



London's neglect puts Northern Ireland at risk

STEPHEN BUSH, PAGE 15

Why August is a month made for empathy

JEMIMA KELLY, PAGE 14

Bean counter  
Coffee faces  
climate threat

A farmer harvests arabica coffee at a plantation in Temanggung Regency, Java, Indonesia, in May.

Global consumption of coffee has almost doubled over the past three decades as new drinkers in China have been joined by others across Asia and Africa, where drinking the brew is often seen as symbolic of entry into the middle class. Starbucks plans to open a coffee shop in China every nine hours to reach 9,000 locations in the country by 2025. If current trends continue, demand is expected to double again to 6bn cups of coffee every day by 2050.

But the threat from climate change means suitable land for cultivating coffee is declining, growers are struggling to make a living and prices are rising. Coffee could end up becoming a luxury commodity, or the world's coffee lovers face a future of poorer quality beans.

Big Read page 13



Dimas Ardian/Bloomberg

Putin calls currency controls meeting  
as rate rise fails to stem rouble slide

◆ Economy fears mount ◆ Bid to force exporters to convert earnings ◆ War spending adds to deficits

MAX SEDDON AND ANASTASIA STOGNEI — RIGA

President Vladimir Putin was set to discuss ramping up currency controls with Russian policymakers yesterday after a 3.5 percentage point interest rate rise failed to halt the rouble's slide, said two people familiar with the matter.

Putin planned to hear proposals from Russia's finance ministry to force exporters to convert some of their foreign currency earnings, most of which are held abroad, into roubles, they said.

The finance ministry's proposals, seen by the Financial Times, would require exporters to sell up to 80 per cent of their foreign currency revenue within 90 days after delivery and ban companies that refused to comply from receiving government subsidies.

Other proposed measures include a ban on paying dividends and extending loans abroad, even to countries deemed "friendly"; cancelling import subsidies; limiting currency swaps; and cutting the amount of foreign currency that exporters are allowed to take out of Russia.

The proposals, which would be the first time Russia has increased currency controls since the early weeks of the Ukraine invasion last year, indicates rising concern in the Kremlin about the

"These matters aren't decided in any way other than with him [Putin]"

Policy insider

effect the war is having on the economy.

Finance minister Anton Siluanov was the sole economic official who spoke up in favour of currency controls at a government meeting on Monday, according to three people familiar with the matter.

But Putin decided to listen to policymakers' proposals to bolster the rouble after the central bank's extraordinary rate rise had only a moderate effect on exchange rates.

"These matters aren't decided in any way other than with him," said one of the people familiar with the matter.

Currency controls are a sensitive topic for central bank governor Elvira Nabiullina, who had told friends she would resign if they were implemented — only to stay in her post after the invasion and introduce them last spring.

But the pressure on the rouble, which briefly weakened below the important barrier of 100 to the dollar on Monday, has left policymakers with few other options, economists say.

As the war drags on, ballooning deficits resulting from military spending, a drop in export revenues and a reliance on imports have weakened the rouble. The slide has prompted open disagreement among Russian policymakers.

Maxim Oreshkin, Putin's economic policy adviser, published an article on Monday that claimed "a strong rouble is in the interests of the Russian economy" and blamed the central bank for its fall.

Oreshkin said the central bank's year-long easing cycle had fuelled a borrowing bonanza that overheated Russia's economy and said it had "all the neces-

sary instruments" to reverse the drop. But economists say the central bank has limited capacity to boost the rouble after western sanctions froze about \$300bn of its foreign reserves, leaving it unable to sell dollars and euros.

Elina Ribakova, director of the international programme at the Kyiv School of Economics, said: "There are two levers that Russian authorities can use to support the rouble. The first one is to avoid the [oil] price cap [imposed by western countries] more effectively and increase export revenues to enhance the current account surplus. The second one is capital controls."

The Kremlin and finance ministry did not respond to a request for comment.

**US drone push & Odesa defiance** page 2  
**Marietje Schaa** page 15

Briefing

► Carlsberg still hopes to sell Russian brewery unit

Chief executive Cees 't Hart has said that the group was "shocked" by the Kremlin seizure of Baltika Breweries last month, but still aims to sell the business.— PAGE 5

► Pyongyang soldier claims

North Korea has claimed that a US soldier who crossed over the border into its territory a month ago was escaping "inhumane abuse in the US military".— PAGE 4

► Tesla cuts China prices

The carmaker's markdowns of up to 6.9 per cent have accelerated a price war in the largest electric vehicle market that threatens to drive out weaker groups.— PAGE 5

► 4mn at risk in Sudan war

The UN has warned that more than 4mn people have fled a "disastrous, senseless" conflict that is putting millions on the verge of famine.— PAGE 4

► Vietnam beats Detroit

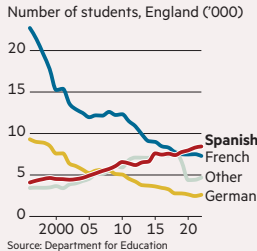
Electric-vehicle start-up VinFast's valuation has overtaken those of the three big US carmakers as the loss-making group's shares soared on debut.— PAGE 8; LEX, PAGE 16

► Weak games hit Tencent

The Chinese technology group's cost cuts have helped boost profit by a third but revenues missed estimates after anaemic domestic gaming sales.— PAGE 6

Datawatch

Spanish practice



Spanish has become the most popular foreign language in post-16 education in England, overtaking German and French. The number of Spanish students has almost doubled since 1995 but it has not made up for the fall in other languages



Panama drought puts squeeze on global trade

A fierce drought in Panama has forced curbs on one of the most important trade routes. The Panama Canal is the only big maritime passage dependent on fresh water, with 50mn gallons needed for each ship to navigate its locks. But canal bosses have cut the number of crossings and barred heavy loads. Lines like Hapag-Lloyd have put surcharges on routes reliant on the gateway, which carries 29 per cent of container trade crossing the Pacific.

High and dry ► PAGE 3

EY rejects TPG plan to take consulting arm stake and break up Big Four firm

STEPHEN FOLEY — NEW YORK  
MICHAEL O'DWYER AND  
ARASH MASSOUDI — LONDON

EY has rejected a proposal from US private equity group TPG to break up the Big Four firm and take a stake in its consulting business, according to a statement sent to partners yesterday.

TPG wrote to EY in late July outlining its plan for a debt-and-equity deal to separate its consulting arm from the audit business. The pitch came just months after the collapse of EY's own attempt to spin off the consulting business and seek a \$100bn enterprise value for it in a stock market listing.

The Financial Times revealed details of the approach, which offered to revive the break-up plan, codenamed Project Everest, in a revised form.

"We frequently receive inquiries from

private equity firms and other investors expressing interest in parts of EY businesses. This was the case before Everest and will continue into the future," partners were told by global chair and chief executive Carmine Di Sibio.

"The TPG approach was a preliminary expression of interest and there has not been further engagement. We are not actively engaging in any transactions," Di Sibio wrote.

TPG's approach comes as EY attempts to select a replacement for Di Sibio, the driving force behind Everest. After the project unravelled in April, he said he would retire in June next year.

It would be difficult for the firm to commit to pursuing a deal before his successor is chosen, insiders say. Any break-up would also need the backing of EY's biggest national firms, which are separately owned by partners in each

country. A break-up of the firm would represent the biggest overhaul in the accounting profession since the collapse of the US energy company Enron, which put its auditor Arthur Andersen out of business and led other big firms to split off their advisory arms two decades ago.

Proponents of Everest argued that it would allow both sides of EY to grow faster, freed from conflict-of-interest rules put in place after Enron that prevent firms from selling consulting services to their audit clients.

TPG had said its plan offered greater certainty because it was not subject to the volatility of public markets and its proposal would involve less dilution of partners' existing stakes because a private transaction would enable it to borrow more heavily.

TPG yesterday declined to comment.  
**Lex** page 16



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World Markets

STOCK MARKETS				CURRENCIES				GOVERNMENT BONDS			
	Aug 16	Prev	%chg	Pair	Aug 16	Prev		Yield (%)	Aug 16	Prev	Chg
S&P 500	4433.21	4437.86	-0.10	\$/£	1.091	1.094	£/\$	0.917	4.96	4.94	0.02
Nasdaq Composite	13559.32	13631.05	-0.53	\$/¥	1.275	1.275	¥/\$	0.784	4.23	4.18	0.05
Dow Jones Ind	34978.77	34946.39	0.09	€/£	0.855	0.858	£/€	1.169	4.34	4.29	0.05
FTSEurofirst 300	1800.98	1801.69	-0.04	¥/\$	145.815	145.155	¥/¥	159.041	5.19	5.11	0.07
Euro Stoxx 50	4283.30	4288.57	-0.12	¥/£	185.951	185.008	£ index	82.535	4.74	4.68	0.06
FTSE 100	7356.88	7389.64	-0.44	SFr/£	0.959	0.958	SFr/£	1.121	4.80	4.74	0.06
FTSE All-Share	4021.57	4039.10	-0.43						0.01	0.02	-0.01
CAC 40	7260.25	7267.70	-0.10						0.63	0.63	0.00
Xetra Dax	15789.45	15767.28	0.14						1.57	1.60	-0.02
Nikkei	31766.82	32238.89	-1.46	Bitcoin (\$)	28940.00	29165.10			3.07	3.11	-0.03
Hang Seng	18329.30	18581.11	-1.36	Ethereum	1814.12	1826.87			2.65	2.67	-0.02
MSCI World \$	2948.22	2976.86	-0.96						2.73	2.74	-0.02
MSCI EM \$	981.80	986.28	-0.45								
MSCI ACWI \$	678.47	684.70	-0.91								
FT Wilshire 2500	5744.77	5813.15	-1.18								
FT Wilshire 5000	44780.50	45314.00	-1.18								

Prices are latest for edition  
Data provided by Morningstar



INTERNATIONAL

Ukraine conflict

# US seeks end of Iran drone sales to Russia

Washington appeal made at indirect talks as part of wider bid to ease tension

ANDREW ENGLAND — LONDON  
FELICIA SCHWARTZ — WASHINGTON

The US is pushing Iran to stop selling armed drones to Russia as part of discussions on a broader “unwritten understanding” between Washington and Tehran to de-escalate tensions and contain a long-simmering nuclear crisis.

President Joe Biden’s administration has raised the issue with the Islamic regime at indirect talks in Qatar and Oman this year, say people briefed on the matter. The discussions have been taking place alongside negotiations on a

prisoner exchange deal that led to Tehran transferring four Iranian-US citizens from prison to house arrest last week, the people said.

According to an Iranian official and another person briefed on the talks, the US wants Iran to stop supplying drones to Russia, which Moscow is using in the war in Ukraine, as well as spare parts for the unmanned aircraft. The official said Tehran, which officially denies its drones are used in Ukraine, had repeatedly asked Moscow to stop deploying them in the conflict, but Washington wanted “more concrete steps”.

A successful prisoner swap and any additional informal agreements would mark Biden’s first breakthrough on Iran after more than two years of on-off, indirect talks with the regime in which

he has sought to revive the 2015 nuclear accord Tehran signed with world powers and ease tensions in the Middle East.

US secretary of state Antony Blinken said the US was pursuing a strategy of deterrence, pressure and diplomacy to ensure Iran did not acquire a nuclear weapon, and to hold Tehran accountable for human rights abuses and the “provision of drones to Russia for its use in the war against Ukraine”.

“We’ve been clear that Iran must de-escalate to create space for future diplomacy,” Blinken said. “The move of our detainees out of prison and to home detention is not linked to any other aspect of our Iran policy.”

The negotiators hope the indirect talks will lead to both sides agreeing de-escalatory measures. For Iran, this

would mean agreeing not to enrich uranium above 60 per cent purity, improving its co-operation with the International Atomic Energy Agency and pledging not to target Americans, said the Iranian official and another person briefed on the talks.

In return, Washington would refrain from imposing new sanctions in some areas, except those involving human rights, and would not strictly police the sanctions already in place on oil sales, the Iranian official said.

The Islamic republic wants the US to convince European allies to also ease pressure on Iran, as its economy is being strangled by US sanctions imposed after then president Donald Trump abandoned the 2015 nuclear accord.

A concern in Tehran, said the official,

was that the UK, Germany and France, the European signatories to the 2015 deal, could seek to reimpose some sanctions once clauses from the nuclear accord that restricted Iran’s ballistic missile programme expired in October.

The US and Iran have reached agreements on most issues, but the discussions, held through intermediaries, would continue in Qatar and Oman, especially on Russia, the official added.

The person briefed on the talks said the prisoner exchange was not contingent on the de-escalatory measures, but added that such a move could help build trust between the parties. A western official said the prisoner deal was a pre-requisite for any progress on the de-escalatory nuclear steps.

See The FT View

Cargo vessel

# Kyiv defies Moscow attack threat as ship leaves Odesa port

ISOBEL KOSHIW — KYIV

A container ship left Odesa port for Istanbul yesterday, the first vessel to leave Ukraine’s ports since Russia threatened to attack civilian shipping in the Black Sea last month.

The ship embarked from Odesa shortly after Russia attacked one of Ukraine’s two Danube river ports for the third time since July, destroying and damaging granaries and warehouses, Odesa governor Oleg Kiper wrote on Telegram.

The signal of the ship, which is carrying more than 30,000 tonnes of cargo including foodstuffs, was not being picked up several hours after its departure, said maritime data analysts Spire Global. The shipowners said the radar was on and that “no constant signal can happen for various reasons and it is nothing we are doing on purpose”.

Benchmark wheat prices rose 1.4 per cent to \$6.06 a bushel yesterday over the heightened risk to Ukraine grain exports. Grain prices have fallen from more than \$10 a bushel a year ago and are lower than before the collapse of the grain deal because of bumper harvests in Russia and other food producers.

Following its withdrawal from a UN-brokered grain export deal in July, Russia said all civilian vessels travelling to and from Ukraine’s ports would be regarded as military targets. Since the deal broke down, Ukraine has been using its two Danube river ports, Reni and Izmail, to transit grain via a canal to the Romanian port of Constanța, from where they can be shipped at sea.

Despite Russian threats, the Hong Kong-flagged vessel called the Joseph Schulte was making its way through an established civilian vessel corridor, according to Oleksandr Kubrakov, Ukraine’s infrastructure minister.

The Joseph Schulte is co-owned by Bernhard Schulte, a German company, and an unnamed Chinese bank. The company said the vessel was using the route submitted by Ukraine on August 10 and accepted by the International Maritime Organization, travelling via Ukraine and Romania’s territorial waters to Istanbul.

The ship, which docked at Odesa on February 23 2022 — a day before Russia’s full-scale invasion of Ukraine — was being operated by a Ukrainian crew, the company added. “If Russia decides to escalate, then it will go into a direct confrontation with Germany and its Chinese allies,” said Gennadiy Ivanov of BPG Shipping, a Ukrainian dry bulk shipping company that operates from Odesa, Dubai and Greece. Ivanov said more ships would use the route if the attempt worked. “Ukraine doesn’t have another option, everyone knows that. There’s a lot of grain that needs exporting through [Ukraine Black Sea ports]. The Danube can’t cope with it all.”

Ukraine has been increasingly using Reni and Izmail on the Danube to continue exports. Russia fired warning shots at a Turkish vessel trying to reach Izmail on Sunday, according to its defence ministry. Before the war, the ports were rarely used but when the Black Sea Grain Initiative was in operation they accounted for a third of Ukraine’s grain exports.

Additional reporting by Harry Dempsey  
Marietje Schaake see Opinion

South America. Presidential race

# Milei aims to take ‘chainsaw’ to Argentine budget

Libertarian’s plan to slash spending would avoid mass state sector job cuts, says aide

MICHAEL STOTT — LONDON  
CIARA NUGENT — BUENOS AIRES

Javier Milei, the libertarian economist leading Argentina’s presidential race, would slash government spending to balance the budget within months of taking office but wants to avoid mass public sector lay-offs, his chief economic adviser said in an interview.

“The first thing we have to do is to lower the fiscal deficit by 5 percentage points, which is not at all easy,” said Dario Epstein. “As Argentina is in a very critical situation, with 40 to 45 per cent poverty, what we can’t do is to fire people from the public sector or lower social spending. That is very important.”

Epstein’s comments highlight the awkward policy dilemmas facing Milei, a temperamental populist whose rapid rise has stunned Argentina’s political establishment and alarmed some business leaders ahead of October’s first-round presidential election.

But his small margin of victory in Sunday’s presidential primary over the leaders of the other two main political blocs — the incumbent Peronists and the centre-right Juntos por el Cambio (JxC) alliance — heralds a three-way race, and it remains unclear how much appetite Argentines have for what Milei calls his “chainsaw” plan to slash public spending. He posed with a model chainsaw while announcing his plans this year.

