 |
| Denmark | Dkr43 | Portugal | €4.00 |
| Egypt | E£59 | Russia | €5.00 |
| France | €4.30 | Serbia | NewD530 |
| Germany | €4.30 | Slovenia | €4.00 |
| Greece | €4.00 | Spain | €4.00 |
| Hungary | Ft1350 | Switzerland | Sfr6.50 |
| India | Rup220 | Tunisia | Din7.50 |
| Italy | €4.00 | Turkey | TL50 |
| Luxembourg | €4.30 | UAE | Dh22.00 |
| Malta | €4.00 | | |

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World Markets

| STOCK MARKETS | | | | CURRENCIES | | | | INTEREST RATES | | | |
|------------------|----------|----------|-------|------------|---------|---------|---------|----------------|---------|-------|-----|
| | Jul 29 | Prev | %chg | | Jul 29 | Jul 22 | | | price | yield | chg |
| S&P 500 | 4106.57 | 4072.43 | 0.84 | \$/€ | 1.020 | 1.023 | €/£ | 0.822 | 0.831 | | |
| Nasdaq Composite | 12291.21 | 12162.59 | 1.06 | \$/¥ | 1.217 | 1.204 | €/¥ | 1.194 | 1.177 | | |
| Dow Jones Ind | 32663.39 | 32529.63 | 0.41 | £/¥ | 0.838 | 0.850 | ¥/€ | 136.276 | 139.181 | | |
| FTSEurofirst 300 | 1722.27 | 1701.86 | 1.20 | ¥/\$ | 133.650 | 136.045 | £ index | 79.956 | 78.964 | | |
| Euro Stoxx 50 | 3707.31 | 3652.20 | 1.51 | \$/¥ | 162.639 | 163.819 | SF/¥ | 0.971 | 0.983 | | |
| FTSE 100 | 7423.43 | 7345.25 | 1.06 | €/£ | 0.981 | 0.978 | | 1.159 | 1.157 | | |
| FTSE All-Share | 4107.01 | 4061.26 | 1.13 | | | | | | | | |
| CAC 40 | 6448.50 | 6339.21 | 1.72 | | | | | | | | |
| Xetra Dax | 13484.05 | 13282.11 | 1.52 | | | | | | | | |
| Nikkei | 27801.64 | 27815.48 | -0.05 | | | | | | | | |
| Hang Seng | 20156.51 | 20622.68 | -2.26 | | | | | | | | |
| MSCI World \$ | 2709.82 | 2675.08 | 1.30 | | | | | | | | |
| MSCI EM \$ | 997.61 | 989.89 | 0.78 | | | | | | | | |
| MSCI ACWI \$ | 630.42 | 622.69 | 1.24 | | | | | | | | |
| FT Wilshire 2500 | 5297.78 | 5231.90 | 1.26 | | | | | | | | |
| FT Wilshire 5000 | 41370.83 | 40860.26 | 1.25 | | | | | | | | |

| COMMODITIES | | | |
|--------------|---------|---------|-------|
| | Jul 29 | Jul 22 | %Week |
| Oil WTI \$ | 100.19 | 97.36 | 2.91 |
| Oil Brent \$ | 105.05 | 105.20 | -0.14 |
| Gold \$ | 1753.50 | 1705.10 | 2.84 |

Prices are latest for edition Data provided by Morningstar

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INTERNATIONAL

US Senate

Manchin says climate bill closes ‘loophole’

Democrat defends tax plans that Republicans warn will slow growth

COURTNEY WEAVER — WASHINGTON

US Senator Joe Manchin defended Democrat plans to impose a 15 per cent minimum corporate tax rate and limit “carried interest” as part of a \$369bn energy, climate and social spending bill, which he suggested will pass the Senate.

Republicans have attacked Manchin, whose vote was crucial to securing the so-called Inflation Reduction Act, for reversing the corporate tax cuts implemented during the Trump era, saying the move will hamper US investments.

“The last two years have been mas-

sive, record profits,” the Democratic senator from West Virginia told NBC’s *Meet The Press*. “With that being said, it’s been the lowest investment of capital expenditure that we’ve ever had. So it’s not the taxes that are driving this.”

Pat Toomey, Republican senator from Pennsylvania, warned yesterday that the new bill, specifically the corporate tax change, was “going to slow down growth, probably exacerbate a recession that we’re probably already in”.

Democrats have stressed the legislation will not increase taxes for Americans making less than \$400,000 a year.

In a series of television appearances, Manchin denied the new 15 per cent minimum tax rate on companies with profits of more than \$1bn was new, but rather closing a “loophole”. He told ABC

News the rate “used to be at 35 per cent in 2017 . . . It went to 21 [per cent]. I think that everybody in West Virginia, and most people in America that . . . pay their taxes believe that everyone would be paying at least 21.”

The corporate tax change will ‘probably exacerbate a recession that we’re probably already in’

Manchin’s surprise decision last week to back the bill has drawn condemnation from Republicans. They say Democrats tricked them into backing a \$280bn bipartisan bill to support the US semiconductor industry before reveal-

ing hours later that party leaders had secured Manchin’s support to pass the even bigger Inflation Reduction Act.

The Senate is set to take up the legislation next week as part of a final lawmaking flurry before Congress goes into its annual August recess.

In addition to allocating \$369bn towards green initiatives and energy reforms and \$64bn to shore up the Affordable Care Act, the bill will put roughly \$300bn towards reducing the deficit. The measures are to be paid for by the new corporate minimum tax rate and by tightening the tax loophole for carried interest.

Carried interest allows profits accrued by investment managers to be taxed at a lower rate than ordinary income. While currently those invest-

ments need to be held for a minimum of three years to be eligible for the lower tax rate, that will be extended under the new legislation to a minimum of five years.

To pass the bill, Democrats will need the support of Senator Kyrsten Sinema of Arizona, a Democrat who, like Manchin, has often broken ranks with her party on key legislation and has previously signalled her opposition to closing the carried interest loophole.

Manchin said yesterday he would not speak for Sinema or how she planned to vote on the bill but he believed she was broadly in favour of many of the measures the legislation proposed, especially as the bill provided “no tax increases”, as Sinema had demanded.

East Asia

China renews attacks on Pelosi plan to visit Taiwan as tour starts

TOM MITCHELL — SINGAPORE
DEMETRI SEVASTOPULO — WASHINGTON

China has escalated its threats over Nancy Pelosi’s potential visit to Taiwan this week, conducting naval exercises in the region hours before the US House of Representatives Speaker was due to arrive in East Asia.

Pelosi’s office said a Congressional delegation headed by the Speaker had left yesterday for Singapore, Malaysia, South Korea and Japan. The statement did not confirm if or when Pelosi would follow through with her plans to also visit Taiwan, the self-ruled island that Beijing claims is an inalienable part of its sovereign territory.

The purpose of the trip, which has further strained fragile China-US ties, was to “reaffirm America’s strong and unshakeable commitment to our allies and friends in the region”, Pelosi’s office said. The six-member delegation includes the heads of the House foreign affairs and armed services committees.

The American Chamber of Commerce in Singapore has said it will be holding an in-person event with Pelosi today.

Last week, Xi Jinping told Joe Biden that the US was “playing with fire” by not stopping such visits by American

‘If she visits Taiwan without the consent of China there would be serious consequences’

delegations, which the Chinese government regards as “interference by external forces” in its internal affairs.

In a Chinese social media post on Saturday, Hu Xijin, an outspoken former state media editor, said “it is OK [for the People’s Liberation Army] to shoot down Pelosi’s plane” if it was escorted to Taiwan by US fighter jets.

In an earlier post on Twitter, the former head of a tabloid published by the Chinese Communist party’s flagship newspaper group said that China should “punish” Pelosi if she did not cancel her planned visit to Taiwan.

“[The] PLA Air Force will surely make her visit a disgrace to herself and to the US,” Hu added.

Lu Xiang, a US expert at the Chinese Academy of Social Sciences in Beijing, said: “Pelosi is one of the most important national leaders in the US. For people in her position, every move comes with consequences. If she visits Taiwan without the consent of China there would be serious consequences, including military consequences.”

The PLA conducted live-fire exercises on Saturday in Pingtan, a coastal area in south-eastern Fujian province about 125km from Taiwan. State media also broadcast footage of a Chinese destroyer firing its weapons in the South China Sea, which the USS Ronald Reagan aircraft carrier group is believed to be sailing through after visiting Singapore.

China’s Maritime Safety Administration has warned vessels that the PLA will conduct more live-fire exercises in another area of the South China Sea on August 2 and August 3.

Additional reporting by Xinning Liu and Maiqi Ding in Beijing

Europe. Recession fears

Tourism gives eurozone a summer break

Full hotels and brisk trade keep growth figures high but winter uncertainty awaits

AMY KAZMIN — ROME
AKILA QUINIO — PARIS
PETER WISE — LISBON

Perched on a cliff on the Amalfi coast, overlooking the azure waters of the Mediterranean, the Hotel San Pietro Positano is having its best year as pandemic-weary travellers, especially Americans, flock to Italy.

The hotel, charging an average of €1,800 a night for a room this summer, noticed a pick-up in April and is fully booked until mid-October. “For two years, nobody was able to come,” co-owner Vito Cinque said. “Now everybody does.”

The eurozone’s tourism boom, aided by the single currency’s fall against the dollar, is one bright spot in a region that economists are increasingly concerned will fall into recession over the second half of this year.

Figures out on Friday showed the currency area’s economy grew 0.7 per cent between the first and second quarters, a stronger result than the 0.1 per cent economists had forecast and a sharp contrast with US gross domestic product figures for the same period, which showed the world’s largest economy shrank for the second quarter in a row.

France, Italy and Spain all posted better than expected numbers as visitors flocking to Mediterranean destinations and enjoying city breaks helped offset the impact of surging energy bills and higher food prices on domestic demand.

Mohamed Ichem, who sells macaroons at Ladurée, near Paris’s Tuileries gardens, said most of his customers are English-speaking. “Tourists spend without counting,” he said. “My biggest order was eight boxes of 54, for over €1,000.”

Adama Touré, who manages Le Castiglione, a brasserie minutes from the Ritz hotel in the French capital’s chic Place Vendôme, said: “Americans are enjoying themselves in every way . . . I just served a plate of caviar to a group of them.”

Ignacio de la Torre, chief economist at asset manager Arcano, calculated that about a third of Spain’s second-quarter growth, which came in at 1.1 per cent,



Idyllic spot: Positano on Italy’s Amalfi coast has enjoyed a buoyant season
Salvatore Laporta/Kontrola/LightRocket via Getty Images

against just 0.2 per cent in the opening three months of the year, was driven by tourism.

Maria Frontera, president of the hoteliers’ association on the Spanish holiday island of Mallorca, said the occupancy rate reached 93 per cent this month, 5 percentage points higher than in July 2019, the summer before the pandemic began. “We expect similar levels in August and demand for the autumn is continuing to rise,” she said.

But by the time the weather cools, European businesses and consumers will face more economic pressure. The war in Ukraine has left the region’s factories, barely recovered from the pandemic, facing fresh supply chain woes. Germany’s manufacturing-dependent economy stagnated in the second quarter, missing analysts’ expectations of a slight expansion and highlighting how grave the situation is for northern economies that can rely less on hospitality.

Russia’s invasion and doubts over Moscow’s willingness to keep gas flowing to Europe have triggered a surge in households’ energy costs, which are up

40 per cent over the past 12 months, while food costs are up 10 per cent over the same period, leading to the worst cost of living crisis in decades.

Marina Lalli, president of Italy’s National Federation of Travel and Tourism Industries, said resorts catering to more ordinary Italian families were under pressure. “People have to struggle to pay utilities, fuel for their cars, and food prices have also increased. [Italians] are deciding either to not go on holiday at all – or, instead of staying 10 days, they are staying a week, or just three days.”

Confidence figures out last week from Eurostat, the European Commission’s statistics bureau, show that consumers are more reluctant to make big purchases than at any time since the early months of the pandemic.

That pessimism is unlikely to stop the European Central Bank from raising rates further in the autumn, after making its first increase in decades when it increased the benchmark deposit rate by 50 basis points to zero in July.

“We expect the ECB to raise by a fur-

‘People have to struggle to pay utilities, fuel for their cars and food prices have also increased’

ther 100bp by the end of the year to help prevent any rise in inflation expectations as inflation rises even further over coming months,” said Holger Schmieding, economist at Berenberg, a bank.

Overall eurozone inflation rose to a record high of 8.9 per cent in the year to July, according to figures from Eurostat, the European Commission’s statistics bureau, on Friday. Even the core measure, which strips out food and energy costs, was up 4 per cent – more than twice the ECB’s 2 per cent goal.

As interest rates rise and tourists return home, economists expect growth to worsen. Gazprom, Russia’s energy group, has cut gas flows through its Nord Stream 1 pipeline, which runs under the Baltic Sea to Germany, to just 20 per cent of capacity – levels that if sustained would trigger a sharp recession in Europe.

“This quarter brings good news but does not tell us much about the underlying health of the economy,” said Gilles Moëc, chief economist at Axa, the French insurer. “What happens after the summer ends?”

Age of ‘permacrisis’ shows EU that solidarity is tough, but worth it

GLOBAL INSIGHT

EUROPE

Anne-Sylvaine Chassany



Solidarity is often hailed in EU circles as the value underpinning the bloc. In its preamble, the treaty of the EU states that its members will strive to deepen the bond among themselves. But the wrangling over how to organise in case Russia cuts off gas supplies shows solidarity is not a given.

The moment the European Commission proposed a reduction of 15 per cent in gas use across the bloc – to help cope with winter rationing in vulnerable states such as Germany, Slovakia and the Czech Republic – countries more confident of being able to cushion the blow cried foul. Unsympathetic words were aimed at Berlin, whose decision to rely heavily on Moscow for its fuel and shut its nuclear reactors now appears ill-advised. What has ensued is a compro-

mise among EU governments, which keeps the headline energy reduction target and the idea that spare gas should be shared with those in need, but which also includes so many opt-outs that the real world outcome is unclear.

Pessimists and sceptics have concluded this is more evidence that EU solidarity is an empty concept. Optimists point to EU states’ commitment to making their best efforts to help gas-starved members through bilateral agreements when the worst of the crisis unfolds.

The reality is that with each new shock, the EU is progressing along the arduous road to a more cohesive and collective approach. “The EU has gone through a lot of crises in a short period of time, there is a lot to learn,” says Maria Demertzis, interim director of Bruegel, the Brussels-based think-tank.

To be sure, solidarity is typically not the first reaction from EU capitals. The bloc did not cover itself in glory in the first months of the Covid-19 pandemic either, when some of its members including Germany imposed export bans on medical supplies. In 2015, a system to ensure that migrants from war-torn Syria were distributed across the bloc, to ease pressure on frontline Mediterranean states, largely failed. It took

time – and for Greece, Portugal, Italy and Spain much economic hardship – to stem the eurozone debt crisis.

But it is unrealistic to expect otherwise. EU solidarity is and will remain “second-order”, meaning it comes after what binds a nation, wrote Sophie Pomschlegel, senior policy analyst at the European Policy Centre, in a 2021 paper.

It is “based on reciprocity and self-interest”, concurs Anke Hassel, Professor of Public Policy at the Hertie School in

‘The EU has gone through a lot of crises in a short period of time, there is a lot to learn’

Berlin. “The concept of solidarity is always evoked in crises, usually by a member state that needs help,” says Hassel. “They pull this card and then the questions come: is this a problem they caused themselves, can they deal with it themselves? Solidarity only happens if the problem of one member state is so large that it will impact the others.”

Germany is now in the humbling position of having to ask for solidarity. Predictably, the criticism it has faced for its

energy choices is tinged with resentment rooted in the uncompromising way Berlin handled the fate of Greece and other debt-laden southern states during the eurozone crisis.

“These were growing pains even if the Greeks were on the receiving end of it,” says Demertzis, who is Greek herself. “But if Germany goes into a recession, the whole of the EU will follow.”

And more than once the EU has also surprised by its ability to rise to the occasion. The bloc has imposed sanctions against Russia for its invasion of Ukraine. Covid-19 vaccine procurement and the €800bn post-pandemic recovery fund are other powerful examples, Pomschlegel believes. But a lot hinges on the political will of EU governments, and therefore on who is in power, she says. “In this permacrisis age, we don’t necessarily put in place permanent cohesion mechanisms.”

Hassel is more optimistic. “The world has become so much more interdependent, these moments of solidarity happen more frequently, and as they do, the solidarity packages in the EU will become more substantial,” she says. “It will be a gradual process.”

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INTERNATIONAL

Bolsonaro's son follows Trump playbook ahead of election battle

Adviser questions voting system and the judiciary in face of Lula's strong poll lead

ROULA KHALAF, MICHAEL STOTT AND MICHAEL POOLER — BRASÍLIA

When former Trump adviser Steve Bannon described Brazil's 2022 presidential election as the "most important of all time in South America", he had at his side a man as close as anyone to Brazil's leader Jair Bolsonaro, his son Eduardo. Introduced by Bannon at an event in South Dakota last year as the "third son of Trump from the tropics", Eduardo Bolsonaro has become his father's international envoy and ideologue, forging close ties to overseas conservative allies such as the Trump family.

With Jair Bolsonaro facing an uphill struggle to win a second term in October, in an election considered a critical test for democracy in Latin America's biggest nation, Eduardo has joined his father in questioning Brazil's electronic voting system and casting doubt on the supreme court.

A former two-term president, the leftwing Luiz Inácio Lula da Silva is leading almost all polls by a wide margin but Eduardo maintains that the race is "tied".

"I do not trust the polls," he said in his cramped lawmaker's office in Brasília.

Nicknamed "03" by his father in reference to his brothers, senator Flávio and Rio councillor Carlos, Bolsonaro initially shunned politics, serving in the federal police before winning a São Paulo congressional seat in 2014 at the age of 30.

"We spent about \$10,000 and I got elected," he said in a rare interview. "It was really lucky." Four years later he set an election record, winning 1.84mn

votes, the highest number of any lower house deputy.

Bolsonaro comes across as friendly and courteous, but his remarks are not always charitable. He spends at least as much time attacking the supreme court as he does lambasting his father's leftist rival for the presidency.

The justices are "fighting against" his father by intervening "all the time" in favour of Lula, he said.

With a broader mandate than many global peers, Brazil's top legal body can open investigations and judge appeals. Many Brazilians see the court as a bulwark of democracy. But for the former army officer, his sons and the right wing, it represents a leftist establishment resisting the president's conservatism.

"In dictatorships they close press, they put journalists in jail, they exile people, they arrest presidents of parties, they arrest politicians," Bolsonaro said. "Everything that I said is happening in Brazil but not [at] the hands of President Bolsonaro, [at] the hands of the supreme court."

He cited Daniel Silveira, a former military policeman turned *Bolsonarista* congressman, who became a hard-right cause célèbre. The supreme court sentenced Silveira to nearly nine years in prison in April after the politician threatened justices including Alexandre de Moraes in online posts. One said: "The people need to go to the Supreme Court, grab de Moraes by the neck and throw his little egg head in the garbage."

Bolsonaro did not condemn Silveira and described the supreme court's behaviour as "disgusting". De Moraes



Family ties: Eduardo Bolsonaro, centre, with supporters at a rally in support of gun rights and his father in Brasilia on July 9
Adriano Machado/Reuters

"says he's the victim, he [makes] the accusations and he judges the case ... so it's a unique system we have here in Brazil". His father ordered a presidential pardon for Silveira.

Bolsonaro's command of English, acquired during a work exchange programme in the US, and his ideological convictions helped make him the bridge between his father and his allies abroad. The president tried in 2019 to name his son as Brazil's ambassador in Washington but backed down after congressional opposition.

Bolsonaro says he admires Trump "a lot" and the sentiment seems mutual. In his office is a framed copy of his Wikipedia entry with a handwritten endorsement from the former US president: "Eduardo, you are great. Big statement on your wonderful father will be coming soon — best wishes, Donald."

"He has a unique gift for channelling America's conservative movement, with a Brazilian twist," said Gerald Brant, a US-based financier close to the Bolsonaro family. "He will carry his father's mantle far."

Bolsonaro was in Washington during the January 6 attack on the Capitol by Trump supporters but says only that it is an "internal issue" for Americans. He has since held further meetings with Trump family members and allies, including last August's South Dakota conference attended by Bannon.

Tom Shannon, a former senior state department official who specialises in Latin America, said he understood that Bolsonaro "looked very closely at January 6 to understand what went wrong and why Trump was unsuccessful".

"The real takeaway for them was that Trump depended on the mob to be successful," Shannon said. "They believe ... they need institutional support, they need the armed forces."

The president's attacks on the electronic ballot, repeated to a meeting of ambassadors in July, have prompted the Biden administration to express support for Brazil's election system.

"We're completely confident Brazil's next election result will reflect the will of its voters," the state department said.

Bolsonaro ducks questions about

'He has a unique gift for channelling America's conservative movement, with a Brazilian twist'

what he and his father might do if the voting system is not changed and he loses the election. "I think they will improve [the voting system]," he said. "Everything else is futurologist thinking ... I don't know if [our supporters will] go to the streets."

The prospect of violent protests concerns authorities. But Bolsonaro, whose office is adorned with replica firearms and a sign saying "Gun safety rule #1: Carry one", believes gun ownership, which has quadrupled under his father's term, has made Brazil safer. He worries Lula would clamp down on firearms.

"Only dictators take people's guns because they think the people are a threat," he said. "We think the other way and would like to give to the people the possibility to defend themselves and their properties."

For "03", his father's defence of such liberties defines his presidential term and builds the case for his re-election. "He was sacrificing his personal life to bring freedom to the Brazilians ... he is a freedom fighter," he added.

See Opinion



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INTERNATIONAL

Pakistan

Khan rivals demand details of party funds

Watchdog pressed to release investigation after claim of foreign donations

BENJAMIN PARKIN
SOUTH ASIA CORRESPONDENT

Pakistani politicians called for election authorities to release a probe into former prime minister Imran Khan's party over the weekend after the Financial Times reported that it allegedly received prohibited donations from foreign citizens and companies.

An FT article alleged that Pakistani tycoon Arif Naqvi used a charity cricket tournament to facilitate donations to

Khan's Pakistan Tehreek-e-Insaf party from his Dubai-based private equity group Abraaj and a member of Abu Dhabi's royal family. Pakistan bars foreign nationals and companies from funding political parties.

Criticism of Khan came from prime minister Shehbaz Sharif, while leaders from his Pakistan Muslim League (N) party asked the Election Commission of Pakistan to release a years-long investigation into PTI's funding. Sharif replaced Khan in April after the former cricketer, who was elected in 2018, was ousted in a no-confidence vote.

"I urge Imran Khan to file a defamation case against Financial Times for publishing an indicting article," Sharif

wrote on Twitter. "If he doesn't and I am sure he wouldn't, it will prove one more time how brazenly he is lying and cheating the people of Pakistan."

'It is the responsibility of the Election Commission to decide the case at the earliest'

The dispute over PTI's alleged foreign funding comes as Khan rides a wave of popular anger over Pakistan's economic crisis to try to force early elections. The PTI won crucial local polls in Punjab this month, adding to Khan's political

momentum, but PML-N leaders have used the allegations of foreign funding to try to discredit him.