“I see a big gulf between his ideas and those of his voters,” said Juan Germano, a pollster at Isonomía in Buenos Aires, of Milei. “When you ask his voters what the role of the state should be, they say different things from him. It seems like some of his voters are not actually listening to what he is saying.”

More than two months of campaigning remain, and the eccentric, temperamental personality that has worked for Milei on social media may yet trip him up. The former economics lecturer faces closer scrutiny of his “anarcho-capitalist” manifesto to fix a crisis-racked economy.

It relies on drastic cuts in public spend-



**Meaty problems:** prices are shown in pesos at a butcher’s shop in Buenos Aires. Below, Javier Milei — Juan Mabromata/AFIP/Getty



ing to balance the budget and introducing the US dollar as the national currency to replace the heavily devalued Argentine peso, with the free circulation of other currencies also permitted.

No economy of Argentina’s dimensions has attempted such a bold plan in recent times: the largest economy outside the US currently using the dollar as its national currency is Ecuador.

Dollarisation is popular with some Argentines, who are accustomed to holding savings in US currency to avoid devaluations. Milei’s promise to “burn down” the central bank strikes a chord with citizens dismayed at how the institution prints money to fund government deficits, destroying its value.

But there are huge practical problems. The most obvious is that Argentina’s government has no dollars, with net international reserves in negative territory and the country cut off from international debt markets since its last default in 2020.

Milei himself has backed away from the idea of immediately dollarising the economy, and even his close aides admit the idea is not realistic until confidence has been restored.

“For dollarisation, we need dollars,” said Epstein. “We are working on a very creative structure [to solve this] but we believe that it will be much easier to get the \$30bn-\$35bn which we think you need to dollarise once we have carried out [fiscal and labour market] reforms.”

One of the options being considered, he said, was to take \$130bn of Argentine dollar-denominated debt held by public sector bodies and put it into a trust under New York law, which would then sell stakes to raise the money needed for the dollarisation. Milei would also privatise large public sector entities such as the national oil company YPF and the airline Aerolíneas Argentinas, slash the number of government ministries from 18 to eight, and replace the costly public health system with a privately run model funded by social insurance.

Investors and economists like the pro-business thrust of Milei’s ideas but

‘We believe it will be much easier to get the \$30bn-\$35bn we think you need to dollarise once we have carried out reforms’

many worry about his ability to implement them in a country with a large welfare state and strong labour unions. The libertarian economist is a political novice, having entered Congress only in 2021, and has no executive experience.

Projections based on the result of Sunday night’s primaries suggest Milei’s La Libertad Avanza bloc would win only about 40 lower house seats out of 257 and eight out of 72 in the Senate in October’s congressional elections.

Most lawmakers will belong to the two blocs that dominate Argentine politics: the incumbent Peronists, a broad populist movement influenced for the last 20 years by left-leaning Cristina Fernández de Kirchner, and JxC.

Milei “would need to form a coalition with JxC as he won’t have a majority,” said Ramiro Blázquez, head of research at BancTrust in Buenos Aires.

“He would face quite an adverse Congress and would need a pact for governability. If he doesn’t get that, his government is unlikely to last and will open up social conflicts on many fronts.”

See Opinion

Recreational drugs

# German cabinet backs limited cannabis legalisation scheme

LAURA PITEL — BERLIN

Germany’s cabinet has approved a plan for the “controlled legalisation” of cannabis in a compromise that has upset anti-drug campaigners, pro-legalisation advocates, doctors, judges and the police.

Health minister Karl Lauterbach defended the legislation as a “good law” after the cabinet yesterday backed a plan whose centrepiece is the creation of “cannabis clubs” that can grow and distribute marijuana to their members.

Lauterbach said the proposal, which must still be approved by the Bundestag, would balance combating drug crime and the rise of toxic variants on the black market with the need to protect children and young people.

He described it as “controlled legalisation” that marked “an important turning point in a cannabis drug policy that has, unfortunately, failed”.

The measures, due to come into force at the start of next year, represent a sea change in Germany’s drugs policy that

could have far-reaching consequences for the rest of the continent.

Still, the German law falls far short of a high-profile promise in the 2021 coalition agreement struck by Chancellor Olaf Scholz and his coalition partners to allow the “controlled supply of cannabis to adults for recreational purposes in licensed shops”, disappointing supporters of liberalisation and businesses hoping to cash in on a huge new market.

After a commercial model met resistance from the European Commission, Germany will instead allow the creation of associations that can produce and distribute to members under conditions.

Varying limits on the potency and quantity of the drug available to those aged 18 and the over-21s are aimed at limiting the potential damage to young people. Adults will be able to purchase up to 50 grammes of cannabis a month from the clubs for personal use, and cultivate up to three plants at home.

In a second phase, Germany will experiment with allowing limited commercial sales in certain pilot regions.

Transplant research

# Medical team achieves a first with pig kidneys in human

CLIVE COOKSON — LONDON

Genetically modified pig kidneys have for the first time provided “life-sustaining renal function” for a week after transplantation into a human, surgeons leading the operation have said.

The results from the study advance the promise of xenotransplantation — using organs from animals genetically engineered to prevent rejection — as a therapy to address the severe worldwide shortage of kidneys from human donors. In the US, almost 5,000 patients a year die while waiting for a transplant.

The unnamed recipient of the pig kidneys was a 52-year-old man left brain-dead by an accident. He had asked his family to donate his body for research. Results were published in the journal JAMA Surgery.

“The [pig] kidneys functioned remarkably over the course of this seven-day study using current standard immunotherapy drugs,” said Jayme Locke, leader of the University of Alabama at Birmingham transplant team.

The surgeons hope the safety and scientific information gathered will boost efforts to secure regulatory approval for a phase I clinical trial in living humans.

The Alabama team carried out a similar operation last year on a 57-year-old man who was also left brain-dead by a motorbike accident. Although the pig kidneys produced urine and were not rejected in that experiment, they failed to carry out a key renal function — clearing creatinine, a waste product made by the muscles.

In both studies, the participants had their own failing kidneys removed and replaced with organs from pigs with 10 genetic modifications. In the latest study, the pig kidneys produced healthy quantities of urine and were able to filter creatinine from the blood.

The animals were developed for xenotransplants by Revivicor, a Maryland subsidiary of United Therapeutics.

After seven days, the recipient’s life support was switched off, but the evidence suggested the kidneys could have worked for much longer, said Locke.

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INTERNATIONAL

# Panama drought leaves shipping high and dry

Lack of rain has lowered canal’s water levels, leading to transit curbs, congestion, higher costs and fears for food inflation

CHRISTINE MURRAY — MEXICO CITY  
OLIVER TELLING — LONDON

A severe drought in Panama is leading to long delays and tough restrictions along one of the world’s most vital trade routes, illustrating the challenge climate change poses to global commerce.

High temperatures and one of the driest years on record have led authorities in the Central American country, usually one of the world’s wettest, to lower the number of crossings and bar ships with heavy loads from using the Panama Canal.

The restrictions, rare during the May to December wet season, have led big carriers such as German group Hapag-Lloyd to announce surcharges for routes that rely on the gateway between the Atlantic and Pacific. While lower demand for goods exports has lessened the impact, vessels with loads light enough to use it are facing extended waits of more than two weeks.

“The Panama Canal is really the wild card in the container shipping market now,” said Peter Sand, chief analyst at Xeneta. “Shippers should consider their options and manage their risks as Panama congestion is on the rise.”

More than 3 per cent of world trade by volume, including liquid gas from the US and soft fruits from South America, passes through the nearly 110-year-old canal, which also provides essential income for Central America’s richest country per head of population.

Up to 29 per cent of container trade crossing the Pacific uses the canal, data provider MDS Transmodal stated.

The restrictions, which have been increasing during the year, will now be in place into 2024 barring unexpected weather changes, according to the canal authority. The limit on the number of transits came in July, just as carriers were set to increase trade ahead of Black Friday and Christmas in the US.

“If all of a sudden our customers see a stronger-than-expected demand for [Christmas goods], then of course you want to have the ability to try and inject more capacity,” said Lars Ostergaard Nielsen, Maersk’s head of customer delivery in the Americas, based in Panama, adding that doing so had “become a little bit harder” with the restrictions.

The canal is the only big sea route dependent on fresh water, with more



Tricky passage: a container ship makes its way through the Panama Canal, where there is a depth limit of 44ft on the largest vessels

Luis Acosta/AFP/Getty

than 50mn gallons needed for each ship to cross. The canal’s locks rely on reservoirs, but the first half of the year was the second driest in almost a century in the canal’s watershed, found the Smithsonian Tropical Research Institute. The drought led Panama to declare an environmental state of emergency in May.

The lack of water pushed the Panama Canal Authority, or ACP, to toughen restrictions and in May it imposed a depth limit of 44ft on the largest ships, capping the amount of cargo they can carry. From the end of July, it also limited daily crossings to 32, down from an average of 36.

That contributed to a backlog of 264 ships waiting to cross the canal on Friday, a 16 per cent rise on the same day

last year, stated tracker MarineTraffic.

Average waiting times for larger tankers carrying liquefied natural gas north via the canal increased from eight days as of July 10 to 18 days as of Thursday last week, shipping agency Norton Lilly added. The ACP said it was limiting pre-booked slots for crossings to ease congestion for ships without reservations, and noted that demand was still high despite the restrictions.

The average cost of sending a 40ft container from China to the US Gulf Coast via the canal at short notice has risen 36 per cent to \$2,400 since the end of June, found data provider Xeneta.

Industry executives said tankers carrying liquid gas were more likely to be disrupted, as container carriers often

book canal access months in advance.

Michael Aldwell, an executive in the sea logistics business at Kuehne+Nagel, said it had advised customers that containers travelling between Asia and the US could be diverted to the Suez Canal if necessary, although experts say this could add a week to journey times.

The prospect of further delays could also affect time-sensitive food deliveries from the South American west coast to Europe. Food and drink made up 77 per cent of box shipments between the regions last year, found MDS Transmodal.

“If shipping lines have to find a different way of moving fruit and veg, that will cost money,” said Antonella Teodoro, a consultant at MDS Transmodal. “[This] doesn’t help food inflation.”

‘Shippers should consider their options and manage their risks as Panama congestion is on the rise’

Global temperatures have soared this year, with countries battling extreme heatwaves and flooding. July was the hottest month recorded, according to the European earth observation agency.

Panama is also affected by El Niño, which happens every two to seven years. It warms the Pacific Ocean’s surface, changing temperature and rainfall patterns and is expected to exacerbate the effects of climate change.

This is not the first time the canal has imposed depth restrictions. But the fact that the curbs were in place during the rainy season was rare, said Steve Paton, director of the physical monitoring programme at the Smithsonian Institution in Panama City, and the next dry season was “looking very problematic”.

The ACP, owned by Panama’s government, has been working on the looming water problem for years. It introduced a freshwater surcharge in 2020, and in 2021 hired the US Army Corps of Engineers to advise on its supply capability.

Ilya Espino de Marotta, the canal’s deputy administrator, said short and long-term measures were being taken to secure water supply. Talks had stepped up over solutions in recent weeks, with a new reservoir in the Rio Indio region one of the leading options, she said.

“We are seeing a pattern that tells us we need to take action now on a significantly bigger project to avoid these situations. It’s a somewhat bitter pill now but we are definitely going to take action soon.”

The canal finished a \$5bn expansion in 2016 for larger ships. Now these vessels, which have become increasingly important to trade via the passage, are more likely to be affected by the restrictions due to their heavier loads. The curbs could cost the canal up to \$200mn in lost revenue this year, said the ACP.

Further, more than 2mn Panamanians get their drinking water from its watershed, creating a potential tension as scarcity grows. Continuing to protect the forest around the canal, which acts like a “sponge” by storing water for the dry season, was vital, added Paton.

Meanwhile, the industry is braced for more frequent disruptions. “Engineering-wise, I don’t know if there is a solution,” said Jonathan Roach, an analyst at shipbroker Braemar.

“It’s likely to be a continuing problem. It’s going to happen again and again.”

Indictments. Conspiracy allegations

## Two prosecutors share one goal of holding Trump to account for 2020 poll claims

Smith and Willis pursue parallel cases against the former US president

STEFANIA PALMA — WASHINGTON

In the span of a fortnight, Donald Trump has been placed at the centre of two vast alleged criminal conspiracies to overturn the 2020 US presidential election.

The separate cases will play out in parallel over the coming months in a drain on Trump’s time and finances as he launches another run for the White House.

On the face of it, the events at issue are largely the same: the two months of chaos after the November 2020 election during which Trump, his lawyers and his political allies tried to prove claims of fraud and stop Congress from certifying Joe Biden’s victory.

But the indictments delivered by the two prosecutors — Jack Smith, who was appointed by US attorney-general Merrick Garland to oversee Trump prosecutions on the federal level, and Fani Willis, the Fulton County district attorney whose state, Georgia, was a primary focus of the 2020 fight — underline the different approaches they have taken to the legally and politically fraught cases.

The filing of the indictments so close together, and the prospect of two trials over similar conduct, threatens to complicate the prosecutions. Beyond practical hurdles, handling two hot-button cases in parallel may test the territoriality of prosecutors who have spent years building historic indictments. Until five months ago, no former US president had ever faced criminal charges.

One 2020 election case would not necessarily throw a wrench in the other, said Daniel Richman, a professor at Columbia Law School. But “generally, having two different prosecutors walking through a crime scene is usually a recipe for, at the very least, bruised egos and, at the very most, damaged cases”.

The 45-page indictment obtained by Smith’s team this month is expansive by federal standards, but less than half the length of the 98-page document

unveiled by Willis late on Monday.

The federal indictment focuses narrowly on Trump’s actions, with six unnamed co-conspirators listed, citing violations of federal laws including conspiracies to defraud the US, obstruct an official proceeding and threaten individual rights.

Willis, by contrast, painted a broad picture of a criminal enterprise to overturn the vote, allegedly joined by 30 unindicted co-conspirators and the 19 defendants ranging from lawyers and top White House officials to election supervisors in Georgia’s counties.

To build the sweeping case, Willis relied on Georgia’s particularly expansive racketeering statute. Often featured in mob prosecutions, the law acts as an umbrella to capture swaths of individual actions to add up to a criminal enterprise.

Smith may yet file a superseding indictment to bring additional charges or name new defendants, as he did in a separate case over Trump’s handling of classified documents. “But Ms Willis seems to have put all of her cards on the table at once,” said Amy Lee Copeland, a Georgia-based attorney. “Everybody knows what they’re getting.”

With their state and federal cases on the 2020 election unfolding side by side,

Willis and Smith will be forced to tread a tightrope as they prosecute two consequential legal challenges: collaborating without moving in synchrony.

“The challenge here is to have sufficient co-ordination so that each prosecutor doesn’t step on the other prosecutor’s toes and disrupt scheduling or put witnesses at a disadvantage that will lead to their non-co-operation,” said Richman. “At the same time . . . they don’t want to be seen as a single team”

‘Having two prosecutors walking through a crime scene is usually a recipe for bruised egos’

and be held responsible for each other’s actions.

Prosecutors in the cases may also be tested by overlapping witnesses. “One interesting dynamic will be that the testimony a witness gives in one case could be used in the subsequent case,” said Barbara McQuade, a professor at University of Michigan’s law school and a former US attorney. “Any inconsistencies will be used to attack their credibility.”

Witnesses seeking to invoke the US

Constitution’s Fifth Amendment right against self-incrimination may generally be offered immunity in exchange for their testimony. But according to Jeffrey Bellin, a professor at William & Mary Law School, uncertainty generated by two cases in separate jurisdictions could make witnesses “more reluctant . . . because they don’t want to create evidence that could be used against them in some other proceeding”.

The prosecutors’ contrasting demeanours have also come to the fore. After bringing each of his two cases against Trump, Smith — a career prosecutor whose most recent job involved trying cases at The Hague — made brief on-camera statements and took no questions.

During her press conference late on Monday, Willis — who took office in 2021 as the first woman to serve as district attorney in majority-black Fulton County — explained the indictment in detail. She listed every defendant by name, and offered to field queries from reporters “prior to going to sleep”, as the clock neared midnight.

Beyond the substantive differences, two prosecutions addressing “some of the same conduct [is] going to create a lot of practical problems”, said Bellin.

These difficulties, legal experts say, are bound to be amplified by the historical significance of the cases against Trump.

It is “as high-profile as it gets . . . no one really knows how this is going to play out, because it’s so unusual”, said Bellin. “All of these factors . . . make [the Department of Justice election case] different from a typical case. And then you’re adding another one.”

The two cases will play out in the US’s federal and state court systems respectively, drawing on different statutes and local laws. Smith’s case will be heard at the federal court in Washington, not far from where Trump spoke to supporters just before they marched on the Capitol on January 6 2021. The Fulton County courthouse in Atlanta allows cameras, raising the possibility that the district attorney’s case will play out on television, unlike federal courthouses where cameras are typically forbidden.

Women’s football

## England’s Lionesses roar into World Cup final after waltzing around Australia’s Matildas

NIC FILDES — SYDNEY  
SAMUEL AGINI — LONDON

In front of more than 75,000 vocal fans in Sydney, England’s Lionesses yesterday overcame co-hosts Australia to reach their first World Cup final.

Their 3-1 victory sets up a final against Spain on Sunday at a tournament that has delivered record broadcast audiences and attendances. Organiser Fifa is guaranteed a first-time World Cup champion following the exits of heavyweights and previous tournament winners the US, Germany, Japan and Norway.

As well as a first shot at the women’s game’s biggest prize, their victory gives the Lionesses another chance of silverware following victory in last year’s European championships.

“This is the one thing I’ve always wanted, to make the final of the World Cup,” defender Lucy Bronze said after the match. She played in the semi-final defeats England suffered in the two previous tournaments. “We all dreamt of being in the final.”

Thousands of fans flocked to the Western Sydney stadium early, some wearing the colours of both teams as split loyalties in Australian households were on show. Despite home advantage and the support of a country that has embraced a team progressing to the later stages of the tournament by overcoming higher-ranked opponents, the Matildas, as the Australian team is known, started the game as underdogs. Australia are 10th in the Fifa world rankings, England fourth.

But in Australia’s ranks was captain and star striker Sam Kerr, one of the world’s best players, making her first start in the tournament after a thigh injury kept her out of the pool stages.

England reached the semi-finals without overly impressing. The highlight of the group stages was a thumping win over China, but England scraped past Nigeria in the first knockout round and had to come from behind to overcome Colombia in the quarter-final. Led by Dutch coach Sarina Wiegman, England mixed a more physical approach in the semi-final, partly to test out Kerr’s

match fitness, with a patient, technical game, building attacks from defence, running hard and having almost 60 per cent of the possession. When Manchester United midfielder Ella Toone, who scored in the Euro 2022 final, struck the ball into the top corner to break the deadlock in the first half, it sucked the air out of the full-capacity stadium.

Kerr led Australia’s fightback, scoring perhaps the goal of the tournament after picking up the ball from the half-way line. Australia looked in the ascendancy before poor defending allowed Lauren Hemp to restore England’s lead. England’s third, from Alessia Russo, all but extinguished Australian hopes.

Despite the defeat, the success of the Matildas in the tournament has capti-



vated Australia, a country where sport is largely dominated by the domestic Australian Rules Football and rugby league competitions as well as cricket, basketball and tennis.

Australian Rules Football games were rescheduled to avoid clashing with the Matildas’ quarter-final on Saturday against France. Some viewed the tournament as the most important on Australian soil since the country’s 2000 Sydney Olympics.

The local women’s league is hoping to capitalise on the success of the national team and has asked the government for A\$12mn (US\$8mn) in funding to strengthen the sport in Australia.

The funds, matching an amount from the league, would be used to expand the number of teams and to keep emerging stars such as Cortnee Vine, the Sydney player who scored the winning spot kick in the quarter-final victory on penalties, in Australia for longer.

For the Lionesses, who will again start as favourites in the final, also being played in Sydney, their success at the tournament will lend further momentum to the women’s game in England.



INTERNATIONAL

Pyongyang

# N Korea claims US soldier fleeing ‘racism’

Regime says private who crossed its border was escaping ‘abuse’ in military

CHRISTIAN DAVIES — SEOUL  
FELICIA SCHWARTZ — WASHINGTON

North Korea has claimed that a US soldier who crossed the border into its territory a month ago was escaping “inhumane abuse and racism in the US military”.

Private Travis King’s sudden dash in July during a guided tour of the unfortified “joint security area” dividing South Korea and North Korea sparked intense international speculation about the

motivations of the 23-year-old serviceman from Wisconsin.

The US government confirmed this month that the North Korean regime had received communications about the soldier, but until this week Pyongyang had not commented publicly on the case.

The state-run North Korean Central News Agency published a statement yesterday that said King had “confessed to wanting to cross” into North Korea because of “inequality in US society”.

It added King had admitted illegally crossing the inter-Korean border but claimed he was seeking asylum in North Korea or a third country. “The investigation continues into his case,” it said.

US officials said they had not received any information about King’s health or how he has been treated.

“We can’t verify these alleged comments,” a US defence official said. “We remain focused on his safe return. The department’s priority is to bring Private King home, and we are working through all available channels to achieve that outcome.”

The day before King crossed into North Korea, he had been due to fly to Dallas for military disciplinary proceedings. He had previously been held in South Korean custody for assault and criminal damage.

The private’s uncle, Myron Gates, told ABC News this month that King, who is

black, had described experiencing racism during his deployment.

“I was like, ‘Are you OK?’, and he’s telling me, ‘No, they’re trying to kill me,’” Gates said. “He was saying things like . . . they’re racist. It made it seem like something was going on with him.”

Analysts noted that Pyongyang’s statement about King was released on the eve of the UN Security Council’s first session to discuss North Korean human rights abuses since 2017.

Today’s meeting in New York, which is opposed by China and has been denounced by North Korea as a “violent infringement upon its dignity and sovereignty”, was requested by the US along with Japan, South Korea and Albania.

“The council must address the horrors, the abuses, and crimes being perpetrated daily by the Kim regime against its own citizens — and people from other member states, including Japan and Republic of Korea,” the four countries said in a joint statement last week.

Andrei Lankov, an expert on North Korea at Kookmin University in Seoul, said King was a “useful propaganda pawn” against the west for Kim Jong Un’s regime.

King “will be presented as living proof that western societies are non-democratic, racist and repressive”, said Lankov, adding that the soldier’s exploitation in this way augured badly for the chances of his return.

Africa

# Sudan conflict leaves millions close to starvation, warns UN

ANDRES SCHIPANI — NAIROBI

More than 4mn people have fled fighting in Sudan for neighbouring states or within the country due to a “disastrous, senseless” war that is putting millions on the verge of famine, the UN has said.

The exodus has been driven by a conflict pitting forces led by Sudan’s de facto president and army chief, General Abdel Fattah al-Burhan, against the paramilitary Rapid Support Forces of General Mohamed Hamdan Dagalo, better known as Hemedti.

Fighting started in the capital, Khartoum, in April and spread to other parts of the country, notably Darfur. Despite attempts at ceasefires, analysts say there is no end in sight to the conflict.

“For four gruesome months, the people of Sudan have been engulfed in a war that is destroying their lives and their homeland and violating their basic human rights,” UN agencies said in a joint statement.

“Time is running out for farmers to plant the crops that will feed them and their neighbours. Medical supplies are scarce. The situation is spiralling out of control,” the UN said, adding that more than 6mn people in Sudan were “one step away” from famine. Food insecurity has nearly doubled since May and now affects more than 20mn people.

Almost 1mn people have been forced to flee to Sudan’s neighbours, particularly Chad and Egypt, while the number of displaced within the country has topped 3.2mn, according to UN data. Many are living in dire conditions. More than 14mn children are in need of humanitarian aid.

Volker Türk, the UN high commissioner for human rights, said this week that the “disastrous, senseless” war in Sudan was “borne out of a wanton drive for power” and “has resulted in thousands of deaths, the destruction of family homes, schools, hospitals and other essential services, massive displacement, as well as sexual violence, in acts which may amount to war crimes”.

Türk’s office said it was difficult to establish an exact number of casualties but tentative UN figures indicated more than 4,000 people had been killed, including “hundreds” of civilians. It also warned that the actual number of casualties could be “much higher”.

In a television appearance this week, Burhan accused Hemedti of “committing war crimes”. Amnesty International this month accused both sides of war crimes.

The army and Rapid Support Forces had claimed adherence to international law and accused each other of violations, Amnesty said, while the latter denied allegations of sexual violence. Hemedti this week said his forces had established a relief agency to address the “dire humanitarian circumstances”.

Yet “thousands of decomposing bodies lay in the streets” of Khartoum, which had been turned into an urban battlefield, said Save the Children. The charity added that at least 2,435 children had been killed or injured since the conflict started.

Türk called on both sides to “immediately stop the fighting” and “resume political talks” in Saudi Arabia.

Malik Agar, deputy head of Sudan’s Sovereign Council, said this week: “At the end of the day, this war will end at a negotiating table.”

Energy transition. Industrial policy

# US subsidies generate \$220bn clean tech boom

More than 100 big projects have been announced since the Inflation Reduction Act

AMANDA CHU AND OLIVER ROEDER  
NEW YORK  
ALEX IRWIN-HUNT — LONDON

A year ago, President Joe Biden launched a new era of US industrial policy, signing into law the Inflation Reduction Act and the Chips and Science Act, offering more than \$400bn in tax credits, loans and subsidies — all designed to spark development of a domestic clean tech and semiconductor supply chain.

The Financial Times has identified more than 110 large-scale manufacturing announcements — including in semiconductors, electric vehicles, batteries and solar and wind parts — spurred by the landmark legislation.

At least \$224bn in clean tech and semiconductor manufacturing projects have been announced in the US. In total, they promise to create 100,000 jobs. The FT tallied company announcements of at least \$100mn, from August 2022 to this week.

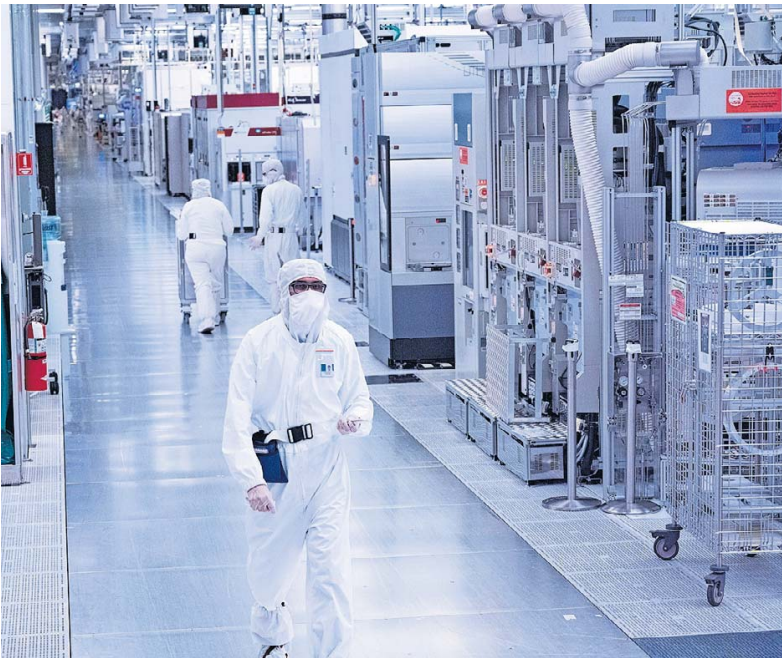
While the pace of announcements has slowed, each month since the acts passed has brought new projects. This month, Singapore-based Maxeon Solar Technologies announced a \$1bn solar panel facility in Albuquerque, New Mexico, and US manufacturer First Solar picked Louisiana for its fifth factory, worth \$1.1bn.

“I don’t think in my career I’ve ever seen a law have a greater impact on economic development in this country,” said Gregory Wetstone, chief executive of the American Council on Renewable Energy, a clean energy lobbying group, at a panel on Monday.

The largest commitments have come from semiconductor groups: Intel will expand a campus in Arizona and Taiwan Semiconductor Manufacturing Company will build a second fabrication plant in the same state; IBM will invest in New York’s Hudson Valley region and Micron will build the US’s largest semiconductor plant in Clay, New York.

Planned project sites pepper the country but certain states and regions are streaking ahead, and new manufacturing hubs are appearing. Georgia and South Carolina have secured the most projects, with 14 and 11 respectively. Michigan and Ohio are next.

“It just gives you chill bumps to think about in the next 10 to 20 years — what



Investment: an Intel chip plant in Hillsboro, Oregon. Intel is to expand its campus in Arizona in the wake of Joe Biden’s landmark legislation

Walden Kirsch/Intel Corporation

is the Midlands region going to look like?” said Ashely Teasdel, South Carolina’s deputy secretary of commerce, of Volkswagen’s \$2bn plan to build an electric vehicle plant in the state. South Carolina awarded Volkswagen a \$1.3bn incentive package to secure the project.

The FT found that more than 80 per cent of clean tech and semiconductor investments announced in the past year are heading to Republican districts, despite no votes from congressional Republicans for the IRA and only lukewarm support for the Chips Act.

“We have incredible support from both Democrats and Republicans in Georgia,” said Marta Stoepker, spokesperson for Qcells, a South Korean solar manufacturer that this year made a \$2.5bn investment in two Republican districts in Georgia.

But a Republican-led committee in the House of Representatives recently approved a bill that would weaken the IRA, while the rightwing Heritage Foundation think-tank’s Project 2025 has created a long manual calling on a potential future Republican administration to roll back the legislation.

“One of the biggest differences in policy between a Republican candidate and a Democratic candidate is going to be

what is going to happen with energy,” said Diana Furchtgott-Roth, a former Trump official now at Heritage.

South Korean and European companies have led the foreign capital influx, announcing 20 and 19 projects respectively since last year’s big legislation. The flurry of projects comes as US allies roll out their own policies to compete with IRA subsidies that they say have created an uneven playing field.

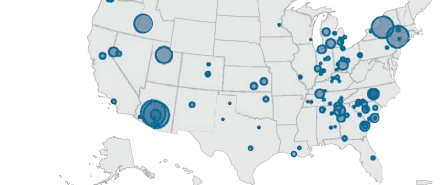
In February, the EU announced a rival industrial plan.

A handful of Chinese companies have made investments — defying the worsening relations between Beijing and Washington — but many are too small to be included in the FT analysis. Among the largest are Gotion’s \$2.4bn battery factory in Michigan and Fuyao Glass’s \$300mn expansion of its automotive glass factory in Ohio.

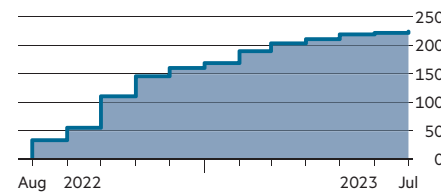
Although the IRA’s EV tax credit allows developers to source some materials overseas, imports from China do not qualify.

More than 1mn US jobs for computer scientists and engineers risk going unfilled by the end of the decade, said a July report from the Semiconductor Industry Association and Oxford Economics. Associated Builders and Con-

Planned manufacturing projects dot the US  
Location and size of announced projects of at least \$100mn



Clean tech and semiconductor investments total \$224bn since IRA and Chips Act passage  
Cumulative total of all announced projects of at least \$100mn since August 2022, by month (\$bn)



Source: FT analysis of company and state press releases and data from FDI Markets, Rystad Energy, Semiconductor Industry Association, S&P Global Market Intelligence, Wood Mackenzie, US Census Bureau, summitpost.org

‘I don’t think in my career I’ve ever seen a law have a greater impact’

tractors, a construction lobbying group, says the US faces a shortfall of 500,000 construction workers this year alone as it tries to meet demand.

Long lead times for construction, technological advances abroad and tight supplies for raw materials will also hinder development of supply chains.

A recent BloombergNEF report warned that new US solar cell factories could become “functionally obsolete” in the next five years owing to long timelines for construction and new developments in Asia.

S&P Global Commodity Insights said the US would struggle to meet demand for critical minerals such as nickel by relying on domestic sources and free-trade partners — a condition to secure IRA tax credits. This means east Asia is likely to keep its grip on global clean tech and semiconductor supplies this decade, analysts say.

Even if the US achieves self-sufficiency in battery cell and solar module production by 2025, it will still depend on imports for parts, including anodes and cathodes for batteries and polysilicon for solar modules, predicts research firm Rystad Energy.

**Race for EV lead** see Companies  
**See Lex**

China. Communist party

# Storm clouds gather over Xi’s political beach retreat

Summer meeting of leaders overshadowed by downturn and hostilities with west

EDWARD WHITE — SEOUL  
RYAN MCMORROW — BEIDAIHE

Since the 1950s and the days of Mao Zedong, Chinese Communist party leaders and their top advisers have headed to the beach resort of Beidaihe to escape the capital’s summertime heat and consider the country’s prospects.

As Chinese officials gathered in recent days for their summer retreat — the first since Xi Jinping secured an unprecedented third term as leader of the party and the military in October — their meeting threatens to be overshadowed by an economic downturn and increased hostilities with the west.

China’s economy last week fell into deflation after consumer prices declined for the first time since early 2020, a stark indicator of the challenges facing policymakers eager to reboot growth following the pandemic.

Western allies are now weighing whether to follow Joe Biden’s decision to ban Americans from investing in parts of China’s artificial intelligence, chips and quantum computing sectors. The US president’s move, framed as targeting national security, risks unravelling efforts to improve US-China relations from a historic low. Beijing immediately warned of possible countermeasures.