"We have requested the Election Commission that it is your constitutional responsibility to come out with this report and take action accordingly," said Shahid Khaqan Abbasi, a PML-N leader and former prime minister, according to Pakistan's Dawn newspaper. "It is the responsibility of the Election Commission to decide the case at the earliest."

At a press conference on Friday, the PTI denied any wrongdoing, saying the donations it received were accounted for and recorded. Khan told the FT that "it will not be appropriate to prejudice

PTI" before the outcome of the Election Commission investigation.

Naqvi was arrested in the UK in 2019 and is battling extradition to the US, which has charged him with fraud, theft and attempted bribery.

The tycoon hosted charity cricket tournaments at his country estate in Wootton in Oxfordshire, in the UK, between 2010 and 2012. Funds provided to Wootton Cricket Ltd, a Cayman Islands-incorporated company owned by Naqvi, were ultimately transferred to the PTI.

Sheikh Nahyan bin Mubarak al-Nahyan, a United Arab Emirates government minister and Abu Dhabi royal, donated at least \$2mn.

Debt crisis

Sri Lanka's leader blames protests for slow progress in IMF rescue

BENJAMIN PARKIN — NEW DELHI

Sri Lanka's new president said that securing an IMF loan would take until at least September after weeks of protests and political turmoil sparked by the country's economic crisis.

Ranil Wickremesinghe, who took over as president this month after protesters forced Gotabaya Rajapaksa, his predecessor, to flee the country, said in a speech that finalising the negotiations would take longer than anticipated.

"I was aiming for July to reach an agreement and to get the IMF board approval by first week of August," said Wickremesinghe, who previously served as prime minister.

"Since the incidents [in July] all these will now be delayed. It will take until the end of August. Only in September that we will be able to get approval."

Wickremesinghe had previously said he wanted a deal as early as June in Sri Lanka, which has been hit by weeks of unrest. Protesters have directed their fury at the government, saying mismanagement on its part has pushed the South Asian island state into its deepest economic crisis in decades.

Sri Lanka defaulted on its foreign debt of more than \$50bn in May, the first Asia-Pacific country to do so in more than two decades, after in effect running out of foreign reserves. The lack of foreign currency for imports has triggered crippling shortages of everything from fuel to medicine, leading to a collapse in living standards.

Colombo started negotiations with the IMF this year for a \$3bn bailout, and is in talks with other lenders including the Asian Development Bank and countries such as India and China.

Analysts said the government would probably need to pursue a package of painful economic reforms before finalising an IMF deal. Nandana Weerasinghe, Sri Lanka's central bank governor, said the government needed to push through "several tax measures, several measures to curtail expenditure and restructure state-owned enterprises".

Fitch Ratings said that the government had a parliamentary majority to help pass such reforms, but risked triggering more opposition. "In the absence of an IMF deal, we expect Sri Lanka to face a very strained external position in the near term," Fitch said in a note. "The country has little foreign exchange to pay even for essential imports such as fuel, food and medicines."

Sri Lanka has become an extreme example of the pressures facing many developing countries after the global surge in fuel and food prices following Russia's invasion of Ukraine, which exacerbated the financial strain caused by the Covid-19 pandemic.

Several of Sri Lanka's neighbours are also feeling the strain. Pakistan this month agreed a preliminary deal for a more than \$1bn disbursement from the IMF to top up its own foreign currency reserves and Bangladesh this week approached the IMF to begin talks over a multibillion-dollar loan.

Economists said Sri Lanka's woes were self-inflicted, the result of economic mismanagement and spending on white elephant infrastructure projects under the Rajapaksa family, which ruled the country for the better part of two decades.

Middle East. Political impasse

Iraq cleric Sadr raises stakes in coalition stand-off

Deadlock frustrates efforts to form government and puts oil price benefits out of reach

RAYA JALABI — BAGHDAD

Hours after hundreds of his supporters stormed the Iraqi parliament, Moqtada al-Sadr brought an end to a protest that was a thinly veiled warning to his political rivals. "Your message is received," the Shia cleric told his followers. "You terrified the corrupt [his rivals]."

The unrest last week in Baghdad's Green Zone, home to government buildings and foreign embassies, underscored the worsening political turmoil in Iraq. Thousands of Sadr supporters headed back to the parliament over the weekend where they vowed to mount a prolonged sit-in.

The Sadrists' actions have raised the stakes in a bitter stand-off triggered by the failure of competing factions to agree on the composition of a new government almost 10 months after Sadr's movement won parliamentary elections. The deadlock has plunged Iraq into one of its worst crises since the US-led invasion toppled Saddam Hussein in 2003, as the fragile nation has been without a functioning government since October.

The impasse is preventing Opec's second-largest oil producer from enjoying the fruits of high crude prices and raising anxiety about further instability. It is also making foreign investors nervous.

An erstwhile militia leader who led the main Shia resistance to the US occupation, Sadr draws much of his support from a devoted, working-class constituency.

The storming of the parliament by his supporters last week appeared to be a warning directed at rival factions more closely aligned to and supported by Iran. The populist Sadr has championed himself as a nationalist who has spoken against foreign meddling in his country, although he has links to Iran and has occasionally sought refuge there.



Stormed: supporters of Iraqi Shia cleric Moqtada al-Sadr protest against corruption inside the parliament building last week
Ahmed Saad/Reuters

Sadr's supporters' protest came two days after his rivals agreed to a candidate for prime minister, veteran Shia politician and ex-cabinet minister Mohammad Shia' al-Sudani, and indicated that they would now attempt to form a new government.

But Sadr could unleash more protests if his demands are not met. Even if they were able to succeed, the cleric would remain a force in the political system.

Iraq has been blighted by political divisions and a weak fragmented state since it began its experiment with democracy after the fall of Saddam. The political system is designed around sectarian power-sharing, but it leads to constant horse-trading between factions competing for top government jobs and sources of patronage.

Sadr's frustrations have mounted as his rivals have pushed back against his efforts to sideline them, weaponising the judiciary to issue rulings that hobbled his allies and stalled his progress.

With no end in sight to the stand-off, Sadr last month said he was abandoning negotiations to form a coalition and ordered his 74 MPs to resign from parliament. The move confounded many. Sadr spent years building political capital to become kingmaker in the often protracted government formation process, but there is still ambiguity about his endgame.

"We really don't know if he has a strategy," said one government official and veteran of Iraq's political scene. "Is he genuinely withdrawing from the process or just waiting for the [Iran-backed factions] to make a mistake, so he can launch his mob on them?"

Amid the paralysis, Iraq is being steered by caretaker prime minister Mustafa al-Kadhimi. But government officials speak of chaos in their ranks, their decisions hamstrung by the dysfunction, and ministries more vulnerable to pillage.

Despite state coffers having been

'We really don't know if [Sadr] has a strategy'

boosted by the unexpected windfall from surging oil prices, no budget was passed for 2022 meaning most of the surplus cannot be spent. Instead, emergency workarounds have been found to stave off shortages of essentials such as petrol and grain.

Sadr has long cast himself as being outside the ruling establishment, despite his movement having a role in the political system. Some Iraqi analysts say his support base has weakened as he has become associated with the endemic corruption in the state, which many people blame for the dire state of public services. But others point out that his operatives are spread across most arms of the state, including in cabinet, the state-owned oil company, powerful ministries and local authorities.

Business heads and analysts say the primary job of the cleric's operatives is to maintain a cash flow to his organisation by skimming from ministry contracts, what one government official referred to as "creatively redirecting resources".

One government official cited the emergency spending law passed by parliament in June, pushed by the Sadrists before their resignation, as an example. It allocated ID25tn (\$17.1bn) of state funding to urgent needs such as food, fuel and salaries. But it also added 150,000 lifetime public sector jobs, largely to the benefit of his constituents, the official said.

People with direct knowledge of state coffers estimate that Sadr's movement, which delivers social welfare programmes and includes a militia, requires tens of millions of dollars every month to sustain itself.

Sadr's political wing did not respond to requests for comment, but has previously denied allegations of corruption.

The allegations against the Sadrists are symptomatic of a system rife with graft and patronage. Virtually all parties are blamed for plundering the state to enrich themselves and their networks.

The political crisis is playing out as social pressures mount. High oil prices have offered some relief to the state, which struggled to pay public sector salaries two years ago. But many are pessimistic about the country's long-term prospects.

"There is no state any more," one senior government official and political veteran said, a sentiment echoed by others. "This is a country purely run on greed and corruption where no one is thinking about the future."

Capital punishment

Singapore steps up pace of executions after two-year hiatus

OLIVER TELLING — SINGAPORE

Kalwant Singh's death sentence was settled on a Zoom call.

The Malaysian watched from prison as his appeal was discussed virtually by three Singapore judges this month.

For Singh, convicted of smuggling about 120g of heroin, it was his last chance of a reprieve after spending more than six years on death row. He listened silently as the discussion was translated. Despite agreeing to provide evidence to the police, his appeal was dismissed. He was hanged the next day.

After two years without any hangings, Singapore has carried out six executions in 2022, the highest level since 2018, including that of an intellectually disabled man who was hanged in April. At least another seven prisoners have received execution notices, according to anti-capital punishment activists in the city state.

"Singapore is not giving us time to digest the previous execution. Suddenly the next one is coming up," said Sangkari Pranthaman, whose brother Pannir Selvam is on death row. "Pannir is in the

danger zone . . . My heart is crying."

Kirsten Han, who has campaigned against the death penalty for more than a decade, suspects more execution notices are being issued because it is running out of space on death row.

"It is definitely the worst year I have seen," she said. It could be "very similar to how hospitals clear up beds for more patients. They are clearing up cells for more people who they are going to put on death row."

Singapore's dogged commitment to capital punishment has highlighted the regressive policies in one of the world's most liberal economies, critics said.

For decades, the affluent city-state has drawn wealthy expatriates with its reputation for safe streets, rule of law and strong legal protections for commercial transactions. But its treatment of foreigners convicted of trafficking even small amounts of drugs exposes a darker side of Singapore, activists said.

The financial hub's recent revival of the death penalty may also be straining the diplomatic and business relationships on which it depends. Last week, the EU called for an immediate

suspension of hangings, warning Singapore it was a "cruel and inhumane" punishment.

Multinationals in Singapore still largely avoid the issue, however. Companies including Google and Goldman Sachs have been criticised for backing liberal causes, with the government restricting them from funding the annual gay pride parade in 2016.

Singapore faces little pressure from



Pannir Selvam has been on death row in Singapore since 2017

voters to reverse its stance. A 2016 survey by the National University of Singapore found that 87 per cent of locals were in favour of executions for drug trafficking. In the face of rising criticism this year, Singapore has defended capital punishment as protecting lives, arguing it had a "clear, deterrent effect on drug traffickers".

The government does not readily disclose details about who is facing execution. Transformative Justice Collective, which supports convicts, said at least 59 people were on death row. Families of prisoners said inmates slept on the floor in isolated cells and could hear the sounds of others being hanged.

The resurgence of executions, however, has not deterred foreigners from wealthier countries. Far from Changi Prison, expats still through the central business district. "It is not my place to tell [Singapore] how to do their business . . . If people are being tried in front of the court of law as expected, then there it is," said one recent arrival when asked about the executions.

"If you don't like it, there are other places to make yourself at home."

Contracts & Tenders



INVESTING IN DEVELOPMENT

**REQUEST FOR PROPOSALS
FOR THE SALE OF A REAL ESTATE PROPERTY LOCATED AT THE FORMER
WORKPLACES OF THE PROJECT RIO - ANTIRRIO CONNECTION**

I. PRAMBLE

The Hellenic Republic Asset Development Fund (the "Fund") has decided to launch an international highest bidder tender (the "Tender"), as described in the Request for Proposal dated 07.07.2022 (the "RFP"), for the exploitation of a real estate property located at the former workplaces of the project Rio - Antirrio connection with total surface of 165,460.40 sqm (the "Property").

II. THE PROPERTY

The Property is located at the former workplaces of the project Rio - Antirrio connection in the Municipality Union of Antirrio of the Municipality of Nafpaktia of the Prefecture of Attolokarmania, Region of Western Greece and which borders northeast with the block of buildings of Agios Panteleimonas and southwest with the block of buildings of Antirrio.

III. THE TENDER

The Tender will be conducted in one phase in accordance with the provisions of Law 3986/2011 and with the terms of the RFP. Interested parties that wish to participate in the Tender must submit their Proposals in accordance with the terms and conditions stipulated in the RFP, no later than 17:00 Greek Time (GMT+2) on October 18, 2022. The place and procedure of submission is specified in the RFP. The RFP is available as of July 07, 2022, on the Fund's website www.hradf.com. Any amendment to the RFP will be posted on the abovementioned website of the Fund.

IV. COMMUNICATION - CLARIFICATIONS

Interested parties may request clarifications regarding the RFP and the Tender, in writing, in accordance with the terms and conditions of the RFP, until October 07, 2022.

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Companies & Markets

US credit card lenders stay bullish despite recession fears

- Issuers launch big marketing drives
- Show of faith in consumer spending

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NEW YORK

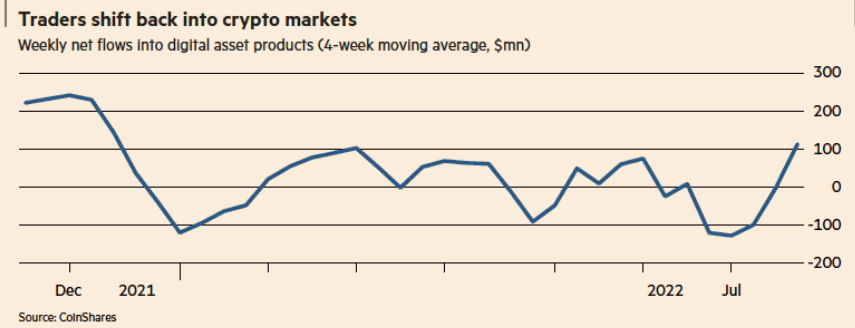
Leading US credit card lenders are signalling their confidence in the American consumer, stepping up marketing to lure new borrowers even as the economy slips into a technical recession. After rising 47 per cent in the first quarter, the volume of paper and digital mail solicitations sent by US credit card issuers increased again in the second quarter, according to preliminary data from marketing research company Competiscan, putting it on track to reach a record high this year. The wave of offers follows an 85 per cent surge last year from the levels of 2020 and comes as many big card issuers said during their second-quarter

‘I don’t see [a recession] in my numbers at all. It’s really hard for me to get my head around . . . a big slowdown’

earnings reports this month that they were increasing marketing spending. JPMorgan Chase, the largest US card issuer, highlighted the ferocity of the competition for borrowers when it blamed higher customer acquisition costs for a 45 per cent fall in second-quarter card profits. Capital One, the second-largest issuer, said its quarterly marketing expenses rose 62 per cent from last year’s levels and pledged to remain aggressive. The increase in marketing activity is particularly noteworthy at this stage of the economic cycle. During uncertain times, lenders typically send out fewer card offers, targeting potential borrowers with the highest credit scores, and focus on selling premium cards or making other offers to current customers. But even as the Federal Reserve raises

interest rates to bring down the highest rate of inflation in more than four decades, credit card lenders believe they have room to increase the size of their loan books because unemployment is low and consumer balance sheets appear healthy. Credit card balances held by the seven largest issuers – JPMorgan, Capital One, Citigroup, Bank of America, American Express, Discover and Synchro – rose 13 per cent to \$739.8bn compared with last year, but remain about 9 per cent lower than at the end of 2019. American Express last week raised its already bullish revenue outlook for the year as it reported higher than expected earnings and said its annual marketing spending would come in above its prior guidance of \$5bn. “I don’t see [a recession] in my numbers at all,” Amex chief executive Stephen Squeri told Yahoo Finance. “It’s really hard for me to get my head around that in quarter three or quarter four we’re going to have a big slowdown.” To attract new customers, issuers are embracing flashy tactics. Last month, Amex rolled out a limited-edition card made from the scrap metal of retired planes. Sign-on bonuses tied to travel have become more generous, although consumers so far are showing a preference for cashback cards. Many of the marketing efforts are targeting so-called “revolvers”, or borrowers who carry a balance from month to month instead of paying their statements off in full. During the first quarter, there was a 62 per cent increase in the volume of balance transfer offers that would enable consumers to consolidate debt on to a credit card interest-free for a time, Competiscan said. The terms are also getting more generous. The interest-free period rose on average to 16 months this year from 14 months in 2021.

Eye on the horizon Crypto prices perk up as bolder investors find an appetite for long bets



SCOTT CHIPOLINA — LONDON

Crypto traders are showing signs of renewed confidence, with digital assets’ market cap rising \$280bn in July after a painful sell-off and credit crisis that had scared many investors out of the market. Investment products tracking crypto assets have pulled in just under \$400mn since the start of July, racking up the longest run of sustained weekly net inflows since March, according to data from crypto asset management group CoinShares. “We’re starting to see some bold investors come in [and] take . . . long positions, and people are not adding to short positions now,” said CoinShares’ head of research James Butterfill. The early signs of a rebound follow

a period of sharp declines for the digital assets industry. Bitcoin, the world’s flagship cryptocurrency, fell by as much as 70 per cent from its all-time high in November, while the size of the digital asset market tipped below \$1tn, down from a November high of more than \$3tn. Falling prices caused the collapse of Terra, once one of the industry’s largest stablecoins, and prompted the failure of several prominent crypto hedge funds and lenders such as Three Arrows Capital and Celsius. Trouble for the sector also dealt a blow to investment vehicles such as ETFs and trusts, which let investors take a punt on crypto assets without holding the tokens directly, with investors pulling \$481mn in June, according to CoinShares. The market has shown recently ten-

tative signs of recovery, as the market capitalisation of the 500 biggest tokens recovered to more than \$1tn, up 30 per cent in July, and Bitcoin’s price hovered above \$20,000. The second-largest cryptocurrency, ether, has gained roughly 40 per cent in the past month as anticipation built that the token will shift to a blockchain, or digital ledger, that has a lower carbon footprint. Inflows and improving token prices have boosted total assets under management in crypto investment products back to early June levels of \$30bn, according to CoinShares. But Charley Cooper, managing director at blockchain firm R3, warned that the recent rally could fizzle out. “I think the fact that prices have stabilised in no way indicates an inevitable upswing,” he said.

Shortages and costs obstruct academic publishers

BETHAN STATON AND CRISTINA CRIDDLE
LONDON

Academic publishers have been forced to delay the publication of new books and absorb rising costs as the industry struggles with paper shortages and shipping delays. Groups in North America and Europe said printing schedules were taking at least twice as long, forcing them to alter publishing plans as well as use different types of paper and more expensive on-demand printers.

Many companies in the sector have this year warned of disruption stemming from paper shortages following strikes by workers in Finnish mills, as demand for books and packaging materials remains high. This has come amid price rises in almost all parts of the printing process, from parts for printers to shipping. “For bookmaking it was a perfect storm like we’ve never imagined,” said Tim Jones, director of design and production at Harvard University Press. He said the time it took to get books to warehouses had increased from eight to 16 weeks, with the cost of publishing rising 11 to 15 per cent. HUP has not yet increased customer prices. Before the pandemic a new title from Duke University Press would typically take four weeks to go from press to warehouse, but now takes between nine and 17.

“I haven’t seen schedules like that in 27 years,” said Amy Ruth Buchanan, director of editing, design and production, who added that last-minute changes to printing schedules were especially challenging, as printers struggled with plant shutdowns, staff shortages and shipping delays. Although academic publishing is less cyclical than that of commercial fiction, which has peak periods of demand in anticipation of the summer and Christmas holidays, it is important that titles are made available for academic meetings and term dates for teaching. Cathy Felgar, director of publishing operations at Princeton University Press, said it had been forced to push back publication dates for up to 40 per cent of books since the start of the year. Wiley, which operates internationally, said supply chain pressures were causing problems globally. “Although we have not seen the same level of paper shortages in the UK/EMEA market at this point, those markets remain tight as well,” it said.

Retail. Energy crisis

French supermarkets do their bit to cut demand for power

From roasting chickens early to dimmer lighting, stores join drive to take strain off the grid

LEILA ABOUD — PARIS
JONATHAN ELEY — LONDON

Supermarket chain Carrefour has hit on a novel idea to cope if the worst-case scenario of electricity shortages comes true this winter in France: firing up the rotisseries it uses to cook chicken an hour earlier in the morning. It is one of many changes the group is planning or has already implemented at its 1,700 French stores – all aimed at consuming less energy or minimising usage at times of peak demand. Under a recently signed agreement with French grid operator RTE, Carrefour will voluntarily scale back energy consumption when it receives an orange or red alert signifying a risk of outages because the network is under stress. “It doesn’t make that big of a difference to us if we start roasting the chickens at 7am instead of at 8am, but RTE tells us that such steps would help them at peak times,” said Bertrand Swiderski, Carrefour’s sustainability director. “There may not be enough electricity for everyone this winter, so we have to be ready.” Although retailers do not use nearly as much energy as manufacturers, they are being drawn into France’s preparations in case of electricity and petrol shortages as a result of Russia’s invasion of Ukraine. The so-called tertiary sector, which includes shops, financial institutions and services businesses, was responsible for 16 per cent of France’s energy

consumption last year, compared with 20 per cent for industry and 30 per cent for residential buildings. President Emmanuel Macron warned recently that a “general mobilisation” of businesses, households and government agencies was needed since Russia was likely to cut off gas exports to Europe. It was a marked shift from the government’s earlier more reassuring messaging that the country’s nuclear energy production made it less vulnerable to disruptions than neighbours such as Germany and Italy, which rely more on Russian gas imports. But with the nuclear fleet operated by state-controlled EDF suffering from widespread outages this year, output has fallen to multi-decade lows and forced the country to start importing electricity instead of exporting it as it usually does. A swath of sectors is now being asked to prepare contingency plans and report back to the energy ministry. The government has also set a new goal of cutting energy use across the economy and public sector by 10 per cent by 2024 compared with 2019 levels. Unusual discussions between EDF and its corporate retail clients have begun over how to manage the peak demand periods on the grid. Electricity suppliers have long used “load shedding” contracts, where companies agree to cut their consumption during peak periods in exchange for financial compensation. But they have historically been more common in industries such as automobile, aerospace and chemical manufacturing. “We will do more this coming winter to help our customers to modulate their energy usage during peak times but I don’t know how well it will work yet for

the tertiary sector,” said EDF executive Nelly Recrosio. “A factory can turn off a production line or a furnace for a day in the winter to alleviate tensions on the grid, but a hotel can’t simply cut the lights out when they have people staying there.” Carrefour’s agreement to cut back on days where RTE puts out an orange or red alert does not come with financial compensation. At a store in central Paris, executives showed off a software tool that allowed them to pilot the heating, cooling and lighting systems in all of its stores from an iPad. If it gets an alert from RTE, then it is quite simple for it to cut consumption using the software, and it has also identified other offline steps, said Swiderski. Perifem, an industry group that includes 11 big food retailers, including Leclerc, Carrefour, Monoprix and Lidl, as well as mall operators, also agreed in July to a voluntary energy-saving protocol for peak hours from mid-October. This includes turning off signs after stores close, limiting winter heating to 17C as opposed to the usual 19C, dimming the lights by 50 per cent before the stores open and by 30 per cent during opening hours. The energy consumption of food retailers varies depending on store format, product mix and equipment used for in-store food preparation, preservation and display. Analysts said the refrigeration system usually accounted for 30-60 per cent of electricity consumed, lighting between 15-25 per cent, and heating and cooling for the rest. UK retailers are also stepping up energy-saving initiatives. “We’ve already set an ambitious plan to reduce our energy consumption,” said Neil Coleman, operations manager for energy and innovation at John Lewis. “With energy prices rising, we’re accelerating these plans.” Retailers are not only making changes from a desire to contribute to the national cause – some face soaring electricity bills when long-term contracts expire next year. For a small 1,000 sq m supermarket, annual bills are expected to double to €160,000-€200,000 next year, which would wipe out “most of the profits”, said Thierry Cottillard, who owns three Intermarché stores and also heads Perifem. “Retailers don’t have much of a choice but to act,” he said. Frozen food retailer Picard has long worked on energy efficiency because electricity bills represent a significant cost at about 1.5 per cent of last year’s revenue of €1.7bn. By replacing freezers and installing new equipment, Picard reduced electricity use by 10 per cent from 2012 to 2020, and aims to reduce it a further 10 per cent from 2020 to 2026. “Every little bit of savings helps, but not everything we have done has worked,” said chief executive Cathy Collart Geiger.