While Xi’s administration was “desperately trying to revive the economy”, the leaders gathered at Beidaihe were constrained by a status quo that priori-

tised national security and party control over economic growth, said Victor Shih, professor of Chinese political economy at the University of California, San Diego. “No one can propose a policy to reduce spending on the military, on national defence, or on internal security, or on mass electronic surveillance of China’s population,” Shih said.

The commitment to security was evident this week in Beidaihe.

Many roads are closed. Checkpoints dot the city. At one security stop, drivers were ordered to roll down their windows so four large cameras could peer into the vehicle while police checked identities. Tesla cars were banned from city streets — for fear cameras would transmit images to the US — and kites and drones were barred from the skies, while some stretches of ocean were cleared of all boats.

Charles Parton, a former British diplomat now at the Mercator Institute for China Studies, said CCP leaders generally travelled to Beidaihe during the first two weeks of August, joined by retired party leaders, but there were no official

reports on attendance or official start and end dates.

State media reported on August 3 that Cai Qi, Xi’s chief of staff and a member of the party’s elite seven-member Politburo Standing Committee, had met 57 science and technology experts gathered at Beidaihe. “Cai encouraged the experts to make new and more contributions to achieving greater self-reliance and strength in science and tech-



Beidaihe: the resort’s hosting of leaders is shrouded in secrecy

nology, building a modern socialist country in all respects, and advancing national rejuvenation on all fronts,” said Xinhua, the official news agency.

Parton noted that Beidaihe had been the site of important historical moments, including the start of Mao’s disastrous Great Leap Forward and the shelling of Taiwan’s Kinmen island in 1958. Xi’s longstanding ban on government extravagance meant the retreat was now more low key, he added.

Xi’s centralisation of power had made discussions of structural economic reforms “extremely hard”, because officials feared their advice would “elicit the wrath of the top leadership”, said Shih.

Intrigue also hangs over this year’s retreat after the unexplained absence and removal of Xi favourite Qin Gang from the post of foreign minister last month, as well as corruption probes into China’s military and the party’s own internal discipline watchdog.

Some analysts believe Xi’s number two, Premier Li Qiang, is preparing to unveil his first big policy changes after spending his first six months in the job

gathering information on the property sector’s collapse, local government debt and weak consumer spending.

Beijing stopped short of the kind of stimulus introduced in western economies to support households during the pandemic. But against a backdrop of weak domestic confidence and a prolonged property slowdown, markets are clamouring for stronger measures.

Michael Pettis, at the Carnegie Endowment for International Peace think-tank, said there was increasing “recognition” among Chinese economists and government advisers that Beijing needed to boost domestic consumption via transferring cash and assets to households. But he added that he did not believe a plan for doing so had been drawn up.

With the Beidaihe retreat shrouded in secrecy, ordinary Chinese, international investors and businesses dependent on the economy will have to wait to find out what has been decided. “The masses don’t have any opinions on leaders visiting Beidaihe,” one official said.

*Additional reporting by Thomas Hale*

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15 August 2023

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Debt for nature Gabon in \$500mn swap launch as developing nations turn to deals that funnel money to conservation

➔MARKETS

# Companies & Markets

## Carlsberg boss talks of ‘shock’ at seizure of Russian unit

- ◆ Brewer looks to engage over Baltika
- ◆ Group profit rises on sales recovery

MADELEINE SPEED — LONDON

Carlsberg was “shocked” by the Kremlin’s seizure of its Baltika Breweries Russian subsidiary last month, but still hopes to sell the business.

Chief executive Cees ’t Hart said that Baltika, which comprises eight breweries employing 8,000 people, had not been nationalised but was under state management. Carlsberg was looking for ways to engage with Russian authorities on the unit’s future, he added.

“If you take the two extremes, we could be pushed back to the previous process [of approval of a sale], or to nationalisation. We don’t know which

‘We could be pushed back to the previous process [of approval of a sale], or to nationalisation’

direction it will go,” he told the Financial Times after a trading update yesterday.

Baltika was placed under Russian state control in July alongside French food group Danone, a month after Carlsberg announced that it had a buyer for the business. Taimuraz Bolloev, who ran Baltika in the 1990s, and a longtime friend of Russian president Vladimir Putin, has been installed as director.

Hart said that he was not aware of any individuals or companies now interested in taking on Baltika, but there had been huge interest when it was first put up for sale. Carlsberg has retained the title to shares in Baltika but no longer has control over it, and was forced to cut all contact with its employees when Russia took control.

In late July, Putin said Carlsberg and Danone had been seized because “the management of these companies attempted to pressure Russian citizens, their employees, threatening with pos-

sible lay-offs in case they express a certain civil stance”.

“We strongly reject the accusation that we pressured employees at Baltika to express certain political opinions,” Hart said, adding that Baltika was “known as a successful company, so we knew we were on the radar”.

After Russia invaded Ukraine last year, several western companies moved to divest from Russia. Those that left early were not constrained by the stringent exit rules that apply to those still looking for a buyer, including Heineken and consumer group Reckitt Benckiser.

Hart said that he did not regret not getting out of Russia sooner because it would have resulted in nationalisation. “It would [have led to] huge unemployment,” he said. “There is also [the fact] that we have a small opportunity to protect our assets.”

The brewer upgraded its forecast profit before reporting its half-year earnings yesterday, also announcing a DKr1bn (\$147mn) share buyback programme after better than expected profit growth.

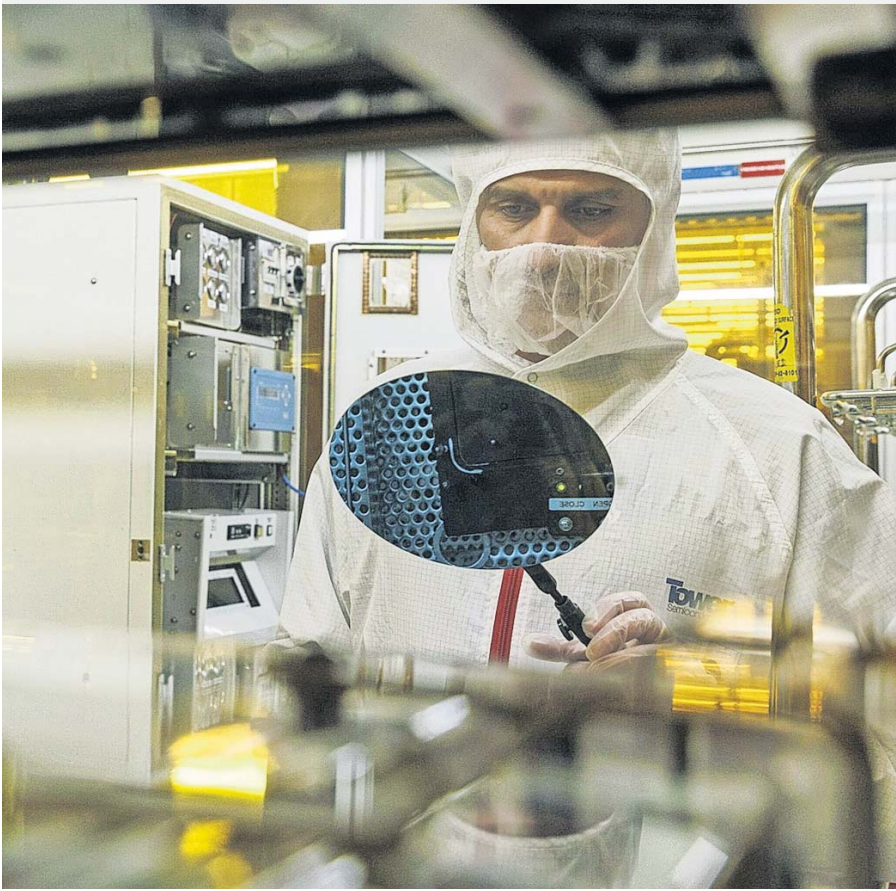
The earnings update was the last for Hart, who will step down this year after eight years leading the brewer. He will be replaced by Jacob Aarup-Andersen, chief executive of ISS, the Danish cleaning, security and catering group.

Operating profit rose 5.2 per cent in the first six months of the year, far ahead of analyst expectations of 0.5 per cent and bucking the trend in the sector.

Carlsberg said that strong growth in Asia, where sales volumes rose 4.8 per cent, helped to offset higher input and energy costs and salaries globally.

Like-for-like revenues rose 11.2 per cent thanks to the recovery of bar and pub trade, the growth of its premium brands in Asia and central and eastern Europe and price increases. Volumes rose 0.8 per cent, slightly below analyst forecasts of 1.2 per cent growth.

## Tower block Beijing regulators wreck Intel’s hopes of \$5.4bn Israeli chipmaker purchase



A technician inspects a wafer in the cleanroom of Tower Semiconductor’s plant in northern Israel — Kobi Wolf/Bloomberg

JAMES SHOTTER — JERUSALEM  
QIANER LIU — HONG KONG  
RYAN MCMORROW — BEIJING

Intel yesterday abandoned its purchase of Israeli chipmaker Tower Semiconductor after failing to secure regulatory approval in China for the \$5.4bn deal.

The acquisition had yet to be signed off by the Chinese competition regulator, two people briefed on the matter said. Officials in Beijing scrutinise any transaction that could hand greater control over the semiconductor supply chain to Washington.

One person close to the regulators in China said it was “extremely difficult” to obtain Beijing’s approval for a US company to acquire chip fabrication plants, or fabs, as the Chinese chip industry faces tough export controls from Washington and its allies.

“If a Chinese foundry wants to buy Tower Semiconductor today, will the

regulators from other countries give us the green light?” said the person.

Deals between groups in which the participants generate revenue in China of more than Rmb400mn (\$55mn) must be filed with the Beijing-based State Administration of Market Regulation for approval.

The deal is among a number of semiconductor transactions to face hold-ups in Beijing, with the review of the merger dragging on longer than executives expected. When the deal was announced in February last year, Intel said that it expected it would close within 12 months.

The US group said that it would pay a \$353mn termination fee to Tower. The Israeli group confirmed it had “mutually agreed” to cancel the deal.

Intel chief Pat Gelsinger in April indicated that he had discussed the transaction with regulators in China.

He told investors then that they were working to close it, but did not

provide a timeline. August 15 marked the deadline for closing the deal.

Investors had been betting that the Tower acquisition would not go through. US-listed shares in the Israeli group have traded consistently below the proposed purchase price of \$53 per share, and closed at a discount of 36 per cent to that price on Tuesday.

Tower’s Israeli-listed shares closed down 7.8 per cent in Tel Aviv.

For Intel the deal’s failure will be a setback to its efforts to make chips for other companies in its attempt to catch up with leaders TSMC and Samsung. While Tower’s fabs were far from cutting edge, the group had hundreds of customers and a culture built around serving chip-design groups, which Intel lacks.

It also highlights how frictions between Washington and Beijing are buffeting the group in China, its largest market that provided 27 per cent of its \$63bn in sales last year.

## Tesla’s China discounting deepens price war concerns

GLORIA LI — HONG KONG

Tesla cut the prices of its China models this week, accelerating a price war in the largest EV market that threatens to drive out weaker groups.

Tesla China reduced the cost of its premium Model S and Model X by up to 6.9 per cent yesterday, with the starting prices cut to Rmb754,900 (\$103,470) and Rmb836,900 (\$114,770) respectively. The price cuts followed mark-downs of other models this week.

The move comes despite Tesla and 15 Chinese rivals signing a letter of commitment in July to compete fairly and avoid “abnormal pricing”. The industry body retracted the commitment two days later, citing anti-monopoly laws.

China’s motor industry has seen slow economic growth and weak demand following years of pandemic restrictions. Passenger vehicle sales declined for a second month in July, down 2.6 per cent from last year, data from the China Passenger Car Association showed.

The Communist party politburo said in July the economic recovery was making “tortuous progress” and it would “actively expand domestic demand”.

Tesla’s domestic rivals announced similar discounts this month to boost sales. On August 1, Leapmotor, state-owned Chery, and Volkswagen’s Chinese joint venture with state-owned SAIC lowered prices on their electric models by up to Rmb55,000. China’s largest automaker BYD, SAIC-owned MG Motor and Great Wall Motor and other companies lowered prices later.

Tesla chief executive Elon Musk told analysts in July that there could be further price reductions this year, saying “it does make sense to sacrifice margins to make more vehicles”. China accounts for about a third of Tesla’s annual sales.

Chinese EV brands are resorting to more aggressive pricing strategies in both existing portfolios and product launches. Intense competition may result in further market consolidation, said analysts. “A new round of EV price cuts may be ahead and industry consolidation may continue,” Citigroup analyst Jeff Chung wrote in a report this month.

HSBC analysts said in a recent note: “The pricing environment for the remainder of the third quarter might become more difficult. Part of the pricing tactic appears as low-season promotions or in conjunction with the destocking of old versions.”

**Battery tech fight** Companies  
**VinFast boost** Markets & Lex

## Battle for TV rights tilts the playing field against US college sport

INSIDE BUSINESS

MEDIA

Sara Germano

sport are worth paying attention to: they are the most-watched live programming in the US after the National Football League. Currently, the two largest beneficiaries of college musical chairs, the Big Ten Conference and the Southeastern Conference, have media rights packages worth \$7.5bn and \$3bn, respectively.

The collapse of the Pac-12 is the result of a confluence of factors, according to network-programming executives, university presidents and media agency insiders who help negotiate deals.

Among them: dissatisfaction with a tentative offer from Apple that would pay at least \$23mn per year per school, which some universities felt was not enough to be competitive with other conferences.

Media companies, on the other hand, have different considerations. Disney is in the midst of a rethink of its television business, including ABC and sport behemoth ESPN. Fox, Comcast’s NBC and Paramount’s CBS have a plethora of live sport commitments, including the record deal with the Big Ten and a broad portfolio of other programming, from the NFL to the Olympics to pro golf.

“I’m a believer that beachfront real estate will always command premium dollars,” Jon Miller, president of acquisitions and partnerships at NBC Sports tells me.

Those “beachfront” properties in live sport include, by his measure, the NFL, Big Ten college sport, the Olympics (all of which the network has rights to), as well as some others that NBC doesn’t currently have, such as SEC college sport and the NBA, which is currently in

the early stages of discussing its next media-rights deal.

But Miller and other programming executives suggest there isn’t a limitless appetite for live sport programming. “There’s only four broadcast networks”, he said. “And obviously that broadcast premium that goes to 125mn households becomes even more valuable.”

One agent I spoke to says there has been an overestimation on the part of some rights holders — sport leagues, conferences, or tours — on just how much media groups have to spend on broadcast fees. “Every Tom, Dick and Harry thinks they can just go and get an increase on deals,” the person says.

The competition schedule for college sport has long been devolved to regional conferences, but some market consolidation might now be in the offing. “If you want the NBA, there’s only one place to buy the NBA. If you want college [sport], you can go to 10 or 11 different places”, the agent says

That may be a lesson for other leagues. Professional tennis has long flirted with combining the men’s and women’s tours, in part to raise media-rights chances. Golf is an open question amid a proposed tie-up between the PGA Tour and Saudi Arabia-backed LIV Golf, which itself was founded to challenge the hegemony of the US-based organisation on the global sport.

The impact of the retrenchment in live sport rights could be devastating for some colleges and for American students, millions of whom seek admission through athletic scholarships.

Another network programmer tells me that “the day is . . . coming” when colleges will have to decide whether they still want to “participate in the bigger business of sports”.

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Public Notice

17 August 2023

Westpac Banking Corporation

Notice of redemption and cancellation of listing

To the holders of US\$500,000,000 Perpetual Capital Floating Rate Notes (ISIN GB0009573998) (the “Notes”) constituted by a Trust Deed dated 30 September 1986 (the “Trust Deed”) issued by Westpac Banking Corporation (ABN 33 007 457 141) (the “Issuer”)

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For further information, please contact: The Issuer’s Global Funding team (at [global.funding@westpac.com.au](mailto:global.funding@westpac.com.au)) or Jacqueline Boddy, Head of Debt Investor Relations (at [jboddy@westpac.com.au](mailto:jboddy@westpac.com.au)).

Westpac Banking Corporation  
Level 3, 275 Kent Street  
Sydney NSW 2000  
Australia

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COMPANIES & MARKETS

Technology

# Slowdown dents Tencent gaming unit

Chinese group lifts profits with cost cuts and focus on higher-quality margins

ELEANOR OLCOTT — HONG KONG

Tencent’s cost-cutting measures helped boost profit by a third but revenues missed estimates as anaemic domestic gaming sales and weak consumer confidence fed into the Chinese tech group’s patchy performance.

Revenue increased a worse than expected 11 per cent to Rmb149.2bn (\$20.4bn) in the quarter that ended in June, compared with a year earlier, the social media and gaming group reported

yesterday, while net profit rose 33 per cent to Rmb37.5bn.

A combination of “careful cost discipline” and “gravitation towards high-quality revenue streams with better margins”, such as advertising, had contributed to profit growth exceeding revenue improvement, said Pony Ma, Tencent’s chair and chief executive.

The group’s domestic gaming business, its most profitable unit, failed to expand in the second quarter, with revenues flat at Rmb31.8bn. Tencent management said it had released “less highly commercial content” in the second quarter and forecast that growth would resume in the next three-month period.

“Overall, Tencent had solid numbers,

with strong profit driven by advertising strength and margin expansion in ads and fintech and business services,” said Robin Zhu, China internet analyst at

‘The games revenue miss will prolong concerns that in-house development hasn’t been as productive’

Bernstein. “But the games revenue miss will prolong concerns that Tencent’s in-house development hasn’t been as productive as its peers recently.”

Last month, the Financial Times reported that Tencent’s leadership was

concerned about its pipeline of new domestic mobile games, especially after its smaller rival NetEase achieved an unexpected breakout success with its casual game *Eggy Party*.

Meanwhile, its international gaming revenues continued to post strong sales growth, increasing 19 per cent to Rmb12.7bn, buoyed by the popularity of its shooter game *Valorant*.

One bright spot for Tencent’s domestic business was its advertising unit, which posted a 34 per cent revenue surge to Rmb25bn as it recovered from a pandemic-era trough and benefited from recent investment in its video accounts platform.

The group’s spending on its short

video accounts platform has begun to pay dividends, with user time on video accounts doubling from the same period last year. It is seeking to take on ByteDance’s Douyin, the local sister version of the viral short-video app TikTok.

Tencent has remained relatively silent on its generative artificial intelligence plans in comparison with Baidu and Alibaba, the country’s other big internet groups, which both rushed out ChatGPT-style services to capitalise on the hype around OpenAI.

Tencent said it was testing its generative AI models with its cloud services customers but did not add details about whether its self-developed “Hunyuan” model would be released.

Oil & gas

# US pipeline group Energy Transfer to buy Crestwood in \$7.1bn deal

MYLES MCCORMICK — NEW YORK

US pipeline group Energy Transfer is set to buy rival Crestwood Equity Partners in a \$7.1bn deal, the latest merger in the North American fuel infrastructure industry as building new projects becomes more difficult.

The all-equity transaction would enable Energy Transfer — headed by Texas billionaire and Republican donor Kelcy Warren — to expand its 125,000-mile network of oil and gas pipelines, already among the largest on the continent.

The so-called midstream energy sector has been engaged in a flurry of transactions as efforts to add pipeline capacity run into opposition. Besides local landowners, environmental activists have sought to block new infrastructure that locks in reliance on fossil fuels.

Gas-pipeline giant Oneok in May announced an \$18.8bn deal to buy oil-focused Magellan Midstream Partners, though the takeover has faced some resistance from big shareholders.

TC Energy said last month it would spin off its oil pipeline unit two years after its plan to build the Keystone XL crude pipeline from Canada’s Alberta province was halted when US President Joe Biden pulled a crucial permit.

Among the assets Energy Transfer operates is the Dakota Access crude oil

‘The synergies I think are obvious any time you combine two companies like this’

pipeline, a target of staunch activist resistance before it finally connected North Dakota’s Bakken shale region to energy markets in 2017.

Energy Transfer’s growth has already been boosted by acquisitions: it announced the purchase of Permian Basin operator Lotus Midstream for \$1.5bn in March, and in 2021 it snapped up Enable Midstream Partners for \$7.2bn, among other deals.

Under the transaction announced yesterday, Crestwood shareholders would take a 6.5 per cent stake in Energy Transfer. The \$7.1bn value of the deal includes \$3.3bn in debt to be assumed by Energy Transfer.

“Scale is important — I think everybody that’s involved in the business knows how important scale is,” said Randy Massey, Crestwood chief executive, to analysts yesterday. “The synergies I think are obvious any time you combine two companies like this.”

The deal will raise Energy Transfer’s position in the Permian Basin oil and gasfields, which stretch across Texas and New Mexico, as well as the Bakken.

It will also give Energy Transfer a foothold in Wyoming’s Powder River Basin. The company expects about \$40mn in annual cost savings.

Energy Transfer said that the new assets would allow it to funnel more hydrocarbons to its storage and processing facilities at Mont Belvieu, Texas, and to its export facilities at Nederland, Texas, and Marcus Hook, Pennsylvania.

Energy Transfer shares rose 2 per cent in early trading yesterday. Shares in Crestwood gained 3 per cent.

“We view the deal as neutral for [Energy Transfer] as it expands its footprint in the Williston [Bakken] and Permian basins and adds the Powder River Basin,” said Elvira Scotto, an analyst at RBC Capital Markets.

Travel & leisure. Market dynamics

# Game on as \$60bn console industry fights free titles

Traditional publishers rush to adapt as players increasingly opt for ‘live service’ entertainment

TIM BRADSHAW — LONDON

Virtual goods such as *Fortnite* weapons and subscription services such as Microsoft’s Game Pass have become as important to the console industry as its traditional money spinner of high-priced standalone games, marking a turning point for the \$60bn business.

Console players are set to splash out \$21bn on in-game items and subscription services this year — about the same as they will spend on game downloads and discs, according to research group Ampere Analysis.

Such expenditure has risen sharply since the popular free title *Fortnite* debuted in 2017. Gamers that year spent three times more on console software than on subscriptions and virtual items.

Cost-of-living pressures are dissuading consumers from paying as much as \$70 for a game they might not like and encouraging them to opt for alternatives, such as *Fortnite* and *Apex Legends*, that are free to download.

Players are then nudged into spending their pounds and dollars — or virtual currencies such as *Fortnite*’s V-bucks — on in-game outfits and guns. They can also pay to access new levels, storylines and multiplayer arenas. A small minority of gamers typically accounts for the majority of free-to-play titles’ revenues.

Andrew Wilson, chief executive of Electronic Arts, said this month that he expected so-called live services to be a “strong tailwind” for the publisher.

Global revenues from console games are set to tick up 1.3 per cent to \$42bn this year after a decline in 2022, according to Ampere. The total market, including hardware, is predicted to expand by about 5 per cent to \$61.5bn.

Gamers’ changing tastes are adding complexity for console makers, developers and publishers. The shift is a particular challenge for Sony, which is more reliant than rivals on exclusive premium titles via its PlayStation 5 console.

“Live services titles absorb all the engagement” among gamers, said Piers Harding-Rolls, head of games research at Ampere. “That makes it a different and harder environment [for publishers and developers] to compete within.”

He contrasts the enduring appeal of games such as *Fortnite* — the world’s most popular console game by monthly active users — with blockbuster releases such as *Hogwarts Legacy*. While the



Games such as ‘Fortnite’ are expected to give paid-for releases a run for their money — Epic Games

Harry Potter spin-off generated \$1bn in sales within its first three months after launch this year, player attention tapered off soon after, according to Ampere’s tracking data.

The shift to “live service games” — such as *Roblox* and *Apex Legends*, as well as *Fortnite* — is making the console market more akin to mobile gaming, which is dominated by free-to-play apps, with optional purchases of extra lives, avatar enhancements or power-ups.

Traditional console publishers including Activision Blizzard, Take-Two Interactive and EA have scrambled

to reinvent themselves for this new era, turning franchises such as *Call of Duty* and *Grand Theft Auto* into live games that buyers will continue to play — and spend money in — for years.

Players continue to flock to *GTA V* a decade after it was first released, thanks to a steady stream of new content and add-ons from its developer, Rockstar.

Microsoft’s planned \$75bn acquisition of Activision Blizzard, which is still awaiting approval from regulators, is motivated in large part by the Big Tech company’s desire to add more content to its Xbox Game Pass subscription service. Like other subscription games services including Ubisoft+ and EA Play, Game Pass gives players unlimited access to titles for a fixed monthly fee.

Sony has its own subscription service, PlayStation Plus but, if players continue to gravitate to free games that do not require the latest hardware, it will find it more difficult to sell its PS5 to all but the most dedicated, some analysts have argued. That could cast doubt on the company’s target to shift more units of the PS5 than its predecessor, the PS4, which sold 100mn in six years. Sony has recently begun discounting its \$499 console in several markets.

“The world has moved on from the console model that Sony is offering,” said Gareth Sutcliffe of Enders Analysis,

‘The world has moved on from the console model that Sony is offering’

Gareth Sutcliffe, Enders Analysis

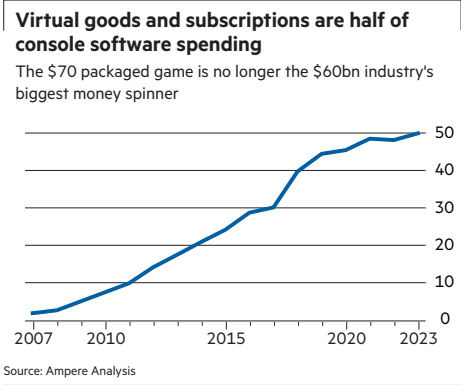
adding that the PlayStation maker had “rigidly stuck” to a model of high costs of hardware and content.

Rising development costs have pushed up the prices of premium games, such as *Final Fantasy XVI* and Nintendo’s latest *Legend of Zelda*, to as much as \$70 upfront. But big game launches are still helping the console market return to growth.

Driven by improved availability of the PS5, which had severe supply shortages until late last year, and strong sales of Nintendo’s Switch, revenues from US gaming hardware rose 23 per cent to \$2.6bn in the first half compared with the same period a year ago, according to market researchers Circana.

As of late July, Sony had sold 40mn units of the PS5, it said. However, Hiroki Totoki, chief operating officer, said this month that PS5 sales were showing “somewhat less than the expected progress” towards the target of 25mn units this fiscal year, despite 38 per cent year-on-year growth in its first quarter.

The run-up to Christmas will be key. While the pipeline of content, including PlayStation exclusive *Spider-Man 2*, looks strong, Harding-Rolls said paid-for releases would need to be compelling to lure players away from the likes of *Fortnite*. “There’s a whole new dynamic to the market,” he added.



Financials

# Coinbase wins approval for US crypto futures

SCOTT CHIPOLINA — LONDON

Coinbase has secured regulatory approval to offer crypto futures for retail customers in the US, even as the cryptocurrency exchange faces a lawsuit alleging it violated securities laws.

The company said yesterday that the National Futures Association, a self-regulatory body for the US derivatives industry, had given permission for small investors to trade futures on tokens such as bitcoin on its market.

The approval pushed Coinbase shares up as much as 3.3 per cent in New York, although they later fell back to trade 1.4 per cent lower. It also marks a rare victory for the San Francisco group, which has spent the majority of this year clashing with regulators.

In June, the Securities and Exchange Commission charged the exchange with offering unregistered securities and operating an unregistered broker, national securities exchange and clear-

ing agency. Coinbase denies the charges and has said it will fight the case.

The move was also the first time a crypto group has been designated a futures commission merchant, or FCM, and puts the company in competition with traditional futures brokers such as Interactive Brokers. The exchange had previously limited futures trading to institutional investors.

Christopher Perkins, president of crypto investment firm Coinfund and former head of OTC clearing at Citi-group, described the NFA approval as “a big deal”. He pointed out that fewer brokers could take on the role of an FCM as post-2008 crisis rules made the industry less profitable and concentrated it in the hands of fewer large banks. Moreover, traditional markets infrastructure could not keep up with the speed and volatility of crypto markets.

“This has left crypto market participants in a bind — unable to access derivative markets to hedge risk, especially

in a way that segregates and protects their collateral,” he noted. “As we’ve seen in crypto, we’ve had issues with counterparty risk with FTX, Celsius etc . . . for someone like Coinbase to step into the void, that’s a huge win.”

Derivatives markets account for nearly three-quarters of daily trading on crypto markets. Typically deals worth about \$2bn a day change hands, according to CCData. Although regulated exchanges such as the US’s CME Group offer crypto futures, it has only a 2 per cent market share and the majority of deals take place on overseas exchanges such as OKX and Huobi.

Coinbase is also defending its staking business against a number of US state regulators, several of which have issued cease and desist orders. In staking, users lock their crypto holdings in their crypto exchange wallet for a set period but give permission for the exchange to stake the asset on other crypto projects that offer interest or a yield.

Retail

# Target sales hit by Pride collection backlash

STEFF CHÁVEZ — CHICAGO

Target said a customer backlash to its Pride month merchandise cut into sales during its latest quarter, ending a six-year run of revenue growth.

The US retailer said it expected sales to decline in the current quarter and lowered its earnings outlook for the year. But investors welcomed its better than expected profit and improved margins and inventory levels, pushing its shares about 5 per cent higher early yesterday before they gave up some of their gains.

Target’s rollout of its Pride collection in the US collided with a culture war backlash over gay and transgender issues that put other companies, including Walt Disney and brewer Anheuser-Busch InBev, in the sights of conservative commentators and customers.

Brian Cornell, Target’s chief executive, said employees faced harassment and threats from customers angry with the celebratory goods. The retailer,

which has sold Pride merchandise for about a decade, withdrew some items.

Michael Fiddelke, chief financial officer, told analysts during a call that “traffic and top-line trends were affected by the reaction to our Pride assortment”. Target’s comparable sales, a closely followed industry metric, were down 5.4 per cent in the three months to July 29 due to a 4.8 per cent fall in traffic.

Total revenue fell more than analysts expected to \$24.8bn in the quarter,

down from \$26.1bn during the same period of 2022. Target’s most recent year-over-year revenue decline was the quarter ended April 2017.

However, Target’s \$835mn net income soared past Wall Street forecasts, its operating income margin jumped to 4.8 per cent and inventory levels were down 17 per cent from a year ago.

Executives said high inflation meant shoppers were cautious, adding that some have begun to factor in the need to start repaying student loans from October after the Supreme Court threw out the student debt relief scheme.

Target now expects comparable sales “in a wide range around a mid-single digit decline for the remainder of the year”. It cut full-year expectations for earnings to a range of \$7 to \$8 a share.

Cornell said Target would “continue to support” Pride month in the future, but suggested a need to hold broader appeal to consumers.

See Lex



Protesters in Miami, Florida, object to Target’s Pride month collection



COMPANIES & MARKETS

# Rival battery technologies do battle for EV lead

Two main lithium-ion formats are vying to dominate a global industry destined to be worth hundreds of billions of dollars

HARRY DEMPSEY AND PETER CAMPBELL  
LONDON  
CHRISTIAN DAVIES — SEOUL

Lithium-ion batteries have changed the world, putting smartphones, laptops and wireless headphones in the hands of billions. Now they are triggering another revolution.

The cells will be a pillar in the transition to a carbon-free economy since they are the technology of choice both in electric cars and the nascent electricity storage industry. As demand soars, the rollout promises large rewards.

Lithium-ion battery revenues will increase to \$700bn a year by 2035, according to Benchmark Mineral Intelligence, by which time \$730bn will have to be poured into battery plants, mines and processing facilities to meet the need not just for lithium but for ingredients including nickel and cobalt.

“This is going to be a race to see who can develop the most advanced technologies,” said Glen Merfeld, chief technology officer at Albemarle, the largest lithium company.

With two principal branches of lithium-ion tech vying for supremacy, winners and losers will be decided in the coming years as companies race to supply the world, from carmakers including Tesla, Volkswagen and BYD, and battery makers CATL and LG Energy Solution, to mining companies such as Glencore and BHP.

Invented in the 1970s by US-based scientists and commercialised in 1991 by Japan’s Sony to power its Handycam video cameras, lithium-ion cells pack far more punch in smaller and lighter units than the lead acid or nickel cadmium units that previously dominated the rechargeable-battery market.

Having helped give birth to the portable-electronics industry, lithium-ion batteries have fought off competing technologies to become the dominant force in electric cars after a 90 per cent drop in cost over the past decade.

Deployment of the tech could top 1 terawatt-hours this year, equivalent to 17mn average-sized electric cars, says Rho Motion, a consultancy in London.

While demand is also set to surge for grid storage, an industry that will need to expand to address intermittent solar and wind power as fossil-fuel plants are phased out, the vast majority of investment is flowing into the far larger market for electric vehicles.

Batteries produce a current as a stream of ions — electrically charged atoms — flows through a chemical material known as an electrolyte from the anode to the cathode, the cell’s two electrodes. The flow is reversed during recharging. Lithium-ion refers to a category of batteries, describing the type of ion transferred between anode and cathode rather than the electrode materials themselves, which vary widely.

Innovations have led to a range of lithium-ion batteries, catering not only to different applications but the characteristics desired by a car manufacturer or utility. These include cost, weight, driving range, charging time, the number of charging cycles before failure, and safety — a growing concern given a spate of fires set off by lithium-ion devices.

“The lithium-ion gave us a platform to discover new materials that could go into the anode, cathode and electrolyte,” said Venkat Srinivasan, director of the Argonne Collaborative Center for Energy Storage Science.