Retailers plan to scale back energy use in displays such as seafood

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN RE: LEASE INVESTMENT FLIGHT) C.A. No. 2022-03874-LJW
TRUST, a Delaware Statutory Trust)

NOTICE OF DEADLINE FOR SUBMISSION
OF PROOFS OF CLAIM
ON OR BEFORE SEPTEMBER 29, 2022 ("BAR DATE")

TO ALL PERSONS AND ENTITIES WITH CLAIMS AGAINST THE FOLLOWING ENTITIES
(COLLECTIVELY, THE "DELAWARE LIFT ENTITIES")

Lease Investment Flight Trust, a Delaware statutory trust ("LIFT")

LIFT Trust-Sub 1, a Delaware statutory trust ("Sub 1" and together with LIFT, the "Petitioners")

All Delaware subsidiaries of the Petitioners (collectively, including the Petitioners, the "Delaware LIFT Entities")

A list of the Delaware LIFT Entities can be found by reference to the Petition (defined below), a copy of which is available for review at <https://liftreports.com>

PLEASE TAKE NOTICE THAT, on June 29, 2022, the Court of Chancery of the State of Delaware (the "Court"), having jurisdiction over the Verified Petition for Approval of Trustees' Plan of Resolution (the "Petition") filed with the Court on May 2, 2022 in the captioned matter entered an order (the "Bar Date Order") approving Thursday, September 29, 2022 at 5:00 p.m. (prevailing Pacific Time) (the "Bar Date") as the deadline for each person or entity (including, without limitation, individuals, partnerships, corporations, joint ventures, trusts and governmental units) to file any proof of claim (a "Proof of Claim") against the Delaware LIFT Entities. Any person or entity who fails to file a Proof of Claim prior to the Bar Date will be prohibited from filing a Proof of Claim against any of the Delaware LIFT Entities thereafter. Copies of the Petition and Bar Date Order can be found at <https://liftreports.com>.

PLEASE TAKE FURTHER NOTICE THAT, all Proofs of Claim must be filed by hand delivery, by nationally recognized overnight courier, or by certified or registered mail, postage prepaid so as to be actually received by Phoenix American Financial Services, Inc., as Administrative Agent of LIFT (the "Administrative Agent") on or before the Bar Date at the following address:

Lease Investment Flight Trust
c/o Phoenix American Financial Services, Inc.,
as Administrative Agent
2401 Kerner Boulevard
San Rafael, California 94901
Attention: Joseph Horgan, Senior Vice President

Proofs of Claim will be deemed timely filed only if a paper copy of the complete Proof of Claim with supporting documentation is received by the Administrative Agent at the address above on or prior to the Bar Date. Proofs of Claim may not be delivered by facsimile, telecopy, email or any other electronic transmission. Any Proofs of Claim timely and properly filed will be processed and settled following the Bar Date.

PLEASE TAKE FURTHER NOTICE THAT, all Proofs of Claim must include:
(1) the name of the claimant;
(2) the claimant's address, telephone number and email address;
(3) the total amount claimed; and
(4) an itemized statement of support for the amounts claimed.

PLEASE TAKE FURTHER NOTICE THAT, the Court has scheduled a final hearing for November 23, 2022, at 10:00 a.m. (prevailing Eastern Time) (the "Hearing") on the Trustees' Plan of Resolution, any objections thereto as well as any dispute regarding any Proof of Claim and any other issue relevant to the foregoing. The Hearing will be held via Zoom. Any party interested in attending the Hearing by Zoom may obtain hearing information from the below listed counsel for the Petitioners. The Hearing may be continued at the option of the Court. The Petitioners will file with the Court their proposed Plan of Resolution and final order approving same by motion submitted as soon as practicable after the Bar Date, but no later than twenty (20) days prior to the Hearing. Any parties that have the standing and grounds to object must file their objections with the Court at least ten (10) days prior to the Hearing.

PLEASE TAKE FURTHER NOTICE THAT, you MUST submit a Proof of Claim in accordance with the procedures set forth herein to be eligible to receive a distribution on any valid claim you may have against any of the Delaware LIFT Entities. For the purposes of this notice, the word "claim" means: (a) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (b) a right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured. Please also note that certain claims may be subordinate to other claims and may not qualify for distribution on that basis.

If you have any questions relating to this Notice, please feel free to contact New York counsel for the Petitioners, Paul Denaro, Esq. of Milbank LLP at (212) 334-5431 or pdenaro@milbank.com, or you may contact the Petitioners' Delaware counsel, John H. Newcomer, Jr., Esq. of Morris James LLP, at (302) 888-6975 or jnewcomer@morrisjames.com.

YOU SHOULD CONSULT YOUR OWN ATTORNEY IF YOU HAVE ANY QUESTIONS, INCLUDING WHETHER YOU SHOULD FILE A PROOF OF CLAIM. MILBANK LLP AND MORRIS JAMES LLP, THE ATTORNEYS FOR THE PETITIONERS, ARE NOT AUTHORIZED TO PROVIDE YOU WITH ANY LEGAL ADVICE.

Dated: June 29, 2022

BY ORDER OF THE COURT
/s/ Vice Chancellor Lori W. Will

COMPANIES & MARKETS

European banks enter new era of uncertainty

Higher interest rates will boost lenders’ coffers but the likelihood of recession and geopolitical risks looms large

STEPHEN MORRIS — BANKING EDITOR

Europe’s lenders have endured a painful decade waiting for interest rates to rise.

But just as central banks finally start to move, the long-awaited earnings windfall is being threatened by looming recession and fears that cash-strapped governments might hit lenders with new taxes.

Last week, the European Central Bank raised interest rates for the first time since September 2011, by half a percentage point to zero. That followed more aggressive rises at the US Federal Reserve and the Bank of England in attempts to control inflation that is forecast to soon break into double digits.

“The world will have to relearn banking,” UBS chief executive Ralph Hamers told the Financial Times. “The eurozone being in negative territory for eight years, Switzerland being in negative territory for seven years now, where people didn’t value deposits, savings accounts.”

Bankers “that have joined us over the past seven years here in Switzerland, they have never worked for a bank in a positive rate environment”, he added.

The parallel developments of beneficial rate rises and harmful consumer and corporate distress have split opinion on how Europe’s banks will fare after a decade that has seen their earnings stagnate and share prices dramatically underperform those of their US peers.

Many are bullish for the first time in years. The rate rises were hailed as a “game changer” for the sector by Morgan Stanley analyst Magdalena Stoklosa. Higher base rates mean greater profits as net interest income improves, a measure of the difference between what a bank pays for deposits and charges for loans.

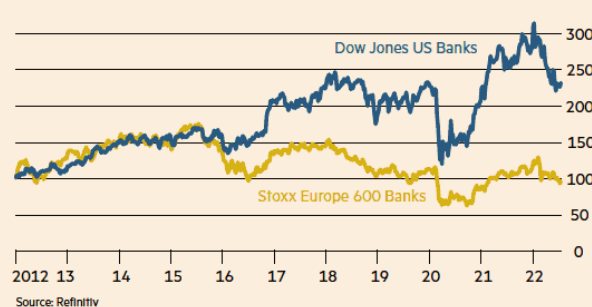
“We think eurozone rate hikes are . . . the biggest structural catalyst for European banks,” said Stoklosa. She predicts the “inexpensive” sector “sits on 52 per cent upside” to its current depressed stock market valuation.

Those with large balance sheets and loan books stand to benefit the most.

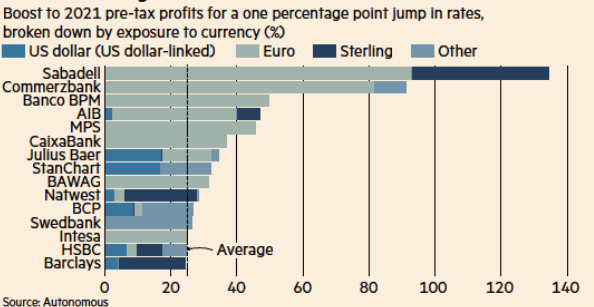


FT montage/Bloomberg

European banks have failed to match their US peers
Indices rebased



Spain’s Sabadell and Germany’s Commerzbank set to benefit most from rising interest rates



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HSBC, for example, has a global deposit surplus of \$700bn and has estimated that a 1 percentage point jump in rates would generate an additional \$5bn of NII annually — equivalent to a 10th of last year’s \$50bn of revenue.

Lloyds Bank estimates that a one percentage point base rate rise adds £675mn to its earnings in the first year.

Rising rates and the resultant market volatility are also good for investment banks. Barclays, BNP Paribas and Deutsche Bank have generated billions in revenue through their large trading arms as client activity has surged.

On Thursday, Barclays said revenue from fixed-income trading jumped 71 per cent to £1.5bn in the second quarter. Similarly, Deutsche Bank reported a 32 per cent quarterly rise and Goldman Sachs posted a 55 per cent gain in the same business earlier in the month.

Ram Nayak, co-head of investment banking at Deutsche, said: “Whether you’re an asset manager or a corporate, a long sustained rates trend means you need to rebalance your portfolio more often, which has driven revenues meaningfully for us and the industry.”

Such optimism from analysts and investors has not been seen for years. Hamstrung by anaemic profits, misconduct scandals and higher capital requirements, big European and UK banks have traded well below the book value of their assets. Few consistently makes a return on equity greater than 10 per cent, seen as the bare minimum by investors.

After the financial crisis, the region was slow to restructure and has fallen far behind Wall Street in investment banking. The lack of cash to invest in technology has left banks vulnerable to competition from fintech start-ups and big technology companies such as Apple, Google and Amazon.

However, an end to years of ultra-low or negative rates “turns their core franchise from a loss-making prospect to neutral”, said Bank of America analyst Alastair Ryan. Based on the current projections for further rate rises, BofA expects that within a year EU banks will be generating a much-needed extra €17bn in NII income every quarter.

But even as optimism mounts, a big question remains unanswered: how much of the interest rate windfall will be eaten by higher loan losses? Consumers face a cost of living crisis and small businesses are beginning to struggle with lower spending and snowballing inflation after global Covid-19 lockdowns.

Some believe the sector can cope, as it did during the worst of the pandemic.

“Even with slower lending, we expect the recurrent revenue benefit of higher interest rates to significantly exceed the one-time impact of higher provisions,” BofA’s Ryan said.

Others are less sanguine. “It is not easy to forecast the impact of provisions and bankruptcies, the situation is like Covid, it is completely new, we have

‘Blaming big corporations is always a proven path in a recession to deflect from a government’s failures’

never been through this since the 1970s,” said Jérôme Legras, head of research at investment company Axiom. “When something is unpredictable, markets have a sharp risk aversion.”

One portfolio manager at Capital Group led a €7bn sell-off in European bank stocks this year on fears that the region’s economy had turned and lenders would be saddled with vast losses and increased costs due to inflation.

Economic and political risks — such as in Italy, where prime minister Mario Draghi’s resignation has caused a crisis that has spread to the government bond market and banking system — have continued to mount.

“Recessions in both the US and Europe look increasingly likely . . . [and] history tells us that the European banking sector’s earnings typically drop 50 per cent,” said Autonomous analyst Stuart Graham.

“Current sentiment is overwhelmingly bearish,” he added. “Investors see plenty of things to worry about — principally a ‘Russia switches off the

gas’-driven recession, but also 1970s stagflation, bank taxes, etc — and few, if any, positive catalysts.”

However, there is little evidence of customer distress so far and much of the tens of billions in Covid-19-related bad debt reserves remain in place ready to absorb losses. European banks that reported second-quarter results have, for the most part, beaten expectations, despite warnings of economic pain to come.

“The indicator that matters most for banking asset quality is overall employment. We need to see how that plays out, but if the labour markets continue to hold up as economists expect, credit quality should remain resilient,” Santander’s executive chair Ana Botín told the Financial Times.

Barclays added no extra reserves to cover bad loans in the UK in the second quarter. Finance director Anna Cross told the FT “customers are acting in a very rational way”, for example by repaying credit card balances swiftly.

“We are seeing a real build-up of savings by consumers and corporates and a pay-down of unsecured debt, so they are going into this environment in much better shape than pre-pandemic,” she added.

Another UK bank executive said: “We see no signs of strain in our portfolio yet. The earliest is usually an uptick in people only making minimal payments on credit cards, but while this is moving up a bit, it isn’t back to pre-pandemic levels.”

The Bank of England and European Central Bank have already written to banks warning them against treating distressed customers harshly and the industry is keen not to lose the goodwill it generated during the pandemic.

There is also the potential for more extraordinary government assistance for those struggling — as was introduced during the pandemic — which will cushion banks’ exposure to insolvencies.

“Most likely there will be subsidies to businesses struggling from energy crisis, guaranteed loans, etc,” said Axiom’s Legras. “I think the public sector’s reaction will be helpful for banks.”

However, a widespread fear among bank executives is that higher profits will attract new levies. Spain has proposed a windfall tax of 4.8 per cent on banks’ fees and interest charges, designed to recapture some of the benefits from higher rates.

When announced, it wiped billions from the valuations of the country’s five largest lenders, such as Santander and BBVA. Hungary has taxed its banks while Poland is putting a moratorium on mortgage repayments to help struggling homeowners.

“Banks are easy targets and the prospect of even more taxes is terrible for banks’ [valuation] multiples,” said a hedge fund manager that specialises in European financials. “Blaming big corporations is always a proven path in a recession to deflect from a government’s own policy failures.”

Bruno Le Maire, the French finance minister, told the FT in a recent interview he has not ruled out windfall taxes next year and that “the burden of inflation must be equitably shared between the state and business”.

The UK already has both a bank levy and a 3 per cent surcharge on bank profits, recently reduced from 8 per cent, but at risk of being reset if the Treasury needs cash.

Regulators are also moving to cut off another potential rates-linked windfall.

The ECB is examining how it can prevent banks earning billions of euros of extra profit from its €2.2tn subsidised lending scheme, which was started to avoid a credit crunch during the pandemic. Some analysts had estimated that lenders could earn a collective €24bn by depositing cheap debt back with the central bank to benefit from the current higher rates than when the loans were issued.

But, while there remains much debate over the profitability of the European financial system, few are concerned about its solvency. Recent stress tests indicate most lenders could shoulder even extreme economic strain after being forced to build substantial capital buffers after the 2008 crisis.

Some even see surviving yet another crisis as an opportunity for banks to shake off the persistent negativity surrounding them.

“A ‘good recession’ might even be a longer-term positive for the sector,” said Graham.

“If the European banks can weather it with no worse than 25-50 per cent hits to earnings, no major equity raisings, no regulatory blanket ban on payouts and limited bank bashing and financial repression, this might finally lay to rest some of the lingering doubts harboured by many investors.

“But that’s the lovely thing about European banks — you can always find plenty of things to fret about.”

Additional reporting by Owen Walker and Siddharth Venkataramakrishnan



Frankfurt-based Deutsche Bank reported a 32% quarterly rise in fixed-income trading
Arne Dederiga

COMPANIES & MARKETS

Financials

China-focused fund plans Singapore office

The \$4bn UG group in south-east Asia move as Beijing-US tensions rise

TABBY KINDER — HONG KONG
ELEANOR OLCOTT — LONDON

UG Investment, one of the oldest hedge funds specialising in Chinese markets, is planning to open its first office outside greater China to step up investment in south-east Asia in a move that would help it guard against the risk of a conflict between China and Taiwan.

The fund, which manages assets of about \$4bn, will open an office in Singa-

pore, according to three people with knowledge of the details. It launched in 1998 and currently operates from Taipei and Shanghai.

Tensions between the US and China have increasingly centred on Taiwan, with Russia's invasion of Ukraine in February fuelling speculation that Beijing could try to annex the democratically governed island in the next few years. China claims sovereignty over Taiwan and the Chinese military has significantly increased its activity in the region over the past two years.

Two people with knowledge of UG's plans said the risk of invasion was one factor in its decision to open a Singapore

office. Other factors included talent retention and recruiting new staff to invest in south-east Asia, one of the people said. UG's management, including its chief investment officer Rachel Tsai, are not expected to relocate from Taiwan and the fund will not close its offices in greater China, according to one of the people.

UG said in response to a request for comment on its move to Singapore that the Financial Times' information did "not reflect truthfully" its standpoint.

The founder of another investment firm with links to Taiwan and Hong Kong said opening a Singapore office was a "prudent move" but added that he

believed the risk of a Chinese invasion of Taiwan was minimal.

"South-east Asia, especially Vietnam and Indonesia, is where Taiwanese money is generally going in any event," he said.

Singapore is working to bolster its reputation as a leading financial centre in Asia. Hong Kong has historically been the main hub for global financial services groups in the region but Beijing's national security law and draconian pandemic control measures have damaged its reputation.

Singapore launched a new corporate structure in 2020 to encourage hedge funds to move assets. One of the people

with knowledge of the business described UG as one of the "best-kept secrets" of Asian hedge funds.

The low-profile fund was launched by Eugene Wang in 1998 with \$20mn of seed capital after he left Taiwanese brokerage group Yuanta Securities.

UG Investment was one of the first hedge funds in Taiwan and one of the earliest foreign investors in Chinese markets. It was granted a qualified foreign institutional investor licence shortly after China launched the scheme in 2002, which permitted foreign investors to trade on stock exchanges in Shanghai and Shenzhen for the first time.

Fixed Income

Sales of 'dim sum' renminbi bonds surge in Hong Kong

HUDSON LOCKETT AND CHENG LENG
HONG KONG

Sales of international renminbi bonds have surged this year as the country's fixed-income investors, starved of decent returns at home, take advantage of new market access to snap up higher-yielding Chinese currency debt offshore.

The volume of "dim sum bond" offerings – renminbi-denominated debt sold in Hong Kong – has risen 145 per cent from a year ago to Rmb126.8bn (\$19.3bn), already surpassing the full-year total of 2021, according to data from Refinitiv. That puts the market on track for its best year since 2016.

Hong Kong's dim sum market revival stands in sharp contrast to negative sentiment in China's market for onshore renminbi debt, which foreign investors have been dumping at a record pace in favour of higher-yielding dollar debt.

"The pick up in issuance [of dim sum bonds] is real," said Becky Liu, head of China macro strategy at Standard Chartered. On the demand side, Liu said mainland Chinese investors were taking advantage of the Southbound Bond Connect scheme, which launched late last year and allows China's domestic financial institutions to access bonds traded in Hong Kong.

That includes dim sum notes, which offer a yield premium compared with China's domestic fixed-income market, in which easing measures to combat an

'Pick up in issuance is real ... the cost of renminbi financing is cheaper than for the dollar'

economic slowdown have depressed bond yields. And while international investors are swapping their holdings of renminbi bonds for dollar debt, China's capital controls leave its domestic bond traders with far fewer options, making the dim sum market an attractive source of juicier returns.

Meanwhile, a series of sharp rate rises by the US Federal Reserve has pushed dollar bond yields above those on equivalent dim sum debt, incentivising more foreign financial groups to raise renminbi funding in Hong Kong that can be used for trade financing and other purposes.

"One of the previous hurdles for getting renminbi for invoicing to support trade financing and other uses was high interest rates but that story has now flipped – the cost of renminbi financing is cheaper than for the dollar," Liu said.

That increase in offshore renminbi fundraising also comes alongside signs of an uptick in trade deals settled in renminbi. In June, India's largest cement producer UltraTech adopted China's currency to pay for imports of Russian coal. "The dollar is still the dominant currency of global trade but we do have a number of examples pointing to a potential rise in renminbi-denominated trade settlement," Liu said.

China's finance ministry has also signalled high-level support for the dim sum bond market's growth with the sale of Rmb7.5bn in offshore bonds in three tranches last month and has announced plans to tap the market for a record fourth time later in the year.

Market questions. Week ahead

Rates rises linked to slowdown in US jobs growth

Has Fed tightening slowed down the US jobs market?

US hiring is expected to have slowed in July as investors and economists wager that the Federal Reserve's rapid series of interest rate increases will have started to affect the labour market.

The labour department is forecast to report that the US added 255,000 jobs in July, according to a Reuters survey, from 372,000 in June. The unemployment rate is expected to hold steady at 3.6 per cent.

Market watchers have been anticipating a slowdown in the labour market for months. While hiring has weakened modestly this year, forecasts have undershot the data since April. But the Fed's dramatic efforts to rein in inflation are expected to eventually take a bite out of US hiring.

Weaker data from July would compound fears that a recession is looming. Those fears came to a head last week when the US reported that gross domestic product had contracted for the second consecutive quarter.

That fits one common definition of a recession, although an official call will be made later by the National Bureau of Economic Research. A big move higher in unemployment, or a significant dip in hiring, would raise the likelihood of recession and could push the Fed towards more moderate interest rate rises in the future.

"A deceleration in hiring towards the early consensus of 250,000 would fit the current [Federal Open Market Committee] view that hiring can slowly soften without deleterious effects. A sub-150,000 reading would challenge that thesis and argue for a marginally smaller tightening," said Ed Acton, an analyst at Citigroup. *Kate Duguid*

Will the BoE raise interest rates by the most since 1995?

The Bank of England could raise interest rates by half a percentage point at the next meeting of its Monetary Policy Committee. If it does, it would be the central bank's biggest increase in rates since 1995.

Last month, governor Andrew Bailey raised the prospect of a hefty rate rise and said the central bank faced the "largest challenge" to inflation control since gaining independence on rate setting in 1997. The bank has been under mounting pressure to curb inflation, which rose to a 40-year high of 9.4 per cent in June. The rise in inflation has



A recruitment fair in Florida in June. Economists expect US hiring to have slowed in July — Joe Raediel/Getty Images

triggered a wave of industrial action.