Anodes are typically made of graphite and dictate how quickly a battery can charge, while cathodes, which come in a variety of materials, are the main determinant of a battery’s cost and the amount of energy it can store.

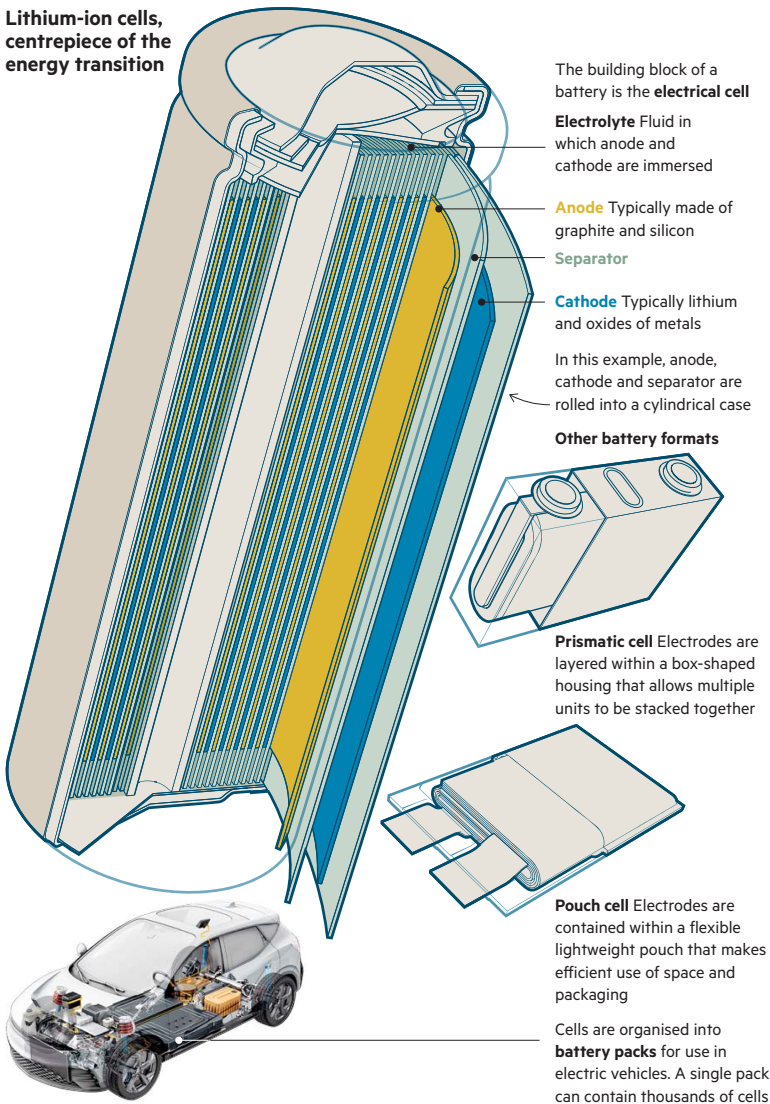
In the electric-car market, two main cathode chemistries are fighting it out: NMC, which uses lithium, nickel, manganese and cobalt in varying quantities, and LFP, made of lithium, iron and phosphate.

South Korean manufacturers LG Energy Solution and Samsung SDI excel at producing NMC cathodes, which are used in the majority of electric vehicles sold in the west, where their longer range is better suited to driving habits.

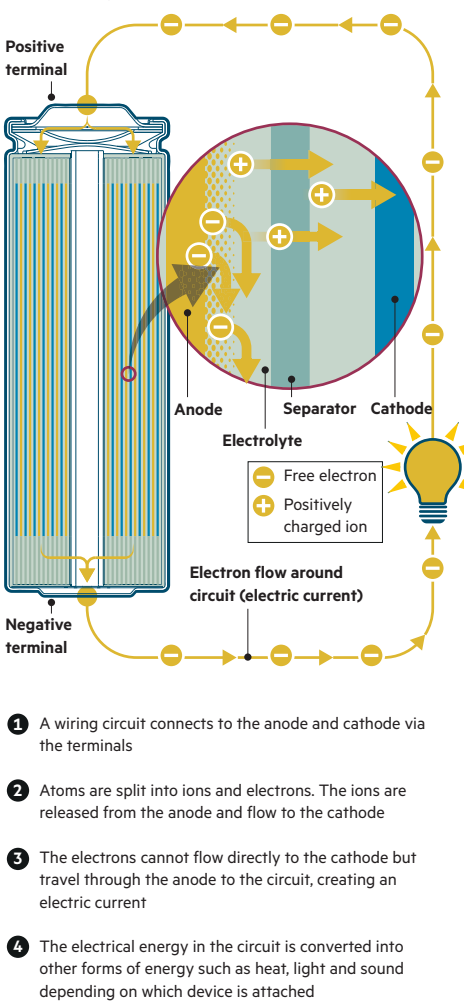
But Chinese companies still account for 75 per cent of production, according to Benchmark data.

China is dominant in LFP batteries,

Lithium-ion cells, centrepiece of the energy transition



How a cell generates a current



Graphic: Ian Bott Photo: Dreamstime  
Sources: Rho Motion; US Department of Energy; Samsung; FT research

considered items of national security now. You don’t want to be reliant on another country.”

Carmakers are asking Korean groups to make LFP batteries, but “Korea can’t win a price war with China in this segment given China’s huge state backing”, said Sun Yang-Kook, a battery expert at Hanyang University in Seoul.

In taking the LFP lead, Chinese manufacturers have developed means of producing the technology cheaply and at scale, putting the west in a bind.

Ford, for example, has found itself at the centre of a political storm in Washington after partnering with CATL on a licensing deal to produce LFP batteries in the US.

Lithium-ion batteries are likely to undergo tweaks that improve performance and reduce cost, for example by adding manganese to the cathode, blending more silicon in the graphite anode or increasing nickel at the expense of cobalt in NMC cells.

Some expect more radical change, arguing that next-generation technologies such as sodium-ion and solid-state batteries could make inroads.

But Tim Wood-Dow, lead analyst for nickel and cobalt at Trafigura, the commodity trader, said the biggest swing factor on the battery market in the coming decade would be which way the west went on the two main cathode types.

“Battery investment has all been NMC in the west,” he said, but “there could be a significant switch to LFP.”

The choice for the US and Europe, battery insiders say, represents the delicate balance that the west must strike between reducing reliance on China and accepting it as the cost of maintaining access to highly competitive and affordable technologies.

“The problem is how to compete with China,” said Shirley Meng, a materials scientist at the University of Chicago.

While the US government was pushing to reduce reliance on China, “the Chinese have the knowhow . . . There’s no point reinventing the wheel when the Chinese have optimised the process.”

‘You’re talking about building infrastructure for an industry that needs to grow 10 times in the next few years’

accounting for 99 per cent of output. The tech has taken the country by storm thanks to improvements in energy density, its higher safety levels and its lower cost compared with cells containing cobalt and nickel, as well as manufacturing breakthroughs.

LFP’s share of the Chinese market has risen to 60 per cent from 18 per cent in three years, Rho Motion estimates.

“The Chinese have cracked the code on LFP,” said Chris Berry, president of House Mountain Partners, a battery metals advisory firm in Washington.

The cathode chemistries battle will exert influence over supply and demand of lithium, nickel, cobalt and manganese, aiding or thwarting supplier nations such as Indonesia, the Democratic Republic of Congo and Chile.

Meanwhile, the choices of consumers, politicians and carmakers will play a role in either cementing China’s grip on the electric-vehicle market or loosening it and risking a slower, more costly energy transition.

“One-third of the value of a passenger car is the battery,” said Dirk Uwe Sauer, professor in battery and energy system research at RWTH Aachen University in Germany. “By not having control of this technology we will have lots of difficulties in the near future in a world where you can’t be sure who will be your friend and deliver things tomorrow.”

Western start-ups are working on developing their own LFP technology while Korean battery makers are playing catch-up with the Chinese. LG Energy Solution, the largest producer of EV batteries after China’s CATL, announced in March that it would allocate \$2.3bn of a \$5.5bn manufacturing investment in Arizona to LFP battery production for energy storage systems.

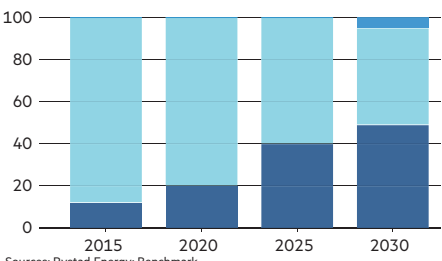
“You’re talking about building infrastructure for an industry that needs to grow 10 times in the next few years,” said Michael Finelli, president of growth initiatives at Solvay, a battery component supplier.

“While a battery is just a storage device, it’s a critical component of the energy transition . . . These things are

## Global forecasts for EV battery chemistry split

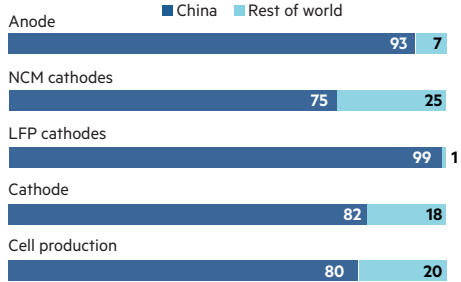
Production forecasts (%)

■ Lithium iron phosphate (LFP) ■ Other  
■ Nickel-based chemistries



## How China dominates the battery supply chain

Forecast % of supply, 2023



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COMPANIES & MARKETS

Fixed income. Blue bonds

# Gabon launches Africa’s first debt-for-nature swap



Deal worth \$500mn funnels cash to conservation in return for lower interest rate on debt

KENZA BRYAN, DAVID PILLING AND MARY MCDUGALL

Gabon this week closed continental Africa's first debt-for-nature swap in a sign that more developing countries are turning to deals that funnel money to conservation and ease their debt burdens.

The \$500mn deal, arranged by Bank of America, lowers the interest rate on Gabon's debt and gives it longer to make repayments.

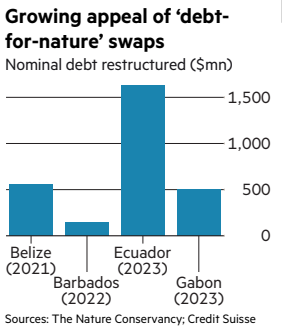
The African nation in turn has promised to spend at least \$125mn to widen a marine reserve and strengthen fishing regulations, which could help protect endangered humpback dolphins.

Proponents of such deals hope it will drive momentum to reshape the financing landscape for developing countries, which have long called for new ways to address their high debt financing costs and free up money to spend on mitigating the uneven impacts of climate change.

The Gabon deal was a way to “knock down” the divide between philanthropy, public funding and private markets, according to activist investor Jeff Ubben.

Ubben, who sits on the board of oil and gas giant ExxonMobil and is part of the advisory team for the UN climate summit COP28, has helped fund the debt team at the non-profit organisation The Nature Conservancy (TNC), which helped arrange the deal.

“It’s the hardest thing to do in the world to put money into [protecting] nature,” he said. “[But] you get enough use cases and more and more partici-



pants are comfortable and then it really takes off.”

Gabon's deal will be cheaper in part due to the political insurance provided by the International Development Finance Corporation (DFC), a development agency backed by the US government. It was arranged by Bank of America, which has muscled its way into a market previously dominated by collapsed Swiss bank Credit Suisse.

Lee White, Gabon's minister of water, forests, the sea and environment, said the deal would marginally lower the country's debt repayments.

Some of the savings from this will be put into an endowment fund for marine conservation. “It is the first chunk of sustainable funding for the preservation and management of Gabon's marine resources,” he said.

White said issuing the “blue bonds” — so called because they are ocean-themed and could be added to sustainable investing funds — had been far easier than long-running attempts to generate payments for the conservation of Gabon's forests through structuring and selling carbon credits.

Although Gabon's claims to such cred-

its were much more robust than other discredited schemes, it had proved difficult to sell them, he said.

“It's been quite a rocky road but we're still heading down it,” he added.

The credit rating on Gabon's restructured debt rose from junk territory, CAA1, to AA2. Gabon also has more time to pay debts back as bonds due to mature in 2025 and 2031 were replaced with a 15-year loan.

However, investors have cautioned that the Gabon deal may not provide an easy blueprint for others to follow.

The yield on the bond will be about 6 per cent, according to initial market pricing, lower than the 10-11 per cent yields on Gabon bonds in secondary markets but also lower than many other agreements for emerging markets.

A similar deal would be “massively positive” for Kenya, which has a \$2bn bond coming up for refinancing next year, as well as for other African countries facing debt difficulties, said Richard House, chief investment officer for emerging market debt at Allianz Global Investors.

However, he warned that some investors may see the Gabon deal as “a bit of an orphan” because of its complicated structure with a yield low for EM investors and high for those used to buying only investment grade bonds.

“Only time will tell if it helps in the long term,” he added.

Drawbacks of the deal include its complicated structure, the “opaque process within which it is run” and the “lack of detail” about how savings are calculated, said Thys Louw, emerging market debt portfolio manager at fund firm Ninety One.

Another potential complication is the repeated description of Gabon's restructured bonds as “blue” in a joint statement by Bank of America, a Gabonese

Trunk call: elephants at Gabon's Ivindo national park as the country looks to generate cash through debt markets for the protection of nature

Amaury Hauchard/AFP/Getty

minister, the DFC and TNC. The “blue bond” marketing label typically refers to debt issuances where all of the money raised has to be spent on marine conservation or water-related projects.

But unlike a typical “blue bond”, the bonds issued to fund debt-for-nature swaps can be spent on projects that are not linked to conservation.

According to Moody's credit rating agency, the \$500mn loan represents about 4 per cent of Gabon's overall debt pile.

In spite of the fundraising, Moody's said that Gabon still faced “high credit risks” linked to the green transition because it relied on the oil industry for more than a third of government revenue.

It also warned that the country had “weak public financial management” and a record of “persistent” arrears to external creditors.

A person close to Bank of America said the bank had decided to do the deal publicly rather than placing the bonds privately as Credit Suisse has done with deals in Ecuador, Barbados and Belize worth more than \$1bn in total.

It did this to bring “more transparency” to the structure and to create a more liquid asset class.

The person acknowledged that the deal was “complicated” and said: “Once we educate folks, we expect these to be more streamlined.”

Scott Nathan, DFC chief executive, said the bank was working on getting similar transactions over the line after receiving interest from countries that have “debt management goals and economic development and conservation issues”.

But he cautioned: “I don't think it's a solution to the global debt crisis . . . It's a small number relative to the global debt picture.”

‘It’s the hardest thing to do in the world to put money into protecting nature’

## Crypto

# Smaller exchanges with riskier ratings take advantage of Binance’s decline

SCOTT CHIPOLINA

Small cryptocurrency exchanges rated as having higher levels of risk for customers have been the main winners from Binance's hefty decline in market share in the five months since US regulators charged it with violating federal laws.

Companies such as Huobi Global and KuCoin — both based in the Seychelles — are among those that have been able to increase their share of the trading of crypto tokens such as bitcoin and ether since the start of this year, according to data from industry research provider CCData.

In contrast, exchanges that are rated by CCData as “top tier” — due to them surpassing a “minimum threshold for acceptable risk” to customers — have suffered a fall in their collective market share from 80 per cent to about 68 per cent since the start of the year.

In the same period, Binance, the industry leader, has fallen from 56 per cent to slightly more than 40 per cent.

The shifting landscape shows traders' sensitivity to two lawsuits filed against Binance by US regulatory agencies this

year. In March, the Commodity Futures Trading Commission alleged that it illegally accessed US customers.

The Securities and Exchange Commission followed in June, accusing 13 Binance-related entities of violations, including allegedly mixing billions of dollars of customer cash.

“For a large portion of crypto traders, anonymity and the ability to exchange

‘If I’m a newcomer to crypto, I would at least get scared if I saw an exchange getting sued’

funds that may have come from a high-risk source is more important than trading on an exchange with a reputation for compliance,” said Tom Robinson, chief scientist and co-founder of blockchain tracing firm Elliptic.

CCData defines “top tier” exchanges as those that have the most robust approaches to protecting customer funds, security and anti-money laundering standards, to name a few.

Huobi — which has increased its share

## Fixed income

# Investors seek action over Zhongzhi payout lapses

CHENG LENG — HONG KONG  
RYAN MCMORROW — BEIJING  
THOMAS HALE — SHANGHAI

Retail investors with exposure to Chinese conglomerate Zhongzhi sought to lodge formal complaints with authorities in Beijing yesterday in a sign of growing alarm over a liquidity crisis across the group's many businesses.

Zhongzhi, a sprawling financial enterprise with an estimated Rmb1tn (\$137bn) under management, is at the centre of fears that a property and wider economic slowdown in China is now feeding through into the country's vast and highly opaque savings industry.