The rate of UK inflation in June was the highest among the G7 group of large advanced economies. The Office for National Statistics said the main driver was petrol prices, which rose by 18.1 pence per litre, the largest jump since equivalent records began in 1990.

Only 29 per cent of the 277 categories checked by the ONS were rising in price by an annual rate less than 4 per cent, double the BoE's inflation target.

Analysts say prices are likely to continue to rise, with further increases in energy expected in October, but some economists drew comfort from evidence that surging prices were increasingly concentrated in food, energy and fuel, which suggested that inflation was no longer spreading more widely through the economy. *Leke Oso Alabi*

Will Turkish inflation hit 80%?

Much of the world is struggling with inflation but Turkey is suffering more

than most. The central bank's pursuit of an unconventional monetary policy has unleashed annual inflation of nearly 80 per cent as the lira hits record lows. Inflation is expected to hit a fresh two-decade high when the state statistics agency releases data for July on Wednesday, analysts said.

It recorded 79 per cent inflation in June, the highest among G20 nations. Under pressure from President Recep Tayyip Erdoğan, Turkey's central bank has bucked the global trend of raising interest rates to tame inflation and has left its benchmark at 14 per cent since December.

Erdoğan wants cheap exports and credit to power economic growth before next year's general election. He also argues that high interest rates fuel inflation, while economists believe the opposite is true. The Turkish president recently called those who subscribe to mainstream economic theory "either ignoramuses or traitors".

The steep jump in the cost of living is hitting Turkish low-income households especially hard

Şahap Kavcıoğlu, the central bank's governor, last week blamed the war in Ukraine and other external factors for the surge in prices. He raised the year-end inflation forecast to 60.4 per cent from a previous 42.8 per cent and promised a "rapid fall in inflation will be achieved towards levels in harmony with our forecasts".

The steep jump in the cost of living is hitting low-income households especially hard, with housing, food and transport costs rising fastest. A third of Turks earn a net minimum wage of 5,500 lira a month, or \$307, after the lira lost half its value in the past 12 months.

Goldman Sachs expects low interest rates to continue "fuelling headline inflation further and substantially derailing year-end inflation expectations. We forecast inflation to rise to 90 per cent and only fall to 75 per cent year on year at end-2022 with the help of base effects," it said in a recent research note. *Ayla Jean Yackley*

Defence & aerospace

MHI warns of retreat from military contracts

ERI SUGIURA AND KANA INAGAKI
TOKYO

Mitsubishi Heavy Industries, Japan's biggest defence contractor, has warned that the survival of the country's struggling defence sector is at stake as the government debates a historic increase in military spending to counter the threat from China.

Naohiko Abe, who heads the conglomerate's defence and space business, told the Financial Times that Russia's invasion of Ukraine has crystallised the security risks to Japan posed by China and North Korea, creating more public support for a bigger defence budget. Recent polls have shown that a majority of the Japanese public is in favour of an increase.

But beyond a straightforward increase in military spending, Abe argued a wider shake-up was needed, saying the defence industry was not sustainable if it could generate only razor-thin margins from defence ministry contracts.

"More companies are withdrawing from the defence sector because they are chronically losing money," he said.

"Industry players all say that they need more profitability, continuity as well as predictability. We must do something to sustain the industry because companies are withdrawing in the last five years."

He even warned that additional military spending would not necessarily

'More companies are withdrawing ... they are chronically losing money'

provide a bigger business opportunity for MHI's defence business, which accounts for about 10 per cent of the group's revenue, which was ¥3.8tn (\$29bn) in the year to March.

But he added that the situation could improve now that the defence ministry was in the process of reviewing contracts to improve profitability for companies.

While companies can theoretically expect up to a 7 per cent profit margin from supplying the government with military equipment, the actual margin has often been zero or even negative

given the sporadic nature of contracts as well as other cost factors. Increased reliance on imports from the US has also led to a drop in procurement of homemade equipment.

As a result, Japanese companies have retreated from the defence business in recent years. Last year, Mitsui E&S withdrew from naval and government shipbuilding operations, selling the division to MHI.

In 2018, Komatsu announced that it would stop development of wheeled armoured personnel carriers shipped to Japan's Ground Self-Defense Force.

Japan's biggest business lobby Keidanren warned in April of "a crisis" in the domestic defence supply chain and urged the government to "position the defence industry as an important partner for national defence".

In light of the war in Ukraine, the ruling Liberal Democratic party has said Japan should boost its military spending in line with Nato's commitment for member countries to spend 2 per cent of gross domestic product. For about half a century, Japan has capped its defence budget at 1 per cent of GDP. In the current fiscal year, this amounts to ¥5.4tn.

Personal & household goods

Skincare group urged to downsize HK listing

GLORIA LI — HONG KONG

Investors are putting pressure on a Chinese UV protective gear maker valued at \$3bn to downsize its planned listing in Hong Kong over concerns the company's advertising-heavy business model is unsustainable.

Beneunder, a Sequoia China-backed company that produces outdoor wear, has built its success tapping into some consumers' desire for fairer skin. It filed for a listing in April.

But the company has recently come under scrutiny after the official newspaper of the Chinese Communist party, the People's Daily, accused it in June of exaggerating its technological prowess and ploughing money into advertising.

Investors are pressuring the company to halve a \$3bn valuation it hit after raising \$46mn in a Series C financing round earlier this year, said people familiar with the matter. "Beneunder's price/earnings ratio is much higher than that of Lululemon and Uniqlo," a person said, suggesting the company was overvalued.

The company is expected to raise about \$200mn-\$300mn in an IPO,



Fair maiden: Beneunder is tapping into people's desire for lighter skin

which may happen in the second half, according to the insiders. Beneunder did not reply to a request for comment.

The company invested Rmb71.6mn (\$10.6mn) in research and development in 2021, 3 per cent of its annual revenue, a prospectus showed. Its marketing expenditure was Rmb586.4mn, accounting for 24 per cent of the start-up's gross sales.

Since being founded in 2013 by engineering graduates Ma Long and Lin Ze, the company has launched an array of products targeting urban women who do not want a sun tan.

The company posted a sun hat ad on

its official Douyin account in July which read: "If you protect yourself from the sun, you will be whiter than others. If not, you will be uglier."

In recent years, Beneunder has enlisted China's top celebrity live streamers to promote its signature product, an umbrella with sun-protective fabric. Austin Li, once one of China's biggest ecommerce influencers before vanishing after appearing to make a Tiananmen Square tank reference, endorsed Beneunder's umbrellas, jackets and sun hats during live streams, describing them as "essentials".

Mark Tanner, managing director of China Skinny, a Shanghai-based marketing and research agency, said that in order to appear more in line with Beijing's common prosperity policy, Beneunder could adjust the focus of its narrative to concentrate more on health instead of beauty. "They need to be very careful in the way they pitch their business," said Tanner.

The company has worked to diversify beyond sun protection. Last year, sales of UV protective gear contributed 79.4 per cent of the company's revenue, down from 99.3 per cent in 2019.

FT.COM/FUNDS

TROY

ASSET MANAGEMENT

Please remember that past performance is not necessarily a guide to future performance

Firm Name

Troy Asset Management Limited

Fund Name

Trojan Ethical Income O Acc

Morningstar Category

UK Large-Cap Equity

Max Annual Charge

3Yr Rating

**

Morningstar Sustainability Rating

Bid Price

-

USD Dipping Change

1.02

Offer Price

-

Day End One Year Return

-8.11

+/-

2.03

Total Ret 3Yr

-1.04

Jul 2019 - Jul 2022

Trojan Ethical Income O Acc

Day % 1.48%

Month % 5.70%

Year % -3.69%

Weightings - As of 31/05/2022

Sector

Weighting

Cat Avg.

Basic Materials

4.50%

7.54%

Communication Services

7.23%

6.27%

Consumer Cyclical

10.14%

14.12%

Consumer Defensive

21.57%

10.91%

Energy

-

9.86%

Financial Services

14.45%

15.34%

Healthcare

12.39%

9.80%

Industrials

14.95%

9.77%

Real Estate

6.78%

1.54%

Technology

1.83%

2.89%

Utilities

3.07%

3.03%

Cash & Equivalents

3.18%

8.00%

Corporate

-

0.79%

Derivative

-

0.22%

Government

-

0.65%

Municipal

-

0.00%

Securitized

-

0.05%

Holding

Sector

Weighting

RELX PLC

Communication Services

6.41%

Rackitt Benckiser Group PLC

Consumer Defensive

5.13%

Unilever PLC

Consumer Defensive

5.00%

Experian PLC

Industrials

4.41%

Nestle SA

Consumer Defensive

3.98%

Compass Group PLC

Consumer Cyclical

3.48%

Paychex Inc.

Industrials

3.38%

Procter & Gamble Co

Consumer Defensive

3.20%

American Express Co

Financial Services

3.15%

National Grid PLC

Utilities

2.98%

Risk Measures - As of 30/06/2022

1Yr

1Yr Cat Ave

3Yr

3Yr Cat Ave

5Yr

5Yr Cat Ave

Alpha

-9.64

-2.63

-2.76

-1.07

0.30

-1.12

Beta

0.89

1.00

0.65

1.02

0.64

1.01

Information Ratio

-1.18

-0.55

-0.40

-0.34

-0.09

-0.32

R Squared

49.68%

83.70%

70.13%

87.36%

68.50%

87.66%

Sharpe Ratio

-0.70

0.19

-0.05

0.30

0.26

0.27

Std Dev

11.51

12.45

12.24

15.64

10.71

14.47

| Fund | Bid | Offer | +/- | Yield | 1Yr | 3Yr | Fund | Bid | Offer | +/- | Yield | 1Yr | 3Yr | Fund | Bid | Offer | +/- | Yield | 1Yr | 3Yr | Fund | Bid | Offer | +/- | Yield | 1Yr | 3Yr | Fund | Bid | Offer | +/- | Yield | 1Yr | 3Yr | Fund |
|------|-----|-------|-----|-------|-----|-----|------|-----|-------|-----|-------|-----|-----|------|-----|-------|-----|-------|-----|-----|------|-----|-------|-----|-------|-----|-----|------|-----|-------|-----|-------|-----|-----|------|
|------|-----|-------|-----|-------|-----|-----|------|-----|-------|-----|-------|-----|-----|------|-----|-------|-----|-------|-----|-----|------|-----|-------|-----|-------|-----|-----|------|-----|-------|-----|-------|-----|-----|------|

| | | | | | |
|---|---------|--------|-------|--------|-------|
| Herndon Asset Management A | 816.00 | -11.00 | -0.00 | -12.00 | -1.00 |
| Herndon Asset Directed Income Dist Inc | 14.25 | -0.08 | 7.42 | -2.10 | -1.85 |
| Herndon Capital Management Fund A | 286.90 | 2.00 | 3.10 | -4.05 | -0.05 |
| Herndon Capital Management Fund A Inc | 144.30 | 0.90 | 3.07 | -4.11 | 2.11 |
| Herndon Diva Opportunities Fund A | 1311.00 | -32.00 | 0.00 | -18.92 | -3.50 |
| Herndon Energy Multi Opportunity Fund A | 199.30 | -1.30 | 0.00 | -17.92 | -1.60 |
| Herndon European Growth Equity Fund A | 276.20 | 6.60 | 0.04 | -4.00 | 4.30 |
| Herndon Europe Select Opportunity Fund A | 2029.00 | 45.00 | 1.39 | -8.15 | 4.15 |
| Herndon Fund Interest Money Income Fund Inc | 14.25 | 0.15 | 4.78 | -12.56 | -0.60 |
| Herndon International Equity Fund A | 199.60 | 71.00 | 0.00 | -4.96 | 7.65 |

MANAGED FUNDS SERVICE

| Fund | Bid | Offer | +/- | Yield | 1Yr | 3Yr |
|--|---------|-------|-------|-------|--------|-------|
| James Henderson Global Equity Income Fund A Inc | 64.23 | - | 0.69 | 3.54 | 3.45 | 3.68 |
| James Henderson Global Sustainable Equity Fund A Inc | 478.50 | - | 8.40 | 0.00 | -3.82 | 11.20 |
| James Henderson Global Technology Fund A Inc | 2894.00 | - | 29.00 | 0.00 | -13.53 | 9.87 |
| James Henderson Invest UK Asia Opps A Acc | £ 1.10 | - | 0.01 | 2.72 | 2.91 | - |
| James Henderson Multi-Asset Absolute Return Fund A Acc | 162.70 | - | 0.30 | 0.66 | 5.72 | 4.30 |
| James Henderson Multi-Asset Active Fund A Acc | 256.90 | - | 0.40 | 0.00 | -3.20 | 3.10 |
| James Henderson Multi-Asset Sustainable Fund A Acc | 128.70 | - | 0.10 | 2.53 | -5.20 | 0.58 |
| James Henderson Multi-Asset Sustainable Fund A Acc | 88.03 | - | 0.25 | 2.53 | -7.59 | -0.48 |
| James Henderson Multi-Asset Sustainable Fund A Acc | 300.40 | - | 1.10 | 0.00 | -0.01 | 5.66 |
| James Henderson Multi-Asset Sustainable Fund A Acc | 198.90 | - | 0.30 | 2.23 | -5.03 | 0.92 |
| James Henderson Multi-Asset Sustainable Fund A Acc | 150.00 | - | 0.30 | 2.26 | -5.02 | 0.93 |
| James Henderson Multi-Asset Sustainable Fund A Acc | 313.10 | - | 0.30 | 0.00 | -3.66 | 2.47 |
| James Henderson Multi-Asset Sustainable Fund A Acc | 303.10 | - | 0.30 | 0.00 | -3.62 | 2.48 |
| James Henderson Sterling Bond Unit Trust Acc | 219.50 | - | 1.30 | 1.28 | -13.10 | -2.50 |
| James Henderson Sterling Bond Unit Trust Acc | 60.51 | - | 0.35 | 1.28 | -13.11 | -2.50 |
| James Henderson Strategic Bond Fund A Inc | 113.50 | - | 0.70 | 3.34 | -11.21 | -0.49 |
| James Henderson Absolute Return Fund A Acc | 164.50 | - | 0.50 | 0.00 | -2.43 | 1.81 |
| James Henderson UK Alpha Fund A Acc | 145.30 | - | 3.10 | 0.36 | -17.58 | -0.75 |
| James Henderson UK Alpha Fund A Acc | 517.80 | - | 5.00 | 3.95 | 2.90 | 1.65 |
| James Henderson UK Property F&F A Acc | £ 2.85 | 2.79 | 0.00 | 2.63 | 13.53 | 4.26 |
| James Henderson UK Property F&F A Acc | £ 1.06 | 1.11 | 0.00 | 2.68 | 13.53 | 4.32 |
| James Henderson US Growth Fund A Acc | 1678.00 | - | 26.00 | 0.00 | -12.83 | 6.99 |

Marwyn Asset Management Limited (CYM)

Regulated
Marwyn Value Investors £329.72 - -6.14 0.00 - -7.17

PLATINUM CAPITAL MANAGEMENT

RUFFER

STONEHAGE FLEMING

GLOBAL BEST IDEAS EQUITY FUND

Zadig Gestion (Memnon Fund) (LUX)

FCA Recognised
Memnon European Fund - Class U2 GBP £215.94 - -3.09 0.00 -2.26 6.36

| Kleinwort Hambros Bank Limited (UK) | Bid | Offer | +/- | Yield | 1Yr | 3Yr |
|--|--------|-------|-------|-------|-------|-------|
| STH Floor, 8 St James's Square, London, SW1Y 4JU Dealing and enquiries: 033 0024 0785 | | | | | | |
| Authorised Inv Funds | | | | | | |
| Unit Trust Manager/ACD - Host Capital | | | | | | |
| HC Kleinwort Hambros Growth A Acc | 235.66 | - | 1.02 | 1.36 | -5.49 | 2.33 |
| HC Kleinwort Hambros Growth A Acc | 213.92 | - | 0.93 | 1.38 | -5.49 | 2.34 |
| HC Kleinwort Hambros Growth A Acc | 98.32 | - | 0.00 | 3.06 | -0.42 | 0.83 |
| HC Kleinwort Hambros Growth A Acc | 189.88 | - | -0.01 | 4.50 | -0.42 | 0.83 |
| HC Kleinwort Hambros Growth A Acc | 170.80 | - | 0.51 | 0.81 | -6.55 | 0.54 |
| HC Kleinwort Hambros Growth A Acc | 161.45 | - | 0.48 | 0.81 | -6.55 | 0.54 |
| HC Kleinwort Hambros Growth A Acc | 127.66 | - | 0.05 | 3.44 | -8.16 | -1.42 |
| HC Kleinwort Hambros Growth A Acc | 97.82 | - | 0.05 | 3.44 | -8.16 | -1.42 |

| Milltrust International Managed Investments ICAV (IRL) | Bid | Offer | +/- | Yield | 1Yr | 3Yr |
|---|---------|-------|-------|-------|--------|-------|
| mim@milltrust.com, +44(0)20 8123 8316 www.milltrust.com | | | | | | |
| Regulated | | | | | | |
| British Innovation Fund | £121.92 | - | 2.89 | 0.00 | - | - |
| MAI - Buy & Lease (Australia) AS | 103.45 | - | 0.50 | 0.00 | -16.53 | 1.41 |
| MAI - Buy & Lease (New Zealand) NZ | 91.20 | - | -6.06 | 0.00 | -7.20 | -2.67 |
| Milltrust Global Emerging Markets Fund - Class A | £ 94.85 | - | 0.13 | 0.00 | -22.45 | 2.18 |

| Milltrust International Managed Investments SPC (em@milltrust.com, +44(0)20 8123 8316, www.milltrust.com) | Bid | Offer | +/- | Yield | 1Yr | 3Yr |
|---|---------|-------|------|-------|--------|-----|
| Regulated | | | | | | |
| Milltrust Alaska Brazil SP A | £ 74.44 | - | 1.81 | 0.00 | -13.28 | - |
| Milltrust Laurium Africa SP A | £ 99.25 | - | 1.31 | 0.00 | -4.57 | - |
| Milltrust Mercapital India Fund | £128.98 | - | 3.21 | 0.00 | -5.16 | - |
| Milltrust Singapur ASEAN SP Funders | £128.86 | - | 0.23 | 0.00 | -17.29 | - |
| Milltrust SPARK Korea Equity SP A | £106.54 | - | 1.52 | 0.00 | -39.38 | - |
| Milltrust Xingtai China SP A | £106.83 | - | 0.05 | 0.00 | -30.07 | - |
| The Climate Impact Asia Fund SP (Class A) | £ 82.27 | - | 0.69 | 0.00 | -15.61 | - |
| The Climate Impact Asia Fund SP (Class B) | £ 81.76 | - | 0.69 | 0.00 | -16.03 | - |

Polar Capital Funds Plc (IRL)

| Authorised Inv Funds | Bid | Offer | +/- | Yield | 1Yr | 3Yr |
|--|----------|--------|-------|-------|--------|-------|
| Advanced Artificial Intelligence Q (USD) Acc | £ 14.88 | 14.88 | 0.29 | 0.00 | -22.78 | 9.22 |
| Asian Stars I USD Acc | £ 14.20 | - | 0.11 | 0.00 | -21.89 | 7.25 |
| Platinum All Star Fund - A | £ 141.75 | - | - | - | -8.60 | 2.56 |
| Platinum Global Growth UCITS Fund | £ 8.78 | - | 0.32 | 0.00 | -40.47 | -7.29 |
| Platinum Global Growth UCITS Fund | £ 10.39 | - | 0.19 | 0.00 | 27.96 | 3.28 |
| Platinum Global Dividend UCITS Fund | £ 47.95 | - | 0.81 | 0.00 | -19.14 | -6.10 |
| Financial Opps I USD | £ 13.21 | - | 0.10 | 2.44 | -13.35 | 1.48 |
| Global Convertible I USD | £ 13.38 | 13.38 | 0.14 | 0.00 | -19.74 | -0.37 |
| Global Insurance I GBP | £ 8.98 | - | -0.10 | 0.00 | 19.72 | 5.34 |
| Global Technology I USD | £ 68.59 | - | 0.97 | 0.00 | -27.75 | 9.68 |
| Healthcare Blue Chip Fund USD Acc | £ 18.64 | 18.64 | 0.20 | 0.00 | 0.65 | 11.74 |
| Healthcare Dis I Acc USD | £ 13.23 | - | 0.08 | 0.00 | -14.70 | - |
| Healthcare Opps I USD | £ 61.45 | - | 0.55 | 0.00 | -12.01 | 7.24 |
| Income Opportunities B2 I GBP Acc | £ 2.79 | 2.79 | 0.00 | 0.00 | 4.82 | 5.94 |
| Japan Value I JPY | ¥158.46 | 158.46 | 0.14 | - | 7.18 | 7.35 |
| North American I USD | £ 32.83 | 32.83 | 0.34 | 0.00 | -11.03 | 7.89 |
| Smart Energy I USD Acc | £ 8.80 | 8.80 | 0.32 | - | - | - |
| Smart Mobility I USD Acc | £ 8.65 | 8.65 | 0.21 | - | - | - |
| UK Val Opp I GBP Acc | £ 12.82 | 12.82 | 0.03 | 0.00 | -8.95 | 3.78 |

Ruffer LLP (1000IF) (UK)

| Authorised Inv Funds | Bid | Offer | +/- | Yield | 1Yr | 3Yr |
|--|--------|-------|-------|-------|--------|------|
| 65 Gresham Street, London, EC2V 7NQ Order Desk and Enquiries: 0345 601 9610 | | | | | | |
| Authorised Corporate Director - Link Fund Solutions | | | | | | |
| LF Ruffer Diversified Rtm C Acc | 101.56 | - | 0.71 | 0.00 | - | - |
| LF Ruffer Diversified Rtm C Inc | 101.51 | - | 0.69 | 0.00 | - | - |
| LF Ruffer European C Acc | 761.54 | - | 10.98 | 1.01 | -19.48 | 6.98 |
| LF Ruffer European C Inc | 137.82 | - | 1.98 | 1.07 | -19.48 | 6.99 |
| LF Ruffer European O Acc | 739.06 | - | 10.65 | 0.66 | -19.73 | 6.66 |
| LF Ruffer European O Inc | 548.58 | - | 2.80 | 0.44 | -4.16 | 6.94 |
| LF Ruffer Equity & General C Acc | 499.40 | - | 2.55 | 0.44 | -4.16 | 6.94 |
| LF Ruffer Equity & General O Acc | 522.24 | - | 2.71 | 0.15 | -4.45 | 6.62 |
| LF Ruffer Equity & General O Inc | 492.10 | - | 2.51 | 0.14 | -4.45 | 6.62 |
| LF Ruffer Gold C Acc | 235.35 | - | 10.04 | 0.00 | -6.85 | 6.05 |
| LF Ruffer Gold C Inc | 142.44 | - | 6.08 | 0.00 | -6.85 | 6.05 |
| LF Ruffer Gold O Acc | 228.34 | - | 9.74 | 0.00 | -7.13 | 5.73 |
| LF Ruffer Japanese C Acc | 158.85 | - | 1.79 | 0.00 | -8.20 | 9.34 |
| LF Ruffer Japanese C Inc | 341.36 | - | 3.83 | 0.00 | -8.20 | 9.34 |
| LF Ruffer Japanese O Acc | 330.84 | - | 3.71 | 0.00 | -8.48 | 9.01 |
| LF Ruffer Total Return C Acc | 542.78 | - | 5.82 | 1.85 | 0.71 | 6.80 |
| LF Ruffer Total Return C Inc | 343.67 | - | 3.69 | 1.88 | 0.72 | 6.79 |
| LF Ruffer Total Return O Acc | 526.74 | - | 5.64 | 1.86 | 0.41 | 6.48 |
| LF Ruffer Total Return O Inc | 333.52 | - | 3.57 | 1.88 | 0.42 | 6.47 |