Last week, Zhongrong, an investment company partly owned by Zhongzhi, missed payments on several products, according to disclosures from listed companies, prompting investors to question other Shanghai and Shenzhen-listed businesses on their exposure.

Meanwhile, Zhongzhi's wealth management businesses missed payments on products over recent weeks, according to multiple retail investors who spoke to the Financial Times.

The crisis has come at a critical moment for Beijing, which is grappling with a two-year liquidity crisis in its property sector that is now showing signs of rippling over into a shadow banking sector that includes both trust and wealth management businesses.

Ting Lu, chief China economist at Nomura, suggested this week that

‘Markets underestimate the aftermath of the significant collapse in China’s property sector’

“markets still underestimate the aftermath of the significant collapse in China's property sector” in a note that referred to both Country Garden, a private developer that also missed bond payments last week, and Zhongzhi.

Police vehicles were yesterday parked at China's National Administration of Financial Regulation, the revamped banking and insurance watchdog.

Police took one group of creditors to a nearby bench after denying them entry. Several small groups of creditors milled about nearby.

“I've already been here twice and haven't made any progress,” said one woman who declined to give her name.

In early August, Zhongzhi's Beijing headquarters was also surrounded by police as investors discussed how to “resolve” its issues with management inside. They declined to give details.

Two retail investors who attended the Beijing meetings told the Financial Times a representative for Zhongrong said three out of four of Zhongzhi's wealth management companies missed payments in June.

They said the person added that Zhongzhi's exposure included listed companies, real estate projects, debts and other real estate assets.

The NAFR did not immediately reply to an emailed request for comment. Zhongzhi did not immediately reply to a request for comment on the complaints.

## Equities

# Vietnamese EV start-up VinFast worth more than Ford or GM after US listing

MERCEDES RUEHL — SINGAPORE  
CLAIRE BUSHEY — CHICAGO  
JAREN KERR — NEW YORK

Vietnamese electric-vehicle start-up VinFast's valuation has overtaken those of Detroit's “big three” carmakers after shares of the lossmaking company soared on their first trading day.

VinFast closed at \$37.06 in New York on Tuesday, well above the \$10 price agreed when the carmaker merged with a special purpose acquisition company to secure a stock market listing.

Its market capitalisation topped \$85bn — at least \$27bn higher than Ford, General Motors or Fiat Chrysler owner Stellantis.

VinFast's billionaire founder, Pham Nhat Vuong, owns about 99 per cent of its shares, leaving only a small amount available for trading.

Only 1.3mn shares of the Spac were able to be traded after earlier redemptions and just \$185mn in shares changed hands, said analysts.

The six-year-old company's market debut comes after other EV start-ups that listed through Spacs in the US, including Lordstown Motors and

Faraday Future, have struggled to raise more cash and, in some cases, to deliver vehicles.

Many of these companies were “less ready”, VinFast chief executive Le Thi Thu Thuy said. “We started manufacturing vehicles five years ago, we have 20,000 EVs on the road. We've got every step from product development to supply chain,” Thuy said.

VinFast would be profitable “in the next couple of years” and was “already break-even” in Vietnam, she added.

The carmaker, a unit of Vietnam's



VinFast's market capitalisation topped \$85bn after its shares soared

largest private conglomerate Vingroup, has struggled to gain traction in the US, a crucial market for its expansion.

VinFast stopped making petrol-powered cars to focus on EVs as part of its global attempt to follow in the footsteps of US and Chinese peers including Tesla and BYD.

It set up a network of showrooms on the US West Coast and last month broke ground on a delayed factory in North Carolina.

But its ambitions have been hampered by problems including questions about vehicle safety and its ability to finance its swift expansion. Its founder injected \$2.5bn in cash this year.

VinFast's first shipment of cars to the US in December earned poor reviews and it carried out a big recall after the National Highway Traffic Safety Administration warned of a software error that could raise the risk of a crash.

This year, a plan for an IPO was scuppered by what VinFast called difficult global market conditions. Instead, it opted to merge with Hong Kong-based blank cheque group Black Spade Acquisition and not raise outside money.

See Lex



COMPANIES & MARKETS

The day in the markets

What you need to know

- Wall Street turns lower as traders await Fed minutes
- Asian stocks slip following signs of further weakness in China's economy
- Sterling climbs after UK inflation rate declines

Wall Street stocks turned lower yesterday as investors prepared for the release of minutes from the US Federal Reserve's last meeting, hoping for cues on the future path for interest rates.

The S&P 500 was down 0.2 per cent by midday in New York, extending declines that saw the benchmark hit a five-week low in the previous session, while the tech-focused Nasdaq Composite fell 0.6 per cent.

Across the Atlantic, the region-wide Stoxx Europe 600 dipped 0.1 per cent while London's FTSE 100 slid 0.4 per cent and Paris's CAC 40 also lost 0.1 per cent.

Attention turned to the release later in the session of minutes from the Fed's July meeting, where the central bank lifted rates to their highest level in over two decades, noting that future policy decisions would depend on data.

While the majority of market participants believe that the Fed's historic tightening campaign is drawing to a close, there is less consensus on how long it will take before interest rates start to go down.

Meanwhile, markets in Asia were overshadowed by another gloomy data point from China, which signalled that new home prices declined 2.5 per cent month on month in July, following a 2.2 per cent fall in the previous month.

Hong Kong's Hang Seng index fell 1.4

Hong Kong stocks fall on weak Chinese economic data

Hang Seng index



Source: Refinitiv

per cent — nearing its lowest level since the start of the year — while China's benchmark CSI 300 index of Shanghai and Shenzhen stocks slipped 0.7 per cent.

China's once-dominant property sector has battled with flagging demand as the economy struggled to rebound after three years of pandemic restrictions, driving large developers into a debt crisis.

Declines in the property sector come at a time of heightened anxiety over China's economic recovery after a string of data releases signalled that the country was slipping into deflation while its consumer and business activity fizzled.

Elsewhere in Asia, Seoul's Kospi index shed 1.5 per cent and Tokyo's benchmark Topix lost 1.3 per cent.

In the UK, sterling advanced 0.3 per cent to \$1.2745 against the dollar after fresh data showed that the annual rate of UK inflation fell to 6.8 per cent in July from 7.9 per cent in June, while the core figure remained unchanged.

"We see the data as doing little to shift the needle for policymakers and continue to look for a final 25 basis point hike from the Bank of England in September," said Nick Rees, FX market analyst at Monex Europe. **Daria Mosolova**

Today's investors do not understand the impact of geopolitics

Saker Nusseibeh

Markets Insight



There was a time when investors understood that geopolitics had a real impact on financial volatility and economies. During the cold war, international tensions played out via a blend of proxy wars and high-stakes diplomacy.

As a young boy in East Jerusalem in the late sixties, I lived through one such proxy war in June 1967. That experience taught me that risk is not the same as volatility — the former carries the possibility of losing everything.

The peak of that era came in 1973. The same year that heralded the US withdrawal from Vietnam also saw the Yom Kippur war and the ensuing oil price crisis. Then in 1989, the Berlin Wall fell and political scientist Francis Fukuyama declared the "end of history".

Thus began almost 30 years ago the widespread belief that globalisation represented the intertwining of regional economics and an end to geopolitics affecting investments, except in fringe developing economies.

By the time that Russian tanks rolled into Ukraine last year, we had lived through a period of global calm, relative to much of the previous century.

As a result, many investors had, in my view, forgotten how central geopolitics can be to making investment decisions.

There were, perhaps, three reasons why geopolitics took a back seat in investor frameworks.

First, the euphoria that followed the collapse of the Soviet Union incorrectly convinced many that we had entered an era of democratic politics the world over. Many also thought that western powers held the most military might — as signified by the Iraq war at the beginning of this century.

Second, there was a false belief that a connected global economy was a new phenomenon, when, in fact, international trade dates back to ancient times.

Third, the idea grew that this interconnectedness would lead to the end of conflict between nations and geopolitical difficulties would no longer impact on the economic landscape.

Arguably, the seeds of the new era were laid with the "ping-pong diplomacy" of the 1970s and the start of the transformation of China into the economic superpower it is today.

This generated extensive opportunities for investors, who overlooked the

invested in Russian assets learnt the hard way of late. The challenge for fund managers today is having an instinct for geopolitical risk when, in most cases, they haven't actually experienced it.

Asset management houses need to make sure they have the relevant skills for today's world. The industry should consider where they recruit from, for example, to equip themselves with right perspectives and expertise.

Graduates with politics and history degrees are as important and relevant today as those who have studied finance and economics. Diversity of thought is as important as diversity of background. Often, the two go together.

Two decades ago, we invested in the creation of an engagement arm. This unit talks to companies and challenges them on the types and range of risks that they consider, to help assess how sustainably they are positioned to deliver returns to shareholders. Geopolitical risk is part of that assessment.

This is no less relevant in developed markets than in developing ones — as Britain's Trussonomics episode and the recent anti-police protests in France have demonstrated.

Of course, we should continue to consider the impact of monetary policy as well as economic and natural risks, in combination with the effects of geopolitics. Many factors are interconnected, such as the possibility of mass migrations caused by the ideological whims of individual states or climate change.

As an investor, taking heed of these geopolitical risks could be the crucial difference between securing your returns or ending up with nothing.

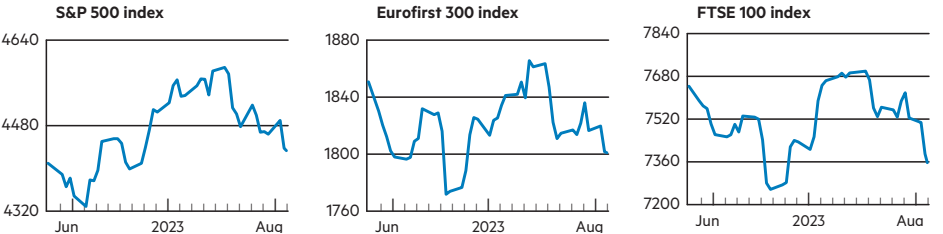
Saker Nusseibeh is chief executive of Federated Hermes Limited

Markets update

	US	Eurozone	Japan	UK	China	Brazil
<b>Stocks</b>	<b>S&amp;P 500</b>	<b>Eurofirst 300</b>	<b>Nikkei 225</b>	<b>FTSE100</b>	<b>Shanghai Comp</b>	<b>Bovespa</b>
Level	4433.21	1800.98	31766.82	7356.88	3150.13	116619.74
% change on day	-0.10	-0.04	-1.46	-0.44	-0.82	0.39
<b>Currency</b>	<b>\$ index (DXY)</b>	<b>\$ per €</b>	<b>Yen per \$</b>	<b>\$ per £</b>	<b>Rmb per \$</b>	<b>Real per \$</b>
Level	103.186	1.091	145.815	1.275	7.290	4.969
% change on day	-0.022	-0.274	0.455	0.000	0.053	-0.216
<b>Govt. bonds</b>	<b>10-year Treasury</b>	<b>10-year Bund</b>	<b>10-year JGB</b>	<b>10-year Gilt</b>	<b>10-year bond</b>	<b>10-year bond</b>
Yield	4.228	2.648	0.627	4.741	2.563	10.766
Basis point change on day	5.010	-2.400	0.020	6.400	-1.400	0.400
<b>World index, Commods</b>	<b>FTSE All-World</b>	<b>Oil - Brent</b>	<b>Oil - WTI</b>	<b>Gold</b>	<b>Silver</b>	<b>Metals (LMEX)</b>
Level	445.82	84.76	80.75	1903.85	22.41	3613.80
% change on day	-0.38	-0.15	-0.30	0.01	-1.39	-0.87

Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets



Biggest movers

	US	Eurozone	UK
<b>Ups</b>			
Progressive	9.01	Casino Guichard	11.50
Tjx Companies	4.85	Thyssenkrupp	2.71
Allstate (the)	4.80	Adidas	2.44
Marketaxess Holdings	4.65	Philips	1.77
Target	3.22	Novo Nordisk	1.70
<b>Downs</b>			
Jack Henry & Associates	-7.93	Saipem	-3.59
Advanced Micro Devices	-3.57	Cnh Industrial	-2.67
Resmed	-3.18	Kbc	-2.31
Discover Fin Services	-3.09	Ses	-2.18
Waters	-3.01	Publicise	-2.15

Prices taken at 17:00 GMT

Based on the constituents of the FTSE Eurofirst 300 Eurozone

All data provided by Morningstar unless otherwise noted.

Wall Street

The US-listed shares of **Tower Semiconductor** fell sharply following news that **Intel** had scrapped plans to buy the Israeli chipmaker.

It was reported that China's competition watchdog was reluctant to sign off on the deal.

Tower said that "having received no indications regarding certain required regulatory approval, both parties have agreed to terminate their merger".

Intel, which also sank, will pay Tower a termination fee of \$353mn.

At the tail-end of the S&P 500 index was fintech group **Jack Henry & Associates**, which forecast earnings of \$4.92 to \$4.99 per share for its fiscal 2024 year — much softer than the \$5.28 that Wall Street had expected.

However, its more recent fourth-quarter earnings beat estimates by 13 per cent.

Weak projections were also behind a big fall in optoelectronic group **Coherent**, which forecast full-year earnings of \$1 to \$1.50 per share, well below the Refinitiv-compiled estimate of £2.47.

Vietnamese electric-vehicle start-up **VinFast** slid, a day after soaring following its merger with Black Spade Acquisition, a special-purpose acquisition company.

The loss-making group surged to \$37.06 on Tuesday, far above the \$10 price agreed before the carmaker merged with the Spac. **Ray Douglas**

Europe

A well-received purchase propelled France's **Maurel et Prom** higher.

The oil and gas group said it was buying Gabon-focused Assala Energy from an arm of the private equity firm Carlyle.

Maurel et Prom said Assala's assets were adjacent to its own facilities in the central African state on the Atlantic, which would "allow M&P to control the transportation and distribution of all of its production within the country".

The \$730mn deal was expected to be completed by the end of this year or the start of 2024.

Danish IT consultancy group **Netcompany** fell sharply on reporting adjusted core profits of Dkr195.1mn (\$28.6mn) for the second quarter — 12 per cent below the consensus estimate.

Forecast-beating results lifted **Dermapharm**, a manufacturer of branded pharmaceuticals, which posted adjusted core profits for the quarter that was 9 per cent ahead of Jefferies' estimate.

Driving sales and earnings growth was the group's French subsidiary, Arkopharma, a specialist in herbal medicines and food supplements, which was bought in January.

For the full year, Dermapharm said it was on track to achieve sales and profits at the upper end of its guidance. **Ray Douglas**

London

Heading the FTSE 100 index was **Admiral**, which posted a 4 per cent rise in pre-tax profit for the half year despite a 7 per cent year-on-year slide in UK motor insurance customers, the latter being the result of "some pretty serious price hikes", said Matt Britzman, equity analyst at Hargreaves Lansdown.

Admiral and its peers have been grappling with claims inflation since earlier last year. These results suggested that it had been able to pass on higher prices while maintaining its profitability.

Joining Admiral in the top half of the FTSE 100 was another insurer, **Aviva**, as it reported a forecast-beating operating profit of £715mn for the half year.

Fellow insurer **Direct Line** topped the FTSE 250 index following these updates.

Trading platform **Plus500** was also in the upper reaches of the mid-cap index on announcing a new share buyback programme of up to \$60mn.

Sinking to the bottom of the FTSE 250 was construction company **Balfour Beatty**, which warned of "delays in some projects . . . largely in the US commercial office sector" as customers awaited "economic stability".