Stonehage Fleming Investment Management Ltd (IRL)

www.stonehagefleming.com/gbi
enquiries@stonehagefleming.com
Regulated
SF Global Best Ideas Eq B USD ACC: £234.03 - 4.64 0.00 -17.56 7.59
SF Global Best Ideas Eq D GBP INC: £292.70 - 3.44 0.00 -5.74 8.34



| Superfund Asset Management GmbH (www.superfund.com, +43 111 247 38) | Bid | Offer | +/- | Yield | 1Yr | 3Yr |
|---|-----------|-------|-------|-------|--------|-------|
| Other International Funds | | | | | | |
| Other International Funds | | | | | | |
| Superfund Green Gold | \$143.55 | - | 14.55 | 0.00 | -6.09 | 11.15 |
| Superfund Green Silver | \$119.70 | - | 64.11 | 0.00 | -23.50 | 9.70 |
| Regulated | | | | | | |
| Superfund Green USD | \$1147.53 | - | -8.13 | 0.00 | -1.55 | 6.88 |

| Thesis Unit Trust Management Limited (UK) | Bid | Offer | +/- | Yield | 1Yr | 3Yr |
|---|---------|-------|------|-------|-------|------|
| Exchange Building, 16 John's Street, Chichester, West Sussex, PO19 1UP Dealing and enquiries: 01243 821111 | | | | | | |
| Authorised Funds | | | | | | |
| TM New Court Fund A 2011 Inc | £ 18.33 | - | 0.10 | 0.00 | -7.89 | 4.34 |
| TM New Court Fund - A 2014 Acc | £ 18.49 | - | 0.10 | 0.00 | -7.87 | 4.36 |
| TM New Court Equity Growth Fund - Inc | £ 19.90 | - | 0.12 | 0.00 | -9.57 | 5.11 |

TOSCAFUND

| Toscafund Asset Management LLP (UK) | Bid | Offer | +/- | Yield | 1Yr | 3Yr |
|--|--------|-------|-------|-------|-------|------|
| www.toscafund.com SICD Kingston Equity Fund | | | | | | |
| Authorised Funds | | | | | | |
| Aptus Global Financials B Acc | £ 4.18 | - | -0.02 | 4.34 | -9.61 | 1.75 |
| Aptus Global Financials B Inc | £ 2.70 | - | -0.02 | 5.56 | -9.61 | 3.70 |

| Toscafund Asset Management LLP (UK) | Bid | Offer | +/- | Yield | 1Yr | 3Yr |
|-------------------------------------|----------|-------|--------|-------|--------|--------|
| www.toscafund.com Tosca A USD | | | | | | |
| Authorised Funds | | | | | | |
| Tosca A USD | \$421.53 | - | -13.60 | 0.00 | 6.39 | 9.78 |
| Tosca Mid Cap GBP | £ 196.68 | - | -33.47 | 0.00 | -30.71 | -15.17 |
| Tosca Opportunity B USD | \$284.23 | - | -51.97 | 0.00 | -30.93 | -14.25 |
| Pegasus Fund Ltd A-1 GBP | £ 44.43 | - | -7.32 | 0.00 | -30.47 | -15.32 |

TROY ASSET MANAGEMENT

| Troy Asset Mgt (1200) (UK) | Bid | Offer | +/- | Yield | 1Yr | 3Yr |
|--|--------|-------|------|-------|-------|-------|
| 65 Gresham Street, London, EC2V 7NQ Order Desk and Enquiries: 0345 608 0950 | | | | | | |
| Authorised Corporate Director - Link Fund Solutions | | | | | | |
| Trojan Investment Funds | | | | | | |
| Trojan Ethical O Acc | 128.11 | - | 0.89 | 0.00 | 0.53 | 6.15 |
| Trojan Ethical Global Inc O Acc | 103.22 | - | 1.34 | - | - | - |
| Trojan Ethical Global Inc O Inc | 101.98 | - | 1.32 | - | - | - |
| Trojan Ethical O Inc | 122.86 | - | 0.89 | 0.00 | 0.53 | 6.15 |
| Trojan Ethical Income O Acc | 138.48 | - | 2.03 | 2.59 | -3.69 | 0.10 |
| Trojan Ethical Income O Inc | 118.16 | - | 1.72 | 2.64 | -3.69 | 0.10 |
| Trojan Fund O Acc | 387.98 | - | 2.88 | 0.00 | 1.58 | 5.79 |
| Trojan Fund O Inc | 314.04 | - | 1.25 | 0.00 | 1.58 | 5.79 |
| Trojan Global Equity O Acc | 476.50 | - | 4.80 | 0.00 | -6.58 | 6.47 |
| Trojan Global Equity O Inc | 393.15 | - | 3.86 | 0.00 | -6.58 | 6.47 |
| Trojan Global Income O Acc | 157.55 | - | 1.44 | 2.69 | 9.36 | 6.23 |
| Trojan Global Income O Inc | 133.65 | - | 1.22 | 2.74 | 9.36 | 6.23 |
| Trojan Income O Acc | 390.46 | - | 5.24 | 2.61 | -2.19 | -0.42 |
| Trojan Income O Inc | 175.33 | - | 2.62 | 2.67 | -2.19 | -0.43 |

| Unicom Asset Management Ltd (UK) | Bid | Offer | +/- | Yield | 1Yr | 3Yr |
|--|----------|-------|-------|-------|--------|-------|
| PO Box 10602, Chelmsford, Essex, CM1 9PD 0845 026 4287 | | | | | | |
| Authorised Inv Funds | | | | | | |
| UK Growth A Inc | £28.91 | - | 3.98 | 0.09 | -16.98 | 1.95 |
| Mastertrust A Inc | £92.44 | - | 4.85 | 0.47 | -8.24 | 4.15 |
| UK Growth B Inc | £67.70 | - | 10.01 | 0.99 | -18.95 | 2.70 |
| Mastertrust B Inc | £54.93 | - | 4.38 | 1.27 | -7.58 | 4.80 |
| Outstanding British Cos A Acc | £ 285.87 | - | 4.92 | - | -13.10 | -3.57 |

LAZARD ASSET MANAGEMENT

| Lazard Fund Managers Ltd (1200IF) | (UK) | | | | | |
|---|---------|---|-------|------|--------|-------|
| P.O. Box 364, Darlington, DL1 9RD | | | | | | |
| Dealing: 0870 5006408, Info: 0870 608649 | | | | | | |
| Authorised Inv Funds | | | | | | |
| Lazard Investment Funds (OEIC) B Shares Class | | | | | | |
| Developing Markets Acc | 120.26 | - | -4.12 | 0.00 | -13.30 | -1.74 |
| Developing Markets Inc | 118.43 | - | -4.11 | 0.00 | -13.31 | -1.74 |
| Emerging Markets Acc | 342.51 | - | 0.94 | 2.94 | -4.38 | -0.79 |
| Emerg Mkts Inc | 220.47 | - | 0.74 | 2.91 | -4.38 | -0.79 |
| European Alpha Acc | 676.03 | - | 22.48 | 0.99 | 4.86 | 2.51 |
| European Alpha Inc | 844.32 | - | 19.45 | 1.01 | -8.86 | 2.52 |
| European Smaller Cos Acc | 677.15 | - | 16.30 | 0.00 | -19.06 | 3.42 |
| Global Equity Income Acc | 225.04 | - | 2.99 | 3.44 | -1.07 | 6.47 |
| Global Equity Income Inc | 114.65 | - | 1.52 | - | 1.06 | 6.46 |
| Managed Bal Inc | 189.58 | - | 2.38 | 1.92 | -4.02 | 3.21 |
| UK Income Acc | 1572.08 | - | 15.49 | 4.15 | 1.99 | 1.88 |
| UK Income Inc | 579.03 | - | 5.71 | - | 1.99 | 1.88 |
| UK Omega Acc | 267.50 | - | 2.77 | 1.77 | -1.17 | 1.70 |
| UK Omega Inc | 224.07 | - | 2.33 | 1.79 | -1.17 | 1.70 |
| UK Smaller Cos Inc | 2601.70 | - | 8.44 | 0.40 | -24.76 | 1.51 |

WORK & CAREERS

It's time to talk about the menopause . . .



Emma Jacobs
Management

Cool-down rooms, desk fans, relaxation of dress codes. These are just some of the suggestions from employers to deal with the latest buzzy workplace topic: the menopause.

So many companies have eagerly told me in the past year about their new menopause champions raising awareness about brain fog, hot flushes, anxiety and sleeplessness. One recent email informed me that menopause is sexy, while another wrote about putting the "men back into menopause", to encourage senior male executives to talk about the topic in the workplace. I'm tempted to filter my emails to stop the hormonal tide.

It's not only employers but also politicians. Last week, the House of Commons' Women and Equalities Committee published a report advocating for a menopause ambassador "to help to introduce model workplace policies covering how to request reasonable adjustments, advice on flexible working and sick leave, and building a supportive culture". October has been designated menopause month by the World Health Organization. All these initiatives and awareness-raising are driving me round the twist! Not because I believe menopause should be shrouded in secrecy. On the contrary,

conversations encourage women to get help. The rock star Rod Stewart, no less, spoke recently of desperately trying to find information to help his wife. "I googled menopause so much when she was going through it, she was in a fragile situation," he said.

Nor do I doubt the stress and misery that symptoms can cause, or want to diminish their impact on work. I've spoken to countless women whose jobs have been destabilised by low moods, sleeplessness, or inability to remember familiar words. These can push "highly skilled and experienced" women out of work, the Women and Equalities report found, with "knock-on effects on the gender pay gap, pension gap and the number of women in senior leadership positions".

But I fear organisations are using hormones as a smokescreen for ageism. All the desk fans, cool-down rooms and ambassadors do nothing to address the lack of career development – or worse, discrimination – on offer for women (or men for that matter) in their late 40s, 50s and 60s.

A report last year into financial services by Standard Chartered, the bank, indicates other elements than physical symptoms at play. It found that as women got older they felt less able to be "heard when they make a

suggestion or offer an opinion". In addition, menopausal women do not feel valued in the workplace – an issue, they noted, that is also experienced among older men. In other words, ageism. Research by the CBI, the UK's largest employer group, shows that two-fifths of employers admit to being less likely to recruit people over 50, and about a third would be prepared to retrain staff over that age.

Menopause may well affect confidence. But you know what else does? Feeling invisible at work and that your views don't matter. Margaret Hodge, who became a Labour MP at 50, once told me: "I get angry at the youth cult."

Organisations' attempts to close the gender pay gap typically focus on developing young women. For good reason: after all, employers want to ensure a pipeline of talented women. However, all too often senior women are ignored.

For some, their menopause might coincide with a time in their life when they have more ambition than ever, particularly if their children have left home. The painter Rose Wylie, for example, became an artist to watch in her 70s: she paused her career to raise her children, resuming it in middle-age. Others may find their nests are

I fear organisations are using hormones as a smokescreen for ageism

very much not empty. Physical exhaustion is part of the territory for parents of young children dealing with babies who don't sleep, or toddlers who threaten to lurch into oncoming traffic. But teenage kids can be emotionally taxing – as can ageing parents.

Andy Briggs, group chief executive of insurer Phoenix Group and government business champion for older workers, says that "women are disproportionately affected by some of the challenges and discrimination faced by an ageing workforce – research has shown that women have a 50-50 chance of providing unpaid care to a relative by the time they are 46 years old." This means, he says, that many take unpaid time off work or leave their jobs to accommodate these responsibilities. While the pandemic has made flexible working more common, he says, it is far from universal and rigidity can be "a barrier" that disproportionately affects women.

When human resources officers bang the drum for menopause awareness, the danger is that we medicalise a knotty double problem: employers' inability to understand their staff's lives – and an unwillingness to tackle ageism.

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Graduates

How to recruit and retain Generation Z

Young applicants expect a conversation rather than an interview, and want jobs with a wider purpose, writes Jonathan Black

As this year's graduates move into the job market, many employers are realising they have to change the way they recruit and retain a new generation of workers, with different priorities. In my work at the University of Oxford careers service, and when talking to other careers services worldwide, we are seeing that the old rules of recruiting no longer apply. Leaders who don't adapt may not be able to attract – and keep – talented graduates in a still-tight labour market.

Recent graduates and current students are digital natives, part of Generation Z, born between 1997 and 2012. Robert Neuhauser, Siemens' global head of talent and leadership, says: "This generation is different as they have grown up in the digital space . . . and want to be found [by recruiters] in the digital space." Siemens has changed its recruitment processes to follow the digital footprints left by Gen Z, for example on Facebook – and approach candidates who seem to match their requirements.

This sort of "digital fishing" only works when candidates are active online. Other recruiters have focused on changing their processes to seek a more diverse pool of applicants. Koreo, a consultancy working with purpose-driven and community focused organisations, has adopted a "radical inclusivity" approach to recruitment in the Charityworks training and development scheme it runs, according to Craig Pemblington, Koreo's head of projects. "We took many actions to, for example, raise BAME [black, Asian and minority ethnic] participation on the programme from 8 per cent to 38 per cent over four years," he says. Changes included "anonymous applications and assessing answers for the same question across the cohort rather than all the answers for each individual."

For some organisations, diversity of talent is intrinsic and necessary to their operations. Jason Pronyk, senior partnerships adviser at the United Nations High Commission for Refugees in Geneva, says: "We can't continue to source talent just from elite western institutions so are breaking down barriers to entry, for example with paid internships."

Students can feel overwhelmed by the vast amount of information available online and need or seek help to narrow down the choice. Once they have identified their target potential employers, this generation of graduate job applicants is generally extremely well-informed about each one – they will source information from LinkedIn, fairs, and websites such as Glassdoor to see what existing and previous staff have said, and they will have questions



Dom McKenzie

about wider corporate purpose, for example, and about career development and mentoring opportunities.

KPMG's chief people officer Kevin Hogarth says that organisations report that not only are applicants well prepared but "are asking as many searching and challenging questions on environment, sustainability and governance (ESG) issues as on any other topic".

In the new recruitment climate, leaders have to be prepared to have frank dialogues with candidates about the company, rather than the traditional model of asking most of the questions themselves. At fund manager Baillie Gifford, careers manager Claire Stevens says: "Graduates dig into the issues at offer time, and the firm offers 'honest conversations' with the partners."

Organisations seeking to recruit Gen Z (and to a certain extent Millennials, aged 26-41) are increasingly showcasing ways in which the work on offer either has purpose itself, or can support other purposeful activities.

At Siemens, Neuhauser says that staff ask: "Is this work something useful?" With a focus on recruiting technology staff, the company attracts Gen Z with the offer that they will do something "with meaning in the real world. Apply your AI [artificial intelligence] skills

to healthcare, transport or energy."

Another avenue for Gen Z recruiters is to highlight how employees can connect their work to broader societal purposes. At KPMG, for example, Hogarth describes the Our Impact website, which outlines the firm's support for schools, and social mobility.

While purposeful work and location flexibility are part of the offer to attract Gen Z, it is internal peer networks that have emerged as playing a strong part in retaining and motivating early career

Internal peer networks have emerged as playing a strong part in motivating early career staff

staff. David Shelley, chief executive of Hachette UK, describes peer-to-peer networks at the publishing company as "a lot more important than in the past. The learning opportunities in the networks are cited [in internal surveys] as giving the most satisfaction to staff, two-thirds of whom are actively engaged."

Gen Z staff themselves expect to work in a diverse organisation. As Pemblington observes, at Koreo and Charity-

works, "we need to give them [Gen Z] the space to . . . not just be heard but to have an impact."

Embedding a so-called "disruptive culture" – meaning one that empowers Gen Z to have an impact and have their views heard and acted on by senior leaders – may feel quite challenging to the current organisation, but it can also support the corporate mission and connect the staff to the wider world.

A growing number of organisations are recognising that many Gen Z staff (and potential staff) will regard a company's actions on ESG and equality, diversity and inclusion as being as important as the terms on offer around pay and location.

Those recruiters that have taken up this with open discussions on the topics, including being clear if the organisation still has work to do, are doing all they can to attract a more diverse and perhaps less traditional group of staff. Those that then go on and fully embrace this potentially disruptive new wave of talent, throughout the workplace, will build a sustainable, diverse and attractive organisation.

The author is head of the careers service at the University of Oxford and writes the FT's Dear Jonathan careers advice column

Company culture

Politics in the workplace: how should we deal with opposing views?

Andrew Edgedcliffe-Johnson



The trouble started, Johnny C Taylor Jr believes, when employers started encouraging people to bring their whole selves to work.

Taylor is not some crusty hangover from a conformist age where staff were expected to keep their personal views to themselves: the former head of the Thurgood Marshall College Fund for historically black US colleges and universities runs the Society for Human Resource Management, which represents HR professionals around the world.

As that inclusive management mantra took hold, he says, employees took it literally, bringing the language, the clothing and the political biases they once left at home to offices and factories each morning.

It is the last of those imports that is causing SHRM's members more trouble than they ever imagined. As voters become more polarised, the people managing them are "struggling mightily", says Taylor, to contain their passionate political disagreements.

The HR profession has long preached the value of different backgrounds and world views to a business world where managers once preferred to hire people who looked and thought like themselves, he observes. "What we underestimated is that inclusion would be made very, very difficult by diversity."

Even as CEOs have become vocal on polarising topics from racial justice to abortion, we have paid less attention to the tensions those subjects are causing within their organisations where, in Taylor's words, "employees say 'I want to come to work and share my full displeasure with the Supreme Court decision [overturning Americans' constitutional right to an abortion] but I don't want my colleague to do the same damn thing'."

An upsurge in disputes between individuals of opposing views has led to workers asking managers to fire colleagues "because they don't fit" and prospective recruits walking away because they don't feel aligned with the organisation's values, Taylor warns.

It has also led to some ill-fated attempts to make politics off limits in working hours.

Last month, for example, The New York Times reported that Meta had told staff not to discuss the Supreme Court's reversal of Roe vs Wade because "discussing abortion openly at work has a heightened risk of creating a hostile work environment".

Coinbase and Basecamp triggered employee walkouts after trying something similar in the past two years, while Goodyear Tire and Rubber faced a backlash after banning workers from wearing Donald Trump's Make America Great Again hats.

When you dig into the costs of workplace polarisation you can understand the temptation to try to silence the debates that divide so many teams. SHRM found that 41 per cent of US employees have quit jobs at some

point because they felt their values were being stigmatised.

Many more feel disengaged when surrounded by colleagues they disagree with, adds Jeff Jolton, head of research and insights for Kincentric, a leadership development and employee research group owned by Spencer Stuart.

The "talent uprising" that has driven the Great Resignation has seen more people try to align their work with their values, notes Jolton's colleague, Seymour Adler. That's a problem if your colleagues hold fundamentally different values.

What, then, should managers do if they find team members at odds with each other? Top-down announcements prohibiting political discussion are not the answer: a recent Morning Consult poll found that just one in five Americans advocated companies responding this way to the Supreme Court's abortion ruling.

The better approach is managing those conversations, Taylor believes. That starts by reiterating a company's commitment to diversity – including political diversity.

The alternative to including differing viewpoints is groupthink. Adler points out, whereas developing "the ability to disagree well" can even make a company more innovative, as Megan Reitz and John Higgins wrote in the Harvard Business Review last year.

Disagreeing well is the key, however. "When an employee exhibits behaviours inconsistent with what our

The danger is that discussions can quickly turn into debates, which each side is looking to win

values are, we get rid of them," Taylor says bluntly, explaining the need to insist that employees remain civil.

Some managers convene listening sessions whenever politics starts intruding on work, but Taylor doubts that these always help. Discussions can quickly turn into debates, which each side is looking to win, he warns: "On most of these issues, no one comes to have a discussion."

Some conflicts simply erode collaboration, Adler echoes, so leaders have the right to set "guardrails", or a shared vision of what employees should all be driving towards, to ensure that people remain focused on getting the work done. Besides, Jolton adds, that vision is "a big element of what people want from leadership".

Persuading an employee with strongly held opinions to empathise with another's opposing point of view is hard at any time. Doing so in the context of our current political divides is even tougher. But even as polls show voters becoming more polarised, they also show them craving less polarisation. If managers get this right, our workplaces might just play a role in driving towards that common goal.

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WORK & CAREERS

The Henry Mance Interview

‘I will serve in whatever capacity I’m asked to serve’

Tom Tugendhat

He was eliminated from the Tory leadership race, but the former soldier still wants to help British politics make a clean break with the Johnson era



Charlie Bibby/FT

If the next British prime minister were chosen by the public, or by Conservative voters, or perhaps just by central casting, it might be Tom Tugendhat. The former soldier, and leading hawk on Russia and China, briefly topped opinion polls. He impressed in two TV debates, not least because, unlike the other candidates, he dared to answer whether Boris Johnson is honest with a simple ‘No’.

But he was eliminated from the contest last month: having never been a minister, he failed to attract enough support from fellow MPs. He has now endorsed the frontrunner, foreign secretary Liz Truss, who didn’t share his qualms about working with Johnson and who suggested Tory MPs were wrong to oust him. Such is politics.

“There’s a lot of people I meet who say things like, ‘Oh, I would have voted for you but I’m not a member of the party’. And I’m like: it’s your choice not to be a member of the party. When people say it’s a small number of people who make the decision, well, that’s your choice.”

This is central to the Tugendhat pitch — that British politics needs a clean break with the Johnson era, but not fundamental reform. Although the UK’s conventions have been strained since 2016, although its global reputation for sober government has gone up in flames faster than a Californian forest, things would be right if those in charge were less louche.

“There’s a danger in all human institutions and in the UK in particular, where we think, ‘This has failed and the answer is X,’” says Tugendhat, 49, in his Westminster office. “For some people, it’s voting reform; for some people, it’s a written constitution; for some people,

‘The real answer for all of us is get involved and hold people to account for their integrity’

it’s abolishing the House of Lords. The real answer for all of us is get involved and hold people to account for their integrity.”

After three years in which there was little to stop Boris Johnson from ignoring his ethics advisers, appointing unsuitable cronies to the House of Lords, and telling regular untruths, this seems unsatisfactory. But Tugendhat insists: “All institutions depend on people . . . There is an illusion in the world that you can replace integrity with law. You can’t.

But British politics lacks the right, talented people, doesn’t it? “That’s not true. Look at Gillian Keegan [now a health minister] who made a huge impact on apprenticeships. Look at people like Theresa May, who’s continuing to serve her community.”

There is a risk to being seen as the coming man, especially in the jealous Westminster village. Tugendhat seeks to navigate it by almost aggressive affability. I say that, at the very least, British politics could probably do with less shouting in the House of Commons. “Absolutely,” he smiles. “There is a reason that a lot of us don’t do that.”

Tugendhat’s campaign for integrity was explicitly that of a former soldier — he served in Iraq and Afghanistan between 2003 and 2013 — but it was

implicitly that of a judge’s son and husband. His father, Michael, was an English high court judge; his wife, Anissia, is a judge in France’s council of state. “Everything I do is less important than my wife,” he says, only half-joking. The couple have two young children: “I don’t do breakfast meetings — got to take the kids to school. At least a couple of nights a week, I’ll be at home early, because I need to be.”

Tugendhat brings the conversation back time and again to the rule of law, as a key British asset. He was a Remainer, who, shortly after the referendum, joined with Tory rebels forcing May to put her Brexit deal to parliament. But he decided not to rebel further, arguing that, once Brexit was decided, there was no point in any halfway house.

Instead he made his mark as chair of the Commons foreign affairs committee, focusing on the City of London’s links to Russia and the UK’s duty to stand up for Uyghurs in Xinjiang.

This helps to explain his endorsement of Truss, a fellow hawk. Indeed the leadership election has shown that a hardline towards Moscow and Beijing is the Tory consensus. “Talking about China has shifted. It started with a few of us pointing to dragons nesting in our critical communications. Now even the most Chinese-facing voices are looking to build resilience into our economy.”

Tugendhat has chastised various foreign secretaries, including Johnson, and fumed at the withdrawal from Afghanistan. “It is nations that make war; nations endure; nations mobilise and muster; nations determine and have patience,” he said in an impassioned Commons speech. “Here we have demonstrated, sadly, that we — the west, the United Kingdom — do not.”

Does Britain’s diplomacy lack strategy? “The reality is that foreign policy is an extension of domestic policy, right? Is Ukraine foreign policy? On one level, obviously it is. But rising food prices aren’t, rising energy prices aren’t . . . I would argue for about 20 years we haven’t got this right.”

The Foreign Office should have focused more on energy transition. “You do it by co-operating on nuclear, you do it by doing connector lines from [solar farms in] north Africa [to Devon].”

Britain needs “stable allies”, he says.

- On the spot
- **Should Boris Johnson appoint 30 peers in his resignation honours?** There are enough people in the House of Lords already.
 - **Is it time to legalise assisted dying?** When people are vulnerable, you’ve got to be incredibly careful that you don’t increase their vulnerability.
 - **Reagan or Eisenhower?** That’s difficult. Reagan.
 - **Should Britons cut their gas use for national security?** We should work on insulation, yeah.
 - **Did you support the Iraq war?** I thought it was a daft idea, but I was very excited to be going.

But doesn’t it risk ending up fairly friendless — on the brink of a trade war with the EU over the Northern Irish protocol, which is likely to affect its relationship with the US? “I don’t agree. I mean, I certainly think we need to have predictable agreements, and you make an agreement, you stick to it. But the reality is that the world is very unstable at the moment.”

One diplomatic embarrassment was the six-year detention of Nazanin Zaghari-Ratcliffe, a British-Iranian woman, by Tehran. As foreign secretary, Truss was involved in her release, but has also been criticised for not making use of the diplomatic protection extended to Zaghari-Ratcliffe by her predecessor, Jeremy Hunt.

So who was responsible for Zaghari-Ratcliffe’s release? “I don’t know. The committee is taking evidence on this at the moment. At the moment, everybody is responsible for her release, and nobody’s responsible for her captivity.”

Tugendhat is among several politicians who embody Britain’s reverence for the military, even as military interventions have ended badly and military procurement has made various blunders. “The purpose of the army is to bring order out of chaos . . . That doesn’t mean that [it] is a cure-all.”

‘The purpose of the army is to bring order out of chaos . . . That doesn’t mean that [it’s] a cure-all’

Some Tories distrust Tugendhat as overly hawkish. Does British foreign policy need to be more assertive, more ready to intervene militarily abroad? “I don’t think it needs to be more assertive, it needs to be more engaged. Engagement means building up alliances and teamwork.”

Tugendhat has made missteps. He once called for Prince Harry to be made ambassador to Washington. In February, after Vladimir Putin’s invasion of Ukraine, he said that “we can expel Russian citizens — all of them”. Dominic Cummings, former Johnson adviser, said that comment should disqualify him from “any serious job”; Tugendhat later clarified he was referring only to Russians connected with Putin’s regime.

Did he ever doubt his own ability to be prime minister? “I’m constantly asking myself if I’m doing things well enough. And I’m constantly hoping that somebody better will come along. One of the things about democracy is that . . . we all have a responsibility to offer ourselves to serve.” He would love to be foreign secretary, but says: “I will serve in whatever capacity I’m asked to serve.” Even as a junior minister: “I’m not arguing jobs with you!”

The obvious comparison is with Rory Stewart, another with experience in Iraq and Afghanistan, who briefly lit up the 2019 Tory leadership campaign, mainly among non-Conservatives, but then left parliament altogether. “He’s a much better writer than I am,” demurs Tugendhat. But the true difference is Tugendhat is a much more loyal Tory. “I’ve never been anything else, and it’s never occurred to me to be anything else.”

He was first elected in 2015, when the then party leader David Cameron

said Britain faced “a simple and inescapable choice — stability and strong government with me, or chaos with [Labour’s] Ed Miliband”. In hindsight, would Britain have been better off with chaos with Miliband? Tugendhat smiles ruefully. “No. It’s worth remembering that one of the reasons David Cameron’s [Brexit] gamble didn’t pay off is that he thought Labour would deliver some of the Remain votes, and

[Jeremy] Corbyn made sure that didn’t happen. These movements are national. Let’s not pretend it’s down to one party.” OK, if there was a general election tomorrow, would the Conservative party deserve to win? “Yes. Because it’s about the future, it’s not about the past.”

Among Tugendhat’s reasons for backing Truss are immediate tax cuts. He abstained on Johnson’s rise in national insurance, to pay for increased social

care. So how can Britain square the circle between the higher defence aid spending that Tugendhat wants, a continued commitment to levelling up and public services, and lower taxes? His answer is growth via entrepreneurship. It’s not entirely convincing. Even in the dying days of the Johnson regime, even among those with integrity, there is only so much truth that the Conservative party can accommodate.

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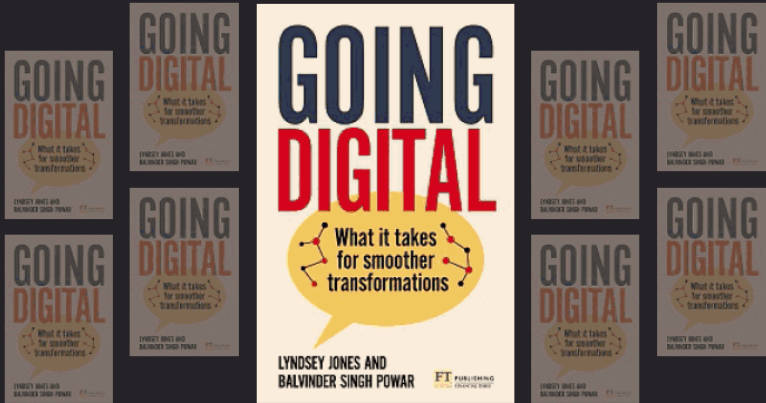
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ARTS

Womad still on song at 40

An anniversary edition of the festival presented music spanning west Africa to South Korea, writes David Honigmann

How many of you were here in 1982?” asked Jane Cornwell, compèring onstage at Womad’s 40th anniversary outing. A forest of hands waved. Without doubting anyone’s probity or memory, let it be noted that had they all been paying customers, that original festival might not have lost so much money.

The ghosts of Shepton Mallet, where the first World of Music, Arts and Dance was held, were everywhere – pictured on screens, and playing as background music while stages were reset: a snatch of the Royal Drummers of Burundi, The Beat racing through “Mirror in the Bathroom”, Peter Gabriel debuting “I Have the Touch”. Despite its scorched grass, the current festival, back after a two-year Covid hiatus and despite worsening visa hassles, offered a weather utopia, enough cloud cover to keep the temperature bearable and occasional drizzle to keep down the dust.

Where 1982 had The Beat, 2022 had The Selecter, Pauline Black’s three-minute two-tone heroes. “It took us 40 years to get here,” said Black pointedly, before running through a set of sharp singles: “Missing Words”, a bouncing ska version of the James Bond theme (which also served as a tribute to its composer Monty Norman, who died earlier this month) with toasting from Arthur “Gaps” Hendrickson, and the unarguable climax of “On My Radio” and “Too Much Pressure”, with a couple of choruses of Toots and the Maytals’ “Pressure Drop”. With four decades’ hindsight, the band’s other ingredients were clear: guitar soloing straight out of pub rock, vocal geometry as angular as post-punk, the storytelling of Joni Mitchell.

The first night’s headliner was Fatoumata Diawara, last seen here with Lam-

omali, a west African group convened by French musician -M-. Between the sunny solo acoustic work of her debut and the desert blues of her recent soundtrack for Google Arts and Culture celebrating the heritage of Timbuktu, she has a weakness for relentless loud funk, and this was on display. But her set came to life with “Negue Negue”, Afrobeat with guitars like rasping wood; a run through Nina Simone’s “Sinnerman”; and an epic recreation of her breezy early calling card “Sowa” as hard rock.

Soweto’s BCUC, a self-proclaimed “Afro-psychedelic” mixture of South African musics, were a last-minute addition to the bill, shoehorned into too-small a tent too early in the day. Jovi Nkosi immediately took charge: an embodiment of restlessness, he scaled the lighting rig, jumped, practised boxing feints, at one point performed press-ups; he jumped out to perch on the bass bins to deliver lectures about balancing respect for parents with the need to assert one’s own independence. A new song, “Thonga’ Lami”, prompted a rap



Above: Angélique Kidjo performed versions of songs by Talking Heads as well as her own. Below: Korean group ADG7 were Saturday’s surprise hit

Simon Chapman/LNP, Julie Edwards/Avalon



on the link between intuition and the ancestors. Swooping bass and soaring gospel vocals from Kgomotso Neo Mokone, plus thunderous drumming, caused hysteria. With a caution to watch out for “the elders at the front”, Nkosi ordered the crowd to mosh.

Angélique Kidjo’s set was billed as her reclamation of the 1980 Talking Heads album *Remain in Light* – David Byrne and Brian Eno’s new wave imagining of Afrobeat – as west African music. In the event, she wove six of the album’s songs in with her own. In “Crosseyed and Painless” she interpolated the refrain from Fela Kuti’s “Lady”; and more generally, the Talking Heads songs fitted seamlessly into her music, the brooding intense energy of “The Overload” answered and then picked up by her recent “Meant for Me”; or “Do Yourself”, her collaboration with Burna Boy, flowing into “The Great Curve”.

After “Houses in Motion”, Byrne’s *Sprechgesang* reproduced in Fon, she ran through a ringing highlife “Once in a Lifetime”, then her own millennium anthem “Afirika”, during which she pulled a watching Peter Gabriel in from the wings, and finally a swaying “Pata Pata” as a nod to the late South African singer Miriam Makeba and a dancing encore of “Batonga”.

There were delights in the margins. B. Dance, a terpsichorean troupe from Taiwan with outsized tulle tutus the length of ball gowns, twisted and stretched to a contemporary classical soundtrack like giant fungi. South Korean singer Gonne Choi played perfect folk songs. Sona Jobarteh played kora standards with a forceful band and her son Sidiki on balafon, but in too noisy a corner of the site to allow for full concentration. Out in a wood to the south of the site the trumpeter Yazz Ahmed played music as vast and lonely as space underneath Luke Jerram’s seven-metre-wide model of the Moon. Taraf de Caliu, an offshoot of Taraf de Haïdouks, played cimbalom and twin violins at unstoppable speed.

Alban Claudin closed out Saturday night in a hushed arboretum, under trees lit turquoise and coral, with subtle piano miniatures.

Saturday’s surprise hit was ADG7, a South Korean nine-piece who play a mixture of shamanic and folk music from the north-west of the peninsula with a mixture of charm and formidable rock brio. The music found its drive in the interplay between Chun Gung-dal’s double-ended traditional drum and Sunwoo Barabarabarabam’s kit and hand cymbals, a funky syncopation over which Woen Meondongmaru plucked patterns on the gayageum, a long flat zither, and Choi Byung Hwal bowed a deep undertow from a similar-looking ajaeng. At the top end there were wooden flute figures from Kim Yak Dae and piping melodies from Lee Man Wol, whose saenghwang, a kind of mouth organ, looked like an Art Deco sculpture. Upfront, the three singers Hong Ok, Myeong Wol and Yoo Wol, their pink, green, red and blue clothes and headgear a bright contrast with the austere simplicity of the instrumentalists’, danced and spun, inveigled the crowd into chanting the band’s name in

both English and Korean, and shook handfuls of metallic shakers the size of dragon scales.

The songs included their signature number “Yeong Jeong Geo Ri”, a stomping ritual greeting of the small household gods, the instrumental “The Dance of the Lions”, a chance for the musicians to shine, and songs to summon laughter and banish loneliness. They also played a Korean take on “Hey Hey Rise Up”, the Ukrainian folk song recently reworked by Pink Floyd. They ended with the electro-swing of “Hello, Lonely”, leaving with the crowd chanting their name.

ADG7 were a hard act to follow. Nitin Sawhney filled the Siam Tent with a mixture of Spanish-inflected instrumentals, featuring chamber musicians, and skittering drum-and-bass-and-taba. He closed with the delicate “Nadia”, “Immigrant”, with a yearning English folk melody, and then a final run through the slow-building frenzy of “Prophecy”, now two decades old but still utterly contemporary.

The Flaming Lips brought an arsenal

With a caution to watch out for ‘the elders at the front’, South African singer Jovi Nkosi ordered the crowd to mosh

of effects that would have challenged a logistics brigade: lasers so powerful they necessitated the temporary closure of Womad’s giant Ferris wheel; confetti cannons; smoke machines; Zorb balls; and a tiny mechanical bird that singer Wayne Coyne released at the start of “My Cosmic Autumn Rebellion”, which promptly flew into the roof of the stage and got stuck there, tiny wings beating. The songs, about mortality, the infinite and eternal recurrence, passed by in a slow haze. For “Yoshimi Battles the Pink Robots, Pt. 1” a 30ft-high pink robot glowered over the stage – and that was only the set’s fourth song.

Osibisa’s “Sunshine Day”, with its infectious climbing brass riff and sing-along chorus, had earlier brightened up the main stage. The Ghanaian-English band’s dancer, Angie Amra Anderson, had earlier had a special introduction from Gabriel: back in 1982, she was part of the Ekome dance company, making her the only performer from the original Womad to make it back onstage for the 40th anniversary, still “part of what we started there and the dream”.

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FT FINANCIAL TIMES

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Investors' Chronicle and the Financial Times are pleased to announce the shortlists in all 20 awards categories, as we celebrate those companies that are helping investors achieve their goals.

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The winners in each category will be revealed on 24 November 2022.

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Oral history of Russia’s lost future

PODCASTS

Fiona Sturges



The Russian invasion of Ukraine in February sparked a glut of podcasts providing regular reports on developments on the ground. From the BBC’s *UkraineCast* to Tortoise Media’s *Invaded: Voicemails from Ukraine*, these swiftly assembled series illustrated how, with the right resources, podcasts can be just as effective as radio at reportage and rolling news. But long-form current affairs series are still where the medium really excels. Unconstrained by schedules, these are the series taking today’s events and telling the bigger stories around them.

Another *Russia* is a new podcast looking at the evolution of a nation. It is presented by Ben Rhodes, podcaster and former deputy national security adviser to Barack Obama, and Zhanna Nemtsova, journalist and daughter of Boris Nemtsov, the physicist, politician and outspoken critic of Putin who was shot dead outside the Kremlin in February 2015.

Nemtsova’s father is the fulcrum of the series, an activist for democracy who, in the 1990s, was named by Boris Yeltsin as his potential successor. According to Rhodes, “Zhanna’s father was at the centre of all the major turning points in Russia’s modern history” and he “represent[s] the future that

Russia lost, the road that was not taken”.

In the opening episode, Nemtsova recalls the death of her father. That day, he had told his daughter he was doing a radio interview and would be speaking out against Russia’s annexation of Crimea. Nemtsova’s mother was staying with her at the time in her Moscow apartment. At midnight, she heard her mother cry out. “And she just came into my room and said ‘Your father was killed. He is dead.’” Asked by Rhodes what was the first thing that went through her head, she replies, “Putin. Putin did it.”

The pair go on to tell a wider tale of Russian politics that begins in 1982 with the proposed construction of a new nuclear plant near Nizhny Novgorod (formerly Gorky); in objecting to the plant, Nemtsov took his first stand against autocracy. The story then moves to the Chernobyl disaster of 1986 and the

collapse of the Soviet Union in 1989. Nemtsova was a small child in the late 1980s, but she still manages to give a vivid sense of what it was like to live through these events.

Of course, Russia’s descent into corruption and the rise of Putin are a tale that has already been told in books, films and TV documentaries, but now, with the invasion of Ukraine, it has a chilling new chapter.

By focusing on Nemtsov, *Another Russia* finds a fresh path into a familiar story, reframing it via one man’s dissent. For Nemtsova, Russia’s corruption and geopolitical bullying are personal and her outrage in this podcast is palpable. She tells Rhodes she had two options after her father died: “Either to keep silent or to speak up. And I decided to speak up.”

crooked.com



Thursday night’s headliner Fatoumata Diawara — Julie Edwards/Avalon



A rally in St Petersburg in 2020 marking five years since the murder of Russian politician Boris Nemtsov. Alarm Stock Photo

FT BIG READ. UK BUSINESS

The sector has had to adapt to labour shortages, souring economic conditions and changes in British working habits. But some fear the industry will not be able to go back to its pre-pandemic golden age.

By Judith Evans, Alice Hancock and Emma Jacobs

Brexit, Covid and the sandwich industry

Matt Raynor is stressed. The 53-year-old chair of Raynor Foods has recently approved a £1,200 signing-on bonus for sandwich makers; tonight he will work a six-hour picking and packing shift at the company's Essex plant because of staff shortages.

"It's been the worst two-and-a-half years of my life, with the disruption, the chaos," he says. "We were fighting with Brexit and then Covid hit us."

Raynor's family business, founded in 1988, makes 80,000 sandwiches a day for cafés, supermarkets, canteens and hospitals. Once a makeshift operation in his parents' kitchen, its rise has mirrored the professionalisation of the UK's sandwich industry over three decades.

Since the 1980s, a large chunk of British sandwich making has moved from kitchens and sandwich bars to chilled, hyper-efficient factories, which produce a wide variety of packaged sandwiches – from the humdrum cheese and pickle to novelty flavours involving jackfruit and plant proteins. The industry's rapid growth was powered by rising incomes, more women joining the workforce, cheap labour from Europe and workers chasing convenience.

Now, after the pandemic dealt the industry the worst blow in its modern history, it is being reshaped by a combination of labour shortages, souring economic conditions and changes in British working habits.

Before Covid lockdowns temporarily shuttered offices in 2020, people in the UK were eating £8bn of sandwiches a year. Kevin Moore, deputy chief executive of the UK's largest sandwich maker Greencore, says packaged sandwiches had reached a so-called penetration of 84 per cent – meaning 84 out of 100 people bought at least one a year, a rate exceeded only by a few staples such as milk and coffee, according to Kantar, a data analytics company.

But the rise of homeworking during the pandemic seems to have driven lasting changes in the routines of the industry's most important customers: office workers. The British Sandwich & Food to Go Association estimates that, two years on, business is still 20 per cent below pre-pandemic levels.

At the same time, the sector is facing disruption to its supply of cheap labour and ingredients. Brexit closed the UK's doors to free movement of EU citizens, meaning production workers are scarce and their wages are rapidly rising. Intense inflationary pressure is adding to the unpredictability of purchasing and supply chain hold-ups since Russia invaded Ukraine this year.

"I'm concerned for the whole industry," says Raynor.

Just in time

While the sandwich is not about to vanish from British culinary life, the industry fears its pre-pandemic golden age, marked by low cost and seemingly infinite variety, may never return.

When Raynor's parents moved from running a restaurant to making sandwiches 34 years ago "there was no sandwich industry", he recalls. His father met the buyer for a group of Co-Op stores at a networking event, who said they needed a sandwich supplier. The kitchen operation began.

"It took us nine and a half hours to make 350 sandwiches . . . we had to grill the bacon and boil the eggs, do everything from scratch," Raynor says. "They were beautiful sandwiches," he adds wistfully.

Today, making sandwiches is a precision business requiring frenetic back-stage activity. At Pret A Manger, the sandwich chain that has become synonymous with London commuting life over more than three decades, sandwich-making starts in-store at 5am each day. Elsewhere, production lines work frantically during evenings and nights.

At the south London plant of Simply Lunch, a manufacturer with 290 staff, making a bacon, lettuce and tomato sandwich requires 17 stations on the production line. The orders – between 400,000 and 450,000 of them each week – come in just 48 hours before the sandwiches need to be on shelves.

Workers in protective gear operate in rooms where the temperature hovers at around 2C, processing 25,000 loaves of bread a week and two tonnes of tomatoes. Fifteen people are dedicated to food safety. The facility operates 20 hours a day, with the remaining four spent on cleaning. Hermann Dokoui, a shift manager at the plant, says the 9pm to 7am night shift is the hardest "because you are always walking



'We are asking people to do a physical job in a cold room without any windows, for long periods of time. The glamour of the industry is not at the coal face'

around", preparing for deliveries to leave the factory.

The need for freshness means sandwiches cannot be made overseas. "The sandwich industry has transformed short shelf-life, chilled distribution in the UK dramatically," says Jim Winship, director at the BSA. "You have production plus two days or three at most. That means they've got to get from the factory, which might be in the Midlands, to the retail shop, which might be in Inverness somewhere, and sell it within two days."

Simply Lunch's lettuce leaves are picked in Kent in the small hours, reach the factory at 9am, pass through a sanitising chemical solution, spin in a giant salad spinner and are inside sandwiches from noon. Ultrasonic blades cut the bread. Finished sandwiches are weighed to check the protein allocation. Samples go to laboratories daily to check for bacterial contamination.

When a production line changes from one product to another, the procedure resembles a "Formula One pit stop", says Sam Page, Simply Lunch managing director. "There is a lot of technical knowledge that goes into a sandwich."

That precision has been tested by a dwindling supply of labour since Brexit. Page's factory has more than 40 vacancies. Another headache is the sheer pace of inflation. This year egg prices have risen by 30 per cent, mayonnaise by 80 per cent as vegetable oil prices spiked, and bread prices by 25 per cent, says Adam Newland, managing director at Raynor Foods. Now the headache is cheese, where prices have risen 76 per cent in a year to £6 a kilo.

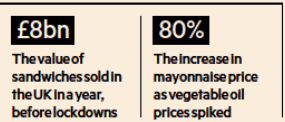
"There are forecasts that it will be going for £8 a kilo by year-end. Cheese is still incredibly volatile," Newland said. Despite some commodity prices going into reverse, "nothing has eased for us," he says. Ingredient shortages caused by supply chain disruption are forcing manufacturers to adapt constantly, says

Winship. Most have cut their ranges to streamline production. Greencore reduced its number of products by one-quarter after the onset of Covid-19 and it remains about a fifth below pre-pandemic levels. Simply Lunch cut its offering from 150 items to 100.

Government support enabled most sandwich makers to survive the pandemic, but Southall-based Adelle Foods entered administration in 2020 with the loss of 2,000 jobs. Now Winship estimates the industry is operating at about 80 per cent of pre-pandemic sales, or £6.4bn a year. He had hoped for a full bounceback in 2022, but after the onset of inflation this year, he is not so sure.

Follow the skyscraper

The success of the British sandwich industry over the past four decades belies both the precariousness of its business model and the intensity of the competition between manufacturers.



Margins are inevitably tight when speed and convenience are king.

Marks and Spencer introduced its first packaged sandwich – salmon and tomato – in 1980. Pret A Manger was founded in its current form in 1986. Greencore emerged from the 1991 privatisation of Irish Sugar.

The broader national climate favoured sandwiches. British prime minister Margaret Thatcher's labour reforms of the 1980s provided sandwich makers with "relatively low-paid workers", says David Edgerton, professor of modern British history at King's College London. The white-collar ethos became one of "people working harder, with not much time".

As food writer Bee Wilson notes in her book *Sandwich: A Global History*: "No dish has a stronger association with the world of work." For employees without a subsidised workplace canteen, sandwiches became a cheap, efficient way of outsourcing lunch. "Instead of communal eating, it [became] a solitary activity," says Edgerton.

Today, in real terms, average household disposable income is double that of 1980, says Jon Boys, economist at the Chartered Institute of Personnel and Development. "Extra income means more stuff. Tasks like making sandwiches have switched from home production to the market economy – as

have many other things over the years: childcare, cleaning, shopping."

Oriel Sullivan, professor of sociology of gender at University College London, says the 1980s were when "female full-time employment rates really started to rise rapidly. There were fewer women at home to make sandwiches for others, and they were too busy to make them for themselves."

The ready-made sandwich became emblematic of the era's economic shifts. Boys says: "What are you buying? A sandwich, yes, but really you are buying time, convenience, consistency and perhaps variety too." The brand that summed up that change was Pret A Manger, whose previous CEO's motto was to "follow the skyscraper".

With few barriers to entry for manufacturers, the market soon became competitive. "Retailers have moved their contracts around and kept margins low," says Andy Searle, managing director at consultancy AlixPartners.

A ready supply of cheap and pliable labour enabled that strategy. After the EU expanded in 2004, many vacancies were filled by eastern Europeans who were willing to work long hours for lower pay. By 2017, EU nationals accounted for more than one-third of the food industry workforce, according to the Food and Drink Federation. They were disproportionately working on production lines, say industry executives.

When it came, Brexit was accompanied by an offer of long-term settlement for existing European residents. But a points-based immigration regime introduced from 2021 stopped the free flow of low-paid labour, while the Covid pandemic prompted an estimated 1.3m overseas workers to head home.

That led to an intensive recruitment drive. Pret, Greggs and other takeaway chains have suffered staff shortages after making redundancies or furloughing workers during lockdowns. Pret, which increased headcount by 28 per cent between January and April this year, has raised wages twice since September. Sandwich executives say Amazon warehouses can easily poach their employees.

With post-Brexit immigration policy shaped around a "high-wage economy", ministers have pushed food manufacturers to automate rather than employ low-paid workers. But it is a major challenge to replace the dexterity of human fingers when handling irregular ingredients such as lettuce. Simply Lunch is investing £25,000 in a "depositor" to drop egg mayonnaise or a similar mix on to bread. Another robot drops the

Above: workers process sandwiches at Raynor Foods' plant in Essex; right: Matt Raynor's parents founded the company in 1988, and it now supplies 80,000 sandwiches a day; below: the rise of homeworking during the pandemic seems to have driven lasting changes in the routines of the industry's most important customers: office workers

Raynor Foods; Jose Sarmento Mats/Bloomberg

final slice of bread to "lid" a sandwich. Greencore already uses both devices, along with a butter spreader.

Raynor Foods has a robotics programme with Dutch group IRS, but it has yet to juggle multiple ingredients – a task Raynor compares with Tetris, the video game. His company has been battling vacancies and staff turnover despite raising entry-level wages by 15 per cent in a year and ramping up bonuses. Of one group of 17 new recruits, four dropped out within two days. "We are asking people to do a physical job in a cold room without any windows, for long periods of time," he says, adding wryly: "The glamour of the industry is not at the coal face."

End of the cheap food era

The greater challenge may be getting consumers to return to their pre-pandemic lunching habits. Food perks are one way to entice staff back into the office but, for many, a sandwich will not cut it, says Julie Ennis, chief executive of UK and Ireland corporate services at caterer Sodexo: "People are looking for something different . . . People aren't coming into the office for a ham sandwich," she says. Food delivery apps have increased consumers' expectations of choice. Matt Ephgrave, managing director at Just Eat for Business, says the past six months have prompted "unprece-



dented demand" for food deliveries to offices. "We're seeing a massive shift towards healthy options – Japanese, Poke bowls and salads," he says.

And in recent months, some of the major economic trends that helped fuel the sandwich boom have gone into reverse. The Bank of England has warned of the worst squeeze on disposable incomes in 30 years. The resulting cost of living crisis is expected to have far-reaching effects on British lifestyles.

Some manufacturers are handling the price pressure by quietly cutting portion sizes, says Andrew Walker, former chief executive of sandwich chain Eat. Raynor has pushed up prices for its customers by as much as a quarter.

"The evidence is that the era of cheap food is over," says Tim Lang, emeritus professor of food policy at City University. For Lang, sandwich manufacture is a carbon-intensive industry, over-reliant on cheap labour. "You've got a plastic-wrapped sandwich made overnight in a factory up the A1 and driven down in cold store, oil-guzzling trucks to deliver to a BP M&S garage. Is it sensible? It's bonkers," he says.

Walker believes the heyday of the traditional triangle sandwich is over, but for a different reason. He argues it will decline as consumers choose salads, wraps and other options that are seen as healthier.

Others are more optimistic. "The core of this nation is run by . . . blue-collar workers in manufacturing. They need a sandwich on the go, they don't have time to have dinner and they love what they love," says Dan Silverston, managing director of The Soho Sandwich Co.

Some remote workers may be convinced to buy their packaged sandwiches close to home. Sales in Pret's suburban London shops are now 18 per cent higher than pre-Covid levels while City stores' sales are still around 17 per cent lower, Bloomberg data show. The motto of its current chief executive, Pano Christou, is "take Pret to the people". But, Xiaowei Xu, senior research economist at the Institute for Fiscal Studies, expects this trend will make sandwiches more expensive "because places where people live are less dense than places where they work".

As for Raynor, he argues the sandwich will be "dragged kicking and screaming back to pre-Covid levels of variety, but that will be massively stymied by inflation . . . It will take time and customers will have to accept that the price for a sandwich will not be what it was two years ago.

"Nothing else is going to stand still," he says, "so why would the sandwich?"



The FT View



FINANCIAL TIMES

‘Without fear and without favour’

ft.com/opinion

Cracks in office property could cause structural damage

As the sector suffers, so might financial markets and city budgets

When the pandemic began, most analysts predicted that commercial real estate would be one of the hardest hit industries. The exodus from urban centres and the collapse of high street retailers left property companies reeling. Another cloud hung over office real estate, as staff switched to working from home and anchor tenants threatened to move out of longtime bases in New York and London, Hong Kong and Shanghai. The only question was: would office workers come back, and if so when? While there has been a slow return to office work, the data so far shows that spaces are not back to anything close to their pre-pandemic normal: US office occupancy was still at only 43 per cent as of April 2022, according to the property management firm, CBRE. This may

be a long-term trend. Just over half of respondents to a recent survey by the law firm DLA Piper predicted a permanent increase in the number of workers who spend less than 50 per cent of their time working in office buildings. In addition to the disruption caused by remote working, commercial property is now facing stronger financial headwinds, as central banks around the world raise interest rates to try to tame soaring inflation. Rising rates and recessionary fears are now cooling sales and valuations of London office property, despite a strong first half-year. Leasing volumes and office construction have slowed in New York. Rents are underperforming in big cities compared with suburbs. Wall Street has begun to take note, with commercial real estate lending tightening. One apocalyptic prediction by an academic study forecast a decline of 28 per cent in New York City’s office property over the next decade – the latter representing \$500bn in potential value destruction.

The cracks caused by the pandemic in commercial real estate could risk developing into structural damage. This has obvious financial implications, not just for the sector but also for institutional funds that invest in office buildings. Pension funds are significant holders of London office blocks, for instance. Open-ended property funds are also popular with British retail investors. Before the pandemic, these funds held about £21bn of assets in the UK. Regulators have long been worried over such funds’ “liquidity mismatch”: the difference between the time it would take them to sell property assets and their offer of daily withdrawals to customers. Efforts to improve funds’ liquidity management, both at a UK and international level, have been delayed. While retail investors should be at liberty to make bad investment decisions, policy-makers have a responsibility to outlaw irresponsible investment structures. Uncertain times mean it is imperative that officials, companies and developers

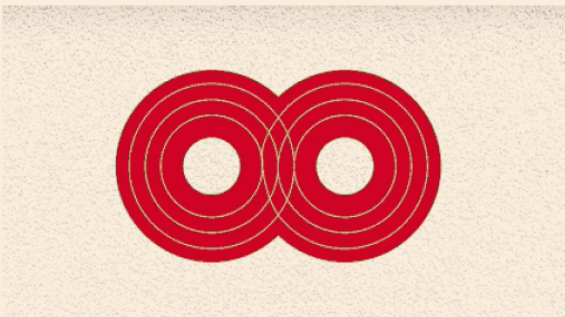
Good design – with buildings offering amenities that might lure workers back to the office – will be key

think about what cities should look like. Developers are starting to offer more flexible terms on leases. There has been a flight to quality, with newer, more energy efficient, more considered buildings filling up, while lesser properties languish. Good design – with buildings offering amenities that might lure workers back to the office – will be key. Some of this is a welcome Schumpeterian culling of an old paradigm. With 9 to 5 workdays a thing of the past for many, hybrid working makes sense for those whose jobs allow. In London this summer, remote working proved its resilience once more: staff were able to work when industrial action, then extreme heat, halted rail commutes. Still, the implications of the shifts in commercial property for both financial markets and the funding of public services have yet to be grappled with. It is time for public and private sector leaders to start thinking more deeply about what all the changes will mean, and how to buffer disruptions.

Opinion Sport

The Olympic pain barrier beckons again for Japan

FT Design



Do you remember that goosebumpy Big Moment a year ago when the world’s two greatest high jumpers shattered convention and agreed to share the Olympic gold medal? Do you remember how their brotherly spirit transcended the empty stadium to beam hope around a pandemic-riddled world? Do you – be honest – remember either of the two athletes’ names? If the answer is “no”, you are likely in good company with most of Japan. The nation happily allowed that sporting detail, and much else, of Tokyo 2020 to slip the collective mind, while wondering how many such moments an event must generate to justify a \$13bn price tag, temporary subjugation by foreigners in blazers and a five-ringed propensity to scandal. However strong the appeal of amnesia for an event that exacted such a

the corporation set up to liquidate the Tokyo 2020 Organising Committee. The company stated that it took the matter seriously and would continue to fully cooperate with the authorities. No arrests have been made but, according to people close to the matter, the investigation is focused on payments between Aoki and Takahashi’s consultancy and allegations that these constituted bribes to secure the suitmaker’s sponsorship. Takahashi could not immediately be reached for comment but has denied the allegations to Japanese media. The detail will matter intensely if or when prosecutors take further action. But the more immediate risk is the most visible legacy of Tokyo 2020 may be a protracted courtroom exposure of the venality and grime that, even without hard evidence, many already guess swirls around these projects. The second problem lies in the glib organisational shrug that accompanies the final reckoning of what the Games cost. Published documents fete camaraderie and courage, but skirt around a cost overrun greater than the individual gross domestic products of roughly 40 countries that sent teams to Tokyo. It’s not just that the ¥1.42tn figure (\$13bn at 2021 exchange rates) announced in June was huge, but that it came in at nearly twice the level Tokyo estimated when bidding for the games. The implication is that the business of hosting the Games forces governments into ritual self-humiliation. If they know the bid estimate is an absurd understatement of the probable cost, they are caught in dishonesty; if they do not know, they look incompetent. And if, as the cost ratchets beyond budget in billion-dollar notches, they have no way to stem the financial flow, they must admit that they have ceded a degree of sovereignty to beach volleyball, water polo and the organisation whose powers seem inexorable. But the third and most unsettling issue is that Japan now seems determined to do it all again. The city of Sapporo is planning to bid for the 2030 Winter Olympics and thus to drag Japan straight back into the fray. As a measure of this resolve, in early June Sapporo’s city legislature turned down a proposal that would have allowed a referendum on whether or not to bid. Set aside the seemingly unlearned lessons of the past few years and the still significant trust deficit with the Japanese public where the Olympics are concerned, Japan’s enthusiasm for staging these events looks less like natural generosity, economic incentive or stepping into the breach as more cities decide not to bid. It is instead an incurable addiction to the Big Moment, mixed with an inability to recall the pain required to keep them coming.

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Letters

Europe and US must do more to assist Africa’s development

That Russia and Sergei Lavrov have found “signs of friendship” in Africa in recent months (“Russian foreign minister seeks to bolster alliances during Africa tour”, Report, July 26) is a worrying sign of a dilution of European influence in Africa. The impact of the Ukraine invasion on Africa does not only come from higher food, fuel and commodity prices – which are disproportionately impacting Africa’s poorest. Alongside this, as the World Bank has noted, the exacerbation of inflationary pressures, and the consequent increase of financial risks in Africa due to high debt levels, is reducing Africa’s access

to global financial markets, including bond markets and export credit facilities. The article neglects to mention that Russia’s actions have, unsurprisingly, prompted consternation and criticism in many African capitals. Yet the fact that the pockets of sympathy that article identifies exist at all – despite the hardship Putin’s Russia is inflicting on the continent – is alarming. To turn this tide, and bolster its own alliances in Africa, Europe, the UK and the US need to step up concrete commitments to investment in Africa, and work with both governments and the private sector

on major projects of mutual benefit. The opportunities are certainly there – countries such as the UAE and Turkey are reaping the benefits of investments in Africa, which are proving a boon to both their economic and political influence in key capitals. Whether it be the \$1bn committed by Dubai-based DP World to investment in Africa interest, or the rapid expansions of Turkish Airlines and Emirates into African markets, they are prioritising long-term investments and partnerships, which commit them to a genuine stake in the future success and development on the continent.

European engagement, on the other hand, is too often over-reliant on aid over trade, on diplomatic overtures rather than concrete investment commitments and genuine engagement with African businesses. As Africa becomes more economically and technologically sophisticated and strategically important in years to come, a change of focus is increasingly necessary. Rt Hon Mark Simmonds Former UK Minister for Africa Chairman of the Advisory Board of Invest Africa Swineshead, Lincolnshire, UK

Anti-woke rhetoric on ESG will harm society

Stark amazement and horror is the only valid response to “ESG’s global rise collides with anti-woke politics in US capitals” (Moral Money, FT.com, July 25). Yes, it is true that “from Tucker Carlson to Mike Pence, bashing ESG investing has become popular sport among US conservatives” and, yes, it is true that in the “best of all possible worlds” such criticism “[might] be shrugged off as political posturing”. However, as Cacamba once observed to Candide, optimism is “the obstinacy of maintaining that everything is best when it is worst”. The anti-woke rhetoric, if tolerated, will have real and detrimental consequences not only for the states that adopt it but also for job creation, companies and society. Environmental, social and governance must be viewed as a necessary adaptation to a rapidly shifting competitive landscape. There’s a global cost correction presently under way and it is time to pay the bill for the negative externalities imposed upon society, including pollution and carbon emissions. Companies and investors that fail to adapt to these new realities will ultimately perish. There is also an upside opportunity for bringing to market innovative and sustainable products that meet customers’ shifting demands. Consider electric vehicles and plant-based dietary products – there is nothing “woke” about adapting to changing market conditions. Once upon a time companies might have viewed ESG as solely a PR issue, but today it must be seen in terms of competitive adaptation and the real possibility of board directors potentially exposing themselves to accusations of breach of duty and claims against them for misleading and deceptive conduct. And for those who claim that ESG metrics are problematic; yes, indeed they are but we cannot throw out the baby with the bathwater. Instead, we should diligently work to refine, improve and standardise these metrics to genuinely reflect underlying corporate practices. This is the only way for ESG metrics to be useful for investment decisions. Fundamentally, there is nothing “woke” about understanding corporate social performance: it is crucial for long-term survival and competitiveness. Republicans are the party of business, but raising obstacles to long-term competitive adaptation is certainly not a business-minded way forward. Unless, of course, the real goal is the protection of vested interests and political donations. Dr Ioannis Ioannou Associate Professor of Strategy and Entrepreneurship, London Business School London NW1, UK



Harold Wilson’s government brought in groundbreaking laws

Corporate accountability reform is long overdue

Professor Cheffins offers some sound arguments in support of his proposal (“Don’t strengthen the UK corporate governance code – abolish it”, Opinion, July 28). In one particular respect the original code was initially very successful. The establishment of the Cadbury Committee was driven by the accountability profession, concerned about criticisms of audit, following financial scandals. Shifting attention to the responsibilities of directors was a shrewd move at the time but not a long-term solution. A fundamental reassessment of the means of securing corporate accountability is long overdue: abolition of the code could be a small step on the route to wider reform. Laura F Spira Emeritus Professor of Corporate Governance, Oxford Brookes University Oxford, UK

No need for such gloom over the west’s leaders

I refer to the excellent piece by Janan Ganesh, “Western democracies have a talent problem” (Opinion, July 19). I agree with most of it. He mentions only Emmanuel Macron as a leader of quality. I think it is a little unfair when we observe the rest of the Liberal democratic leaders in the EU countries. For example, Mark Rutte, António Costa, Pedro Sánchez, Olaf Scholz, Kyriakos Mitsotakis and of course Mario Draghi are all competent prime ministers either from the centre-left or centre-right. So I wouldn’t be so pessimistic, albeit recognising the problems that Ganesh identifies. Even regarding the UK. Carlos Mora Longueuil, QC, Canada

Scientific genius should be directed at climate threat

We can all agree that the James Webb Space Telescope is an engineering marvel. But before our world scientists launch their next major project, be it telescope or particle collider, could their vision be refocused to consider the threats to our planet from climate change? Our scientists could create a contingency plan. They could dust off the old idea of a large sunshade between the Earth and the Sun, sitting at Lagrange point 1, where it would cast a cooling shadow over the Earth. It may seem like Star Trek fantasy, but it may be more sensible than relying upon agreements between nations on carbon emissions. It may also cost less than net zero using current technology. Ken Banfield Tunbridge Wells, Kent, UK

Wilson’s achievements as PM were considerable

Professor Steven Fielding (Opinion, July 23), a sometime social historian, should know better than to dismiss Labour’s four-time election winner, Harold Wilson, as being remembered for little more than the Lavender paper honours list. His government facilitated the passage of the Liberal and Labour-sponsored Abortion Act of 1967 and passed the 1969 Divorce Reform Act – pieces of legislation that have transformed the lives of millions of women. The suspension of hanging for murder in 1965 and its abolition in 1969 held out the prospect of a more civilised justice system. Notable, too, was Wilson’s refusal to accede to Lyndon Johnson’s request to send forces to Vietnam, saving young British lives. John Mason Buxton, Derbyshire, UK

Technology holds key to useful and private data

The UK’s move to loosen some of the rules around GDPR post-Brexit is the latest example of governments trying to find an impossible balance between protecting citizen privacy and leveraging data for the public good (“UK treads fine line with GDPR changes”, #techFT, FT.com, June 17). How personal data is held and used has been widely debated, and for good reason. Stories of data leaks and identity theft are common, and vulnerable people are at high risk of being targeted by scammers. The unfortunate side-effect of locking down our data is that those same vulnerable people lose out when governments are unable to share information and better target the resources they have. But the technology already exists to eliminate this difficult balancing act once and for all. Through the emergence of privacy-enhancing technology (PET), we can share information about individuals that transform our understanding of communities without actually sharing their records. Privacy-enhancing technology is the key to governments having their cake and eating it too when preserving privacy and also creating the analytics needed to transform societies for the better. While this move to introduce the Data Reform Bill does work to facilitate the sharing of data in a limited number of settings, loosening protections carries significant political baggage and puts the UK government on yet another collision course with the EU on data adequacy. Chris Ford London EC2, UK

Support for care homes would ease NHS burden

An estimated 117,000 patients died last year waiting for care on the NHS and the number of patients waiting for non-emergency NHS care is at record levels – about 6.5mn (FT View, July 29). The next prime minister must pay particular attention to the health of the nation and shouldn’t backtrack on previous pledges to increase funding of social care, a sector that is crying out for intervention. Over the past 30 years, hospital bed capacity in England has more than halved, leaving the NHS with one of the lowest rates of hospital beds per person among OECD countries. The most cost-effective way to ease the burden on the NHS is to increase support to care homes so that elderly patients are not languishing in hospital beds at great cost with nowhere to go because care homes are closing down. Dr Sanjeev Kanoria Surgeon and CEO, Advinia Care Homes London N3, UK

Opinion

Boosting civic trust is essential to Latin American economic growth

Eric Parrado

Burdened with inflation, the impact of Russia's invasion of Ukraine and the fallout from the pandemic, the region of Latin America and the Caribbean is at a critical juncture. Without reforms, it could return to a lacklustre pre-pandemic growth rate of around 2.5 per cent, with higher poverty, inequality and political polarisation. Yet critics who fault governments for policies that exacerbate inequalities and throttle investment miss a vital consideration: the lack of trust among the region's citizens. Governments that focus on building trust can improve the odds of successful reforms. With a few exceptions, trust is falling everywhere. Worldwide, between 1985 and 2020, those who believe that most people can be trusted fell from 38 to 26

per cent, according to the Integrated Values Survey. Our research indicates that Latin America and the Caribbean is in a league of its own. Only about one in 10 people in this region trust their fellow citizens. Fewer than one in three trust their government. When I was head of Chile's banking regulatory agency, I experienced how hard it is to build trust and how quickly it can be lost. In 2015, the competition authority uncovered a price fixing scandal between two of the country's largest paper mills. I sounded the alarm that action was needed to restore trust and stop possible contagion to a bank with the same shareholders as one of the colluding companies. We isolated our banking system from any fallout, but this scandal, among others, fed the anger and frustration that many citizens felt towards the privileged and powerful. It was one of several triggers of protests that would rock Chile later. The effects of mistrust are pervasive. Reluctance to pay taxes means the region's tax intake is about 13 percentage points of GDP lower than in

OECD countries. The shadow economy is bigger by almost 20 percentage points of GDP. Individuals and companies do not trust others to pay their taxes, starving governments of much-needed funds. Informality is higher when companies and workers do not believe that others comply with government regulations. Consequently, nearly 60 per cent of Governments can be more transparent about how they regulate and how regulation affects citizens workers in the region work in informal firms, which are less productive and offer fewer benefits to employees. Our surveys reveal many company owners do not trust others. They prefer to hire family members and have difficulties growing their businesses. Mistrust distorts what citizens want from government. Most believe public officials cannot be trusted to efficiently

invest in the public interest. Corruption scandals deepen scepticism. People prefer programmes that provide money-in-hand now, such as cash transfers and subsidies. As a result, governments struggle with longer-term policies that boost growth, such as pension, labour and fiscal reforms, support for research and development, openness to trade and infrastructure spending. What can be done? Governments can help citizens be more informed. They can make it easier to find out about their tax and spending decisions, and about who pays taxes. They can be more transparent about how they regulate and how regulation affects citizens' welfare. They can also empower people by strengthening public institutions such as the courts, police and the anti-trust agency. For example, budget transparency – minimal in many Latin American and Caribbean states – can inform citizens about how their hard-earned taxes are used. Encouragingly, Argentina, Colombia, Barbados and nine other regional countries have set up or are setting up electronic platforms to help

citizens monitor infrastructure projects. This serves to improve spending efficiency. Governments must dispel erroneous ideas that thrive in a vacuum of information and fill it with accurate, verifiable facts. The city of Buenos Aires published dozens of goals on its website, from installing security cameras in the streets to improving infrastructure for people with disabilities and helping them track progress. Programmes like this can foster trust in government. The solution to low growth, inequality and weakening support for democracy is to make trust an explicit objective of public policy. The potential pay-off is greater public support for reforms. It is about more than bringing people out of the informal economy and connecting them with the global one. It is about giving the region the opportunity to unleash its people's entrepreneurial spirit, putting it on a path to higher productivity and inclusive growth. The writer is chief economist at the Inter-American Development Bank

The threat to NHS services is urgent and existential

David Oliver

The UK's health and care system has been failed by successive governments and is now failing its own staff and the populations we serve. I know this all too well. My 33 years working in acute adult hospital care, including throughout the pandemic on Covid wards, has been affected by both the experience and the illness. Even before this crisis the system was struggling. We have now hit peak pressure at a time when many of us are broken and burnt out. On July 12, every ambulance trust in England declared a major incident. It was described as the "worst night ever" in acute care due to staff shortages, worsening response times and ambulances stuck outside rammed-full A&E departments. Waiting times within A&Es are higher because there are so few beds on the wards to admit patients. And those wards struggle to discharge patients because of sustained cuts to social and community healthcare. The short-term Covid "hospital discharge fund" was closed in March. In elective care, there are 6.5mn people on waiting lists for outpatient appointments, investigations, procedures or operations and likely several million more "hidden waiters". Delays are lengthening. Primary care in England is dealing with record numbers of consultations this year. But there has been no increase in the number of full-time equivalent qualified GPs since 2015, despite rising demand. At least 100,000 NHS clinical posts are also unfilled while the social care workforce

We have now hit peak pressure at a time when many staff are broken and burnt out

crisis, partly due to immigration rules and competition from other low wage sectors, is even more pressing. Staffing is central to any NHS recovery, but the government refused calls for a statutory duty to publish regular workforce plans and numbers as part of this year's Health and Social Care Act. It takes years to train skilled replacements: there is no magic reserve of the right people. And we are increasingly demoralised. Even NHS chief executives, usually shy of open condemnation of government, last week said they were "presiding over a failing NHS". The last British Social Attitudes Survey found public satisfaction with services at a 25-year low (although with ongoing high levels of trust in the institution and in doctors and nurses). There is, of course a wider, longer-term policy discussion to be had about design and funding of our health and care systems. But we need urgent action to get us through even the next year. As a minimum, this requires a major uplift in terms and conditions well beyond current pay review body recommendations. Treat and reward staff better or more will leave. We also need an end to pension tax rules that penalise senior medics taking on extra work to help clear backlogs. Immigration rules must be rapidly relaxed to allow overseas-trained staff to come to the UK and stay. We can worry about ethical recruitment and training home grown staff when we are through the immediate existential threat. Social care requires an urgent injection of funds that goes well beyond the new levy. Both local government fundraising and National Insurance are regressive, unfair and further disadvantage those most in need. Finally, there must be honesty, realism and public expectation management about what can – and cannot – currently be delivered, and about the time the NHS will take to recover. After two years of pandemic medicine and then, finally, my own bout of Covid, I was signed off sick in May. I have had to give up the presidency of the Royal College of Physicians, a position I had just been elected to. I've seen scant acknowledgment from the Conservative leadership contenders of the scale of the problem or the need for urgent action. We need politicians to face up to this crisis and the legacy of poor governance. But if you have been the party of government for 12 years, that is hard.

The writer is an NHS doctor

This Biden win restores some confidence

Rana Foroohar

Joe Biden's political prospects have just built back better. Last week's passing of the Chips and Science Act by Congress breathed new life into the White House's plans for industrial policy and support for US manufacturing. Meanwhile, the famously intransigent West Virginia Democrat Joe Manchin, the king of coal country, performed a shocking turnaround on climate change. He agreed to back clean energy investment and healthcare subsidies to be paid for in large part by a 15 per cent minimum tax on big corporations. Thus, in a week that was even more economically dismal than usual – with the Fed's latest rate increase to battle inflation, dismal consumer confidence numbers and news that the US was now in a technical recession, Biden managed to score a big political win by doing something almost unheard of in Washington these days – orchestrating compromise. His win matters politically. The question now is what it might mean economically. While the budget bill has yet to pass, and the Senate semiconductor support comes with far fewer strings attached for business than progressives would

have liked (Senator Bernie Sanders has labelled it corporate "extortion"), there is a case to be made that simply getting to yes in Washington carries some economic benefits at present. Chief executives have long complained that the uncertainty resulting from political gridlock, as well as a lack of adequate federal investment into things such as basic science research and workforce development, have curbed growth plans in the US. The \$280bn Chips and Science Act bill not only has strong bipartisan support but makes big investments into workforce training and basic science research, as well as supporting regional manufacturing hubs (something research shows has a disproportionately positive economic knock-on effect into local communities). One can argue, as Sanders and progressives such as former Clinton-era labour secretary Robert Reich have, that companies like Intel don't need lavish subsidies to stay in the US rather than moving more investment abroad. Many progressives believe that paying these now could set a dangerous precedent of giving taxpayer welfare to the richest corporations, which will result in them charging a future government ransom to stay in the US. I'm not so sure. Silicon chips are unique, given that they are essential for pretty much everything else. The world needs more geographic diversity of supply in semiconductors. The fact that 92 per cent of high end chips are made in Taiwan, perhaps the second most



politically contested country in the world after Ukraine, is worrisome for every nation, which is one reason Europe has its own chip regionalisation effort under way. While it's still possible for US companies such as Intel to move jobs and factories wherever they like, I suspect that stricter provisions around dual-use technologies coming down the legislative pike will make it harder to outsource strategic industries in the future. Regionalisation of supply chains, not unfettered globalisation, is the future. The ramifications of the proposed budget bill, the name of which has been changed from Build Back Better to the Inflation Reduction Act, are more difficult to predict. The fact that the administration was able to push through a

Passing of the Chips and Science Act by Congress has breathed new life into the White House's plans

spending bill branded as a way to fight inflation is an impressive piece of political economy ju-jitsu (there is more than \$300bn in deficit reduction for those worried about excessive demand, which helps a lot). But it's still unclear whether the compromise will pass. Even if it does, its effect on short term inflation is very much up for grabs. The upside of the bill is that it would enable the federal government to address rising healthcare costs. It would do so by helping poorer families to pay healthcare premiums, and also by capping out-of-pocket costs for drugs for those on Medicare. It will allow the US to do what most other rich countries do – negotiate with drug companies to reduce prices by using the power of the federal government (the largest buyer of prescription drugs in the world) to leverage scale to lower costs. That's a no-brainer that could save hundreds of billions of dollars in taxpayers' money. It also starts to address the outsized power of major lobbying industries such as Big Pharma. This, coupled with the

fact that much of the bill would be funded by a 15 per cent minimum tax on big corporations goes a long way to fulfilling the administration's promise to make the private sector pay its fair share in taxes. Investment in clean energy is also welcome. I'm all for supporting investment in electric vehicles, wind farms, solar panels and lithium battery production. It is crucial to addressing climate change, which comes with its own huge economic costs. It's the best way to encourage a "productive bubble" of widely shared private sector growth. Ultimately, it will lower the price of energy. But that process will take years. No legislation is perfect. But last week represented an important first step toward bipartisan compromise on core bits of the Biden agenda that could have real economic impact. Restoring some sense of confidence that America can still govern itself comes with a reward beyond dollars. rana.foroohar@ft.com

Greater employee ownership can make work fairer

Pete Stavros

My story used to be a familiar one. I'm a first-generation college graduate from a hardworking, blue-collar family. My parents scrimped and saved and made a small real estate investment. While we lived day to day on my Dad's construction job wages, owning an appreciating asset brought us into the middle class. Today, not enough families enjoy the upward mobility that mine did. Property ownership is one of the few ways of climbing the economic ranks. But with real wages largely stagnant since the 1970s, many people have no savings to invest. Another way to get hold of appreciating assets is by being given stocks in the company where you work, but that is a perk typically reserved for only the most senior employees.

As a result, working class families are locked out of these types of ownership. US Federal Reserve economic data shows that the bottom 50 per cent of earners own only 5 per cent of assets and 1 per cent of stocks. As asset prices continue to rise, the divide widens. This divide is about more than just money. Gallup surveys show that only 20 per cent of the global workforce is constructively engaged at work, and engagement scores tend to be worse for employees on hourly wages. I saw this first-hand with my father. He felt no connection with his employer. If he worked too fast, his hours declined and his pay cheque diminished. He talked about the need to "work steady" – not too fast, but not too slow. His opinions and input were disregarded. He dreamt of profit-sharing and having a voice in the company. As an investor working with a variety of companies, I've had the opportunity to experiment with bridging this divide through broad-based equity ownership and employee engagement programmes over the past 12 years. The results have been beyond encouraging.

To take one example, manufacturer Ingersoll Rand shared ownership with all of its 16,000 employees across more than 80 countries. Over time, the company's quit rate has dropped from 20 per cent to below 3 per cent. Employee engagement scores from internal company data rocketed from the 20th percentile to the 90th percentile. And non-employee shareholders made substantial gains from the strong performance that came with an enhanced corporate culture. A few weeks ago, we analysed our work with CHI Overhead Doors, a manufacturer of garage doors. When we sold the business, ownership cheques to workers ranged from \$20,000 for a new joiner to more than \$800,000 for the most-tenured hourly employees and

truck drivers. Productivity exploded over our seven years of ownership, with profit increasing fourfold and margins nearly doubling. Building an ownership culture brought big shared rewards. Many other investors are also working to broaden ownership of their companies. Insight Global, a staffing company owned by Harvest Partners and Leonard Green, gave each of its 4,500 employees a pathway to ownership: the quit rate fell from 45 per cent in 2017 to 14 per cent today. Similar results have been seen at SRS, a roofing products distributor owned by Berkshire Partners and Leonard Green. Ownership was broadened, employee engagement improved and the quit rate declined by three quarters. To be clear, it's not just about sharing ownership – changing the culture is much harder than that. You have to treat employees like owners. Set goals and talk about progress often. Share information transparently. Ensure there is a strong understanding of stock and its potential value. And ownership cannot be in exchange for wages or other benefits – this is not

about shifting risk on to the workforce. If shared ownership helps workers and shareholders alike, why isn't it more common? Deploying this model requires a concerted effort, and it takes a long time to see results. The outcomes for Ingersoll Rand took place over nine years. There are also often deeply held misconceptions about the workforce. That they'll never understand equity. That they won't value it. They can't move the needle on performance, so why do they need stock? These misconceptions are wrong. Ownership Works, which helps companies implement such broad-based equity programmes, shows there is a way to make the strategy effective. Whether you are a corporate leader, an investor or a board member, shared ownership is something to consider. No silver bullet solution exists to our workplace challenges but providing employees with a stake in their companies has impacts that go beyond the workforce. The writer is co-chief of KKR's Americas Private Equity business and founder of Ownership Works



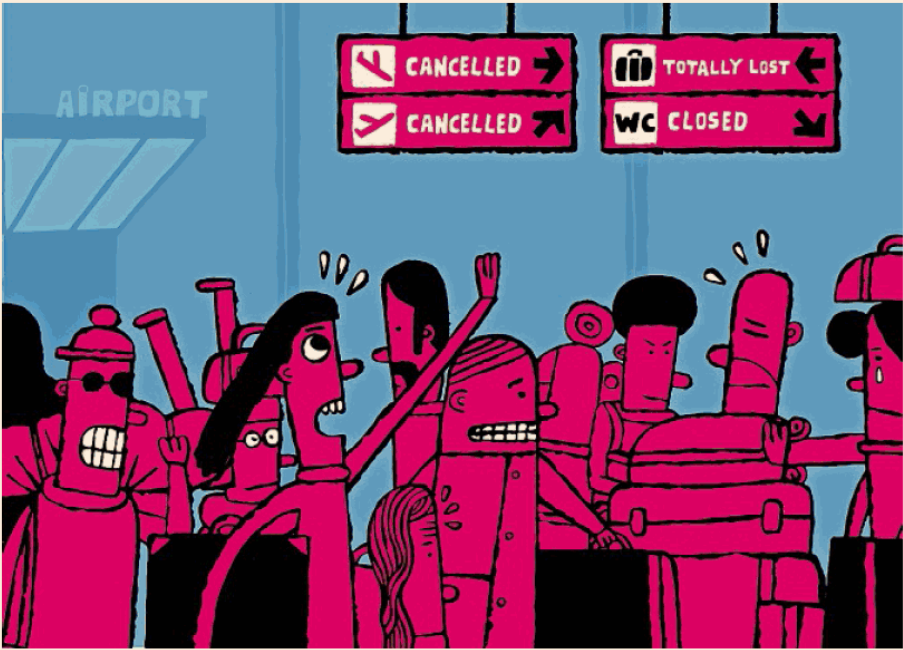
Hot under the collar
It's time to talk about menopause
and ageism in the workplace
✚ WORK & CAREERS

The nightmare
that is today's
air travel



Pilita Clark
Business Life

Air travel is the only form of transport to have gone backwards over the past 20 years. Trains now go faster. Buses pollute less. Cars are smarter, and electric. So are bicycles, ferries and lorries. Flying, on the other hand, is considerably more horrible than it used to be. Years after a British terrorist failed to set off a bomb in his shoes on a 2001 flight from Paris to Miami, flyers still face maddening rules on liquids as they are squeezed into smaller seats and charged for sandwiches they once got for free. Flying might be cheaper and safer, but it is also slower than it was in 2003, when Concorde took its last flight across the Atlantic — in roughly half the time it takes today. Airlines promised supersonic flight would come back. It hasn't. I wrote a version of these very words in 2010, when I was the Financial Times's aerospace correspondent, never thinking a global pandemic would one day make things even worse. This thought came to mind last week as I stood in a long queue at a small Spanish airport, where I saw



something I had never seen in more than 30 years of flying. The line was full of people boarding two flights to London, one to Gatwick, which I was on, and one to Stansted, both due to leave at about 11am. We were queueing to get our passports stamped, as one does post-Brexit, just a few metres from exit doors beyond which waiting planes were clearly visible. As the clock ticked towards 11 o'clock and fears of closed gates grew, a ruckus broke out at the front of the queue. Passengers bound for Stansted, including parents who had been queueing for ages with toddlers in tow, started shouting at an airline attendant for not calling them to the front of the line earlier. All at once, several barged past the passport station and made a break for the exit. A burly policeman bolted out of the station and ordered everyone to

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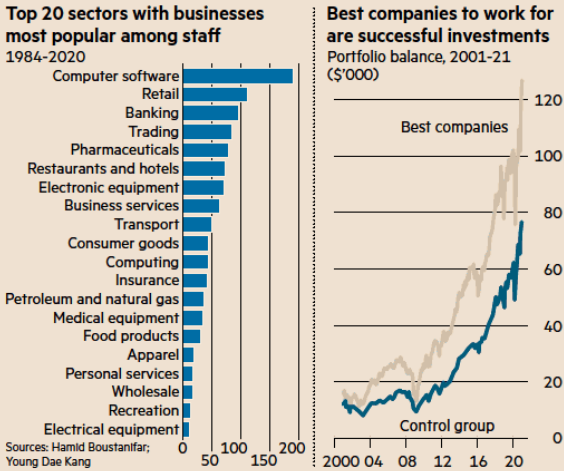
stay put. The would-be escapees returned, forlorn, reporting the gate had closed and they had been left to book new flights, with no airline help in sight. This was just one small drama among the thousands that have turned flying into a chaotic hellscape of cancelled flights, lost luggage and unspeakable queues across the world this year. The pandemic staff shortages and supply chain glitches driving this upheaval are less visible than the Icelandic volcano ash and 9/11 terrorist attacks that caused past air travel woes, but they are just as troubling. Last week, bosses at Heathrow airport and Qatar Airways warned industry disruption could last a lot longer than expected. "I think that it will last for a couple of years," Qatar Airways' chief executive, Akbar Al Baker, told the FT. Predictably, a cottage industry has emerged to advise travellers what to do. Some tips are obvious: prepare for queues; fly direct; take only hand luggage and if you must check bags, bring medicine and other necessities with you in the cabin. Some ideas seem daft: you can check

your bags the evening before an early morning flight with some airlines and a lot of experts recommend it, on the grounds you can sail through calmly the next day. But it requires an extra trip to the nightmare that is today's airport. Other advice was new to me. It's best to fly as early in the day as possible because first flights are rarely cancelled, a flight attendant wrote in the New York Times the other week. Later flights are more vulnerable to thunderstorms that build as days get warmer, plus rising traffic at busy airports and flight crews reaching duty limits. For what it's worth, my brush with summer travel has taught me this: it's more important than ever to fly on weekdays if you can. If you are in a long queue, do not be afraid to ask staff to take you to the front of the line if it is getting close to boarding time. Finally, be pleasant to those staff. Most are doing their best on the front lines of a bleak situation they cannot avoid. You, with luck, are only passing through.

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Employee wellbeing:
shiny, happy people



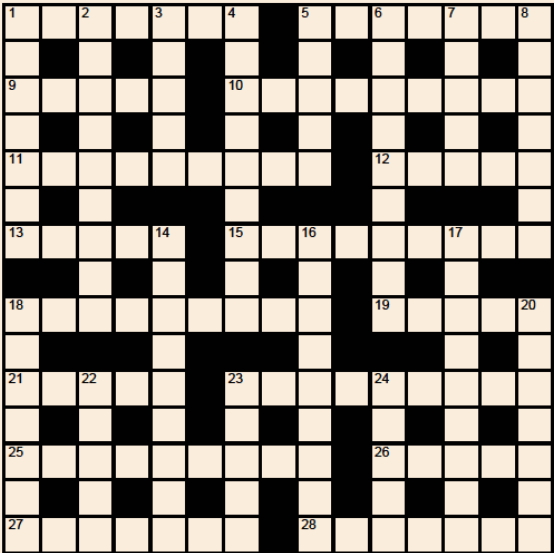
Does ESG make financial, or even moral, sense? The portmanteau term covers environmental, social and governance behaviour. Critics point to measurement problems — particularly with the "S" factor. However, a study published this month suggests that, when workers like and respect their employer, its shares perform better. Employee satisfaction and excess returns go hand in hand, according to authors Hamid Boustanifar and Young Dae Kang. Using market data extending between 1984 and 2020, their work updates an earlier study in 2011 that reviewed Fortune magazine's annual list of the 100 Best Companies to Work for in America. Having created an equally weighted portfolio of companies which succeed with their staff, they found that it earned excess returns — before execution costs — of no less than 2 per cent annually. Even when considering a company's size, which if fast-growing can have a strong positive effect upon an equally weighted portfolio, the outperformance persisted. Finally, this portfolio of best places to work did not just beat the market in the good times, it did particularly well in periods of crisis. Some industries earned "best company" status more often than

others. Those favoured places to work tended to sit within sectors which depended most on human capital. Finding a predominance of best companies in highly paid areas such as software, banking and (financial) trading might not come as a surprise. But the retail and pharma sectors were also high up the list. Many staff are cynical about drives by bosses to win the "best place to work" accreditation used to attract new recruits. However, employee satisfaction can have a critical impact on corporate performance. This is particularly true in poorly paid services industries such as hospitality. Job satisfaction, by contrast, often appears strikingly low among bankers and lawyers. Here, high pay looks to be a bigger driver of individual performance than *esprit de corps* and the desire to help customers. Fund manager Jerome Dodson long ago decided to put his money on those companies that treat their staff well. His Parnassus Endeavor Fund is one of the most highly ranked US large-capitalisation growth funds over the past 15 years, over all timeframes, according to Morningstar. That suggests employee morale and culture definitely matter — not just to those applying for jobs but for investors, too.

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CROSSWORD

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- ACROSS**
- 1 Insult dry revolutionary to make trouble (7)
 - 5 One contriving to deceive Bow musician? (7)
 - 9 Some agendas Lutheran backs in foreign city (5)
 - 10 Criminal arrested kidnapping black singer (9)
 - 11 One supports French eatery moving lunchtime forward (9)
 - 12 Tory seen with half-cut gals in line dance (5)
 - 13 Old Bill operating with great precision (5)
 - 15 Government soldiers first to take account (9)
 - 18 Decide tomorrow what one might do with mattress? (5,2,2)
 - 19 Idiot stealing head of state's cheap wine (5)
 - 21 Old Frenchman I finally understand in city abroad (5)
 - 23 Prunes cooked with oil could create this (9)
 - 25 Evaluation of artist one's found in shock (9)
 - 26 One spotted around new river restaurant (5)
 - 27 Country suspended head of ailing railway (7)
 - 28 Foremost of trawlermen fished with lines crossed? (7)
- DOWN**
- 1 Lawyer on board could be girlfriend material? (7)
 - 2 A US talent travelling around Brunei, say (9)
 - 3 Range of places men go when away from home (5)
 - 4 Lawyer, possibly one employed by a landlord (9)
 - 5 Sweet female magistrate to ignore joint (5)
 - 6 A pitcher drunk at end of day's extremely reasonable (4-5)
 - 7 Acquire skill in Latin and bring home the bacon (5)
 - 8 Soldiers on open stretch of land pull back (7)
 - 14 Best prohibit distribution of articles for leader? (3,6)
 - 16 Guiding device in car given to holy group (9)
 - 17 Passionate proposal to open fresh ale (9)
 - 18 Tolerate services being held up by a church (7)
 - 20 Sort to get wine for family members (7)
 - 22 Parrot scooping up small piece of nut tree (5)
 - 23 In high spirits, removing top is perilous (5)
 - 24 Legless leader on port must be loaded (5)

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