Jefferies said the sell-off was "overdone", with the market "underestimating" the volume of work that Balfour should acquire during the next 18 months. **Ray Douglas**

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**Yvonne Ike**  
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*Bank of America*

**Mohammed Dewji**  
President,  
*MeTL Group*

**Phuthi Mahanyele-Dabengwa**,  
South Africa CEO,  
*Naspers*

**Judd B. Devermont**,  
Special Assistant to  
the President and  
Senior Director for  
African Affairs,  
*The White House*

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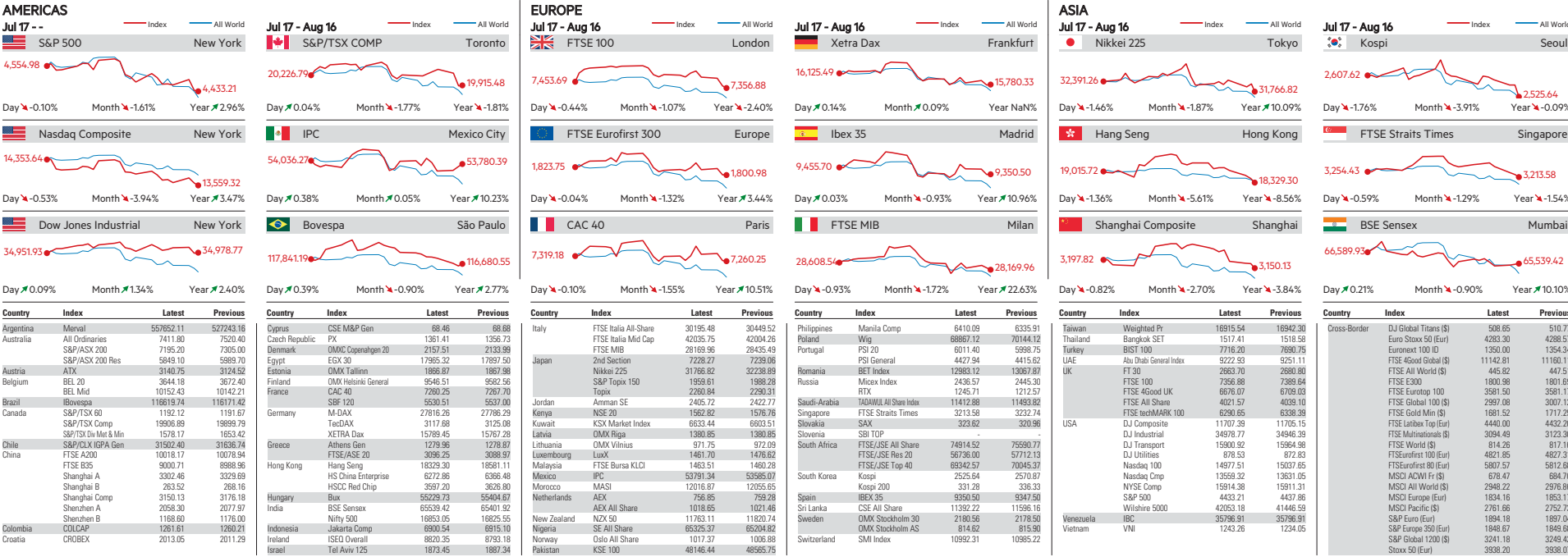
MARKET DATA

WORLD MARKETS AT A GLANCE

Change during previous day's trading (%)



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



(c) Closed, (u) Unavailable, 1 Correction, ▼ Subject to official recalculation. For more index coverage please see www.ft.com/worldindices. A fuller version of this table is available on the f.t.com research data archive.

STOCK MARKET: BIGGEST MOVERS

AMERICA					LONDON					EURO MARKETS					TOKYO					FTSE 100					FTSE 250										
ACTIVE STOCKS	stock traded m's	close price	Day's change	Day's chng%	ACTIVE STOCKS	stock traded m's	close price	Day's change	Day's chng%	ACTIVE STOCKS	stock traded m's	close price	Day's change	Day's chng%	ACTIVE STOCKS	stock traded m's	close price	Day's change	Day's chng%	ACTIVE STOCKS	stock traded m's	close price	Day's change	Day's chng%	ACTIVE STOCKS	stock traded m's	close price	Day's change	Day's chng%						
Tesla	134.0	228.46	-4.50	-2.0%	Shell	155.4	2257.00	-11.00	-0.5%	Novo Nordisk B A/s	299.2	170.12	2.85	1.7%	Mitsubishi Ufi Fin.	850.4	1088.50	-33.00	-3.0%	Admiral	235.8	0.3	0.1	0.1%	Health Care Equip & Services	10715.58	5.1	-1.7%	-1.7%						
Nvidia	107.3	438.14	-1.26	-0.3%	Novo	144.4	1998.50	0.00	0.0%	Nestle N	262.2	108.70	1.27	1.2%	Advantest	42035.75	10320.00	0.00	0.0%	Alkermes	6.7	21.5	0.1	0.5%	Pharmaceuticals	209.38	5.9	-1.6%	-1.6%						
Apple	33.8	177.85	0.20	0.1%	AstraZeneca	138.7	10878.00	20.00	0.2%	Unilever	223.4	21.87	-0.45	-2.1%	Kawasaki Kisen Kaisha	659.5	451.00	-14.00	-3.1%	Alkermes	6.7	21.5	0.1	0.5%	Pharmaceuticals	209.38	5.9	-1.6%	-1.6%						
Johnson & Johnson	33.6	172.41	-0.47	-0.3%	Unilever	122.9	4036.50	-12.50	-0.3%	Roche Gr	271.83	1.72	0.01	0.6%	Softbank	607.1	8466.00	-29.00	-0.3%	B&M Eur Value Retail S.A.	54.80	6.6	3.8	58.0%	Secure Trust Holdings	167.00	0.3	1.8%	2.0%						
Advanced Micro Devices	28.9	107.37	-3.98	-3.7%	Huich Holdings	108.3	589.80	-10.00	-1.7%	Asahi Holding	154.5	603.30	2.80	0.5%	Sumitomo Mitsui Fin.	577.4	691.00	-22.00	-3.2%	Centrica	143.30	3.1	48.8	1548.0%	TE Electronics	185.00	8.8	5.5%	5.5%						
Microsoft	26.4	322.26	0.40	0.1%	Bae Systems	107.8	1002.50	-10.00	-1.0%	Ubs N	151.0	18.07	0.20	1.1%	Toyota Motor	532.6	2075.00	-48.50	-2.3%	Coca-cola Hbc Ag	2217.0	1.8	17.4	778.0%	Interpump Group	116.00	7.1	-1.0%	-1.0%						
Amazon.com	23.7	135.56	-2.01	-1.5%	Rio Tinto	107.0	4559.00	-28.00	-0.6%	Intesa Sanpaolo	146.3	2.43	-0.02	-0.8%	Tokyo Electron	403.1	2370.00	-25.00	-1.1%	Watches Of Switzerland	728.00	0.4	53.8	7400.0%	The Gm	61.50	7.9	5.1%	5.1%						
Meta Platforms	22.1	297.88	-1.47	-0.5%	Compass	79.1	1963.00	-80.00	-4.1%	Stellantis	139.8	16.67	-0.23	-1.4%	Santander	368.8	1320.00	-21.00	-1.6%	Fraser's	81.06	1.0	15.1	1829.0%	On The Beach	99.20	7.7	1.0%	1.0%						
Target	18.9	129.07	0.40	0.3%	Relx	76.4	251.00	-35.00	-12.3%	Sap Se O.n.	122.5	17.10	0.92	5.4%	Sony	368.8	1320.00	-21.00	-1.6%	Dr. Martens	13.90	0.8	4.4	50.0%	Sigma	33.20	7.3	10.6%	10.6%						
Alphabet	9.5	128.55	-1.23	-1.0%	Biggest MOVERS	Close price	Day's change	Day's chng%	Biggest MOVERS	Close price	Day's change	Day's chng%	Biggest MOVERS	Close price	Day's change	Day's chng%	Biggest MOVERS	Close price	Day's change	Day's chng%	Sage	95.10	0.7	27.7	3016.0%	Jorgan Global Com Real Assets	78.00	6.8	-	-					
Progressive	136.32	11.27	9.01	Admiral	258.00	159.00	7.23	Novo Nordisk B A/s	170.12	2.85	1.7%	Novo Nordisk B A/s	195.50	39.50	2.16	1.1%	Novo Nordisk B A/s	170.12	2.85	1.7%	Sage	95.10	0.7	27.7	3016.0%	Jorgan Global Com Real Assets	78.00	6.8	-	-					
Top Companies	89.93	4.16	9.01	Direct Line Insurance	161.90	17.00	1.71	Mowi	16.04	0.26	1.62	Kajima	2244.00	41.50	1.80	0.8%	Kajima	2244.00	41.50	1.80	Admiral	258.00	159.00	7.23	Novo Nordisk B A/s	170.12	2.85	1.7%	Novo Nordisk B A/s	195.50	39.50	2.16	1.1%		
Allstate (the)	110.11	5.04	4.80	Marks And Spencer	231.60	10.00	4.51	Orsted A/s Dk 10	9.74	0.14	1.51	Nissin Seifun	1619.50	31.00	1.73	0.5%	Nissin Seifun	1619.50	31.00	1.73	Direct Line Insurance	161.90	17.00	1.71	Mowi	16.04	0.26	1.62	Kajima	2244.00	41.50	1.80	0.8%		
Marketwatch Holdings	243.38	10.81	4.85	Cosco Brothers	840.50	28.00	3.45	Nestle N	108.71	1.27	1.18	Taiwan Electric Power	613.10	10.40	1.73	1.7%	Taiwan Electric Power	613.10	10.40	1.73	Marks And Spencer	231.60	10.00	4.51	Orsted A/s Dk 10	9.74	0.14	1.51	Nissin Seifun	1619.50	31.00	1.73	0.5%		
Target	129.07	4.02	3.22	Phu My Ltd	1473.00	41.00	2.86	Ubs N	19.07	0.20	1.07	Kuraray Co.	1496.00	24.50	1.66	0.6%	Kuraray Co.	1496.00	24.50	1.66	Cosco Brothers	840.50	28.00	3.45	Nestle N	108.71	1.27	1.18	Taiwan Electric Power	613.10	10.40	1.73	1.7%		
Downs	154.96	-13.36	-7.33	Alouair Bechtel	310.00	-36.80	-11.9%	Prosus	63.75	-1.56	-2.39	Nippon Sheet Glass	75.00	-48.00	-5.9%	Nippon Sheet Glass	75.00	-48.00	-5.9%	Alouair Bechtel	310.00	-36.80	-11.9%	Prosus	63.75	-1.56	-2.39	Nippon Sheet Glass	75.00	-48.00	-5.9%	Nippon Sheet Glass	75.00	-48.00	-5.9%
Advanced Micro Devices	107.37	-3.98	-3.7%	Synthetic	73.00	-5.35	-6.83	Unilever	21.87	-0.45	-2.1%	Shang	842.30	-38.40	-4.3%	Shang	842.30	-38.40	-4.3%	Synthetic	73.00	-5.35	-6.83	Unilever	21.87	-0.45	-2.1%	Shang	842.30	-38.40	-4.3%	Shang	842.30	-38.40	-4.3%
Resmed	177.06	-5.91	-3.18	Wag Payment Solutions	85.20	-5.46	-6.36	Bayer Ag Na O.n.	50.92	-0.95	-1.83	Jpc	169.00	-85.50	-4.9%	Jpc	169.00	-85.50	-4.9%	Wag Payment Solutions	85.20	-5.46	-6.36	Bayer Ag Na O.n.	50.92	-0.95	-1.83	Jpc	169.00	-85.50	-4.9%	Jpc	169.00	-85.50	-4.9%
Discover Fin Services	90.09	-2.87	-3.09	Digital 9 Infrastructure	53.20	-2.20	-3.97	Enel	5.95	-0.10	-1.67	Nissan Chemicals	6101.00	-257.00	-4.0%	Nissan Chemicals	6101.00	-257.00	-4.0%	Digital 9 Infrastructure	53.20	-2.20	-3.97	Enel	5.95	-0.10	-1.67	Nissan Chemicals	6101.00	-257.00	-4.0%	Nissan Chemicals	6101.00	-257.00	-4.0%
Waters	276.88	-8.59	-3.01	Capital	19.15	-0.68	-3.43	Lonza N	500.48	-8.45	-1.66	Nm	278.60	-11.70	-4.0%	Nm	278.60	-11.70	-4.0%	Capital	19.15	-0.68	-3.43	Lonza N	500.48	-8.45	-1.66	Nm	278.60	-11.70	-4.0%	Nm	278.60	-11.70	-4.0%

Based on the constituents of the S&P 500

Based on the constituents of the FTSE 350 index

Based on the constituents of the FTSEurofirst 300 Europe index

Based on the constituents of the Nikkei 225 index

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## MARKET DATA

## FT500: THE WORLD'S LARGEST COMPANIES

[illegible]

FT 500: TOP 20									
	Close		Day			Week			Month
	price	price	change	change %		change	change %	change %	
UBS	20.80	20.58	0.22	1.07	1.26	7.7	15.0	5.9	15.0
VF Cp	13.33	13.47	-0.13	-0.78	0.71	5.1	5.9	5.9	5.9
MTN Grp	20.35	19.08	1.06	5.17	7.89	5.4	-1.2	-1.2	-1.2
MetLife SE	29.72	29.99	-0.26	-0.87	1.61	5.0	4.9	4.9	4.9
Lily EliE	550.06	546.62	3.44	0.63	20.39	4.5	23.3	23.3	23.3
Eli Lilly	550.06	546.62	3.44	0.63	20.39	4.5	23.3	23.3	23.3
AJAX	89.93	85.77	4.16	4.85	-0.45	4.3	5.8	5.8	5.8
Tilman	21.85	21.25	0.40	1.86	0.80	4.2	4.2	4.2	4.2
Petrobras	34.42	33.56	0.86	2.50	0.46	1.3	5.8	5.8	5.8
SAP	127.10	126.18	0.92	0.73	4.00	4.0	4.0	4.0	4.0
Henkel&GAP	64.68	64.06	0.06	0.09	1.88	4.0	3.9	3.9	3.9
ChUnichK	5.70	5.77	-0.07	-1.21	0.28	3.8	2.3	2.3	2.3
GlaxoK	117.27	117.29	-0.02	-0.02	4.19	3.7	1.6	1.6	1.6
GlaxoK	179.05	178.00	0.15	0.09	0.50	3.6	2.8	2.8	2.8
Comcast	46.85	47.00	-0.22	-0.47	1.75	3.4	11.3	11.3	11.3
CentJ&Way	181.01	183.95	-0.00	-0.22	635.00	3.4	6.7	6.7	6.7
ASTELLAP	232.20	231.50	18.50	0.84	53.50	3.3	11.4	11.4	11.4
Pfizer	35.75	36.30	-0.25	-0.69	1.25	2.9	2.1	2.1	2.1
Worldly	352.70	349.10	3.60	1.03	6.20	2.9	2.8	2.8	2.8
Worldly	211.75	230.89	0.88	0.37	5.33	2.7	3.4	3.4	3.4

Based on the FT Global 500 in local currency

FT 500: BOTTOM 20							
	Close		Day		Week		Month
	price	prev	change	change %	change	change %	
DisCinServ	90.09	92.96	-2.87	-3.09	-11.40	-13.7	-24.01
ChinaBank	31.70	32.55	-0.85	-2.6	-3.20	-11.3	-7.06
ChinaLife	11.84	12.18	-0.34	-2.79	-1.04	-10.1	-5.78
MidCap	0.35	0.35	0.00	0.00	-0.04	-13.3	-0.74
PingAnIns	47.45	48.80	-1.35	-2.77	-3.95	-10.0	-8.74
Vale	61.27	61.29	-0.02	-0.03	-6.17	-9.2	-10.68
GenMotors	32.97	33.30	-0.33	-0.99	-2.96	-9.1	-17.65
Activ	95.84	97.30	-1.46	-1.50	-7.02	-8.1	-13.64
NXP	455.00	459.00	-4.00	-0.88	-36.00	-8.0	-81.00
SoftBank	6466.00	6675.00	-209.00	-3.13	-347.00	-7.9	-65.00
Glencore	419.50	419.50	0.45	0.11	-36.05	-7.8	-10.05
Nauch Hsin	11.03	11.23	-0.20	-1.72	-0.72	-7.7	-1.07
BAXP	198.03	201.74	-3.71	-1.84	-12.63	-7.6	-8.93
Celo	3.76	3.67	0.09	2.45	-0.40	-10.6	-7.6
Sony	1201.00	1222.00	-21.00	-1.72	-75.00	-7.4	-4.45
Citic Secs	15.50	15.76	-0.26	-1.65	-0.96	-7.3	7.22
HSBC	399.80	600.30	-10.50	-1.70	-35.70	-7.3	-3.91
Hing HAVOT	53.74	54.62	-0.08	-0.15	-1.51	-7.1	-2.63
KBO	63.38	64.68	-1.50	-2.31	-3.36	-7.1	-7.1
CharlesSch	60.67	60.97	-0.30	-0.49	-4.32	-7.1	-3.84

Compiled from the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET										
	Red date	Coupon	Ratings			Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
Aug 16			S*	M*	F*					
High Yield US\$										
HCA Inc.	04/24	8.35	BB-	Ba2		BB	113.75	4.24	0.00	0.12
High Yield Euro										
Alstom Financial Services SA	04/21	7.25	-	-	B		71.10	28.23	0.00	0.64 25.98
Emerging US\$										
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.60	-	-	0.34
Brazil	01/26	4.50	-	Baa2	BBB-	109.50	2.30	0.16	0.52	1.28
Poland	04/26	6.00	-	Ba2	BB-	115.15	2.78	-0.01	0.65	1.73
Brazil	04/26	3.25	-	A2	-	112.22	0.98	0.03	0.16	-0.07
Mexico	05/26	11.50	-	Ba1	BBB-	141.20	1.51	0.00	-0.12	0.59
Turkey	03/27	6.00	-	Ba2	BB-	101.20	5.82	0.00	0.17	3.07
Turkey	03/27	6.00	-	B2	BB-	102.88	5.43	0.14	0.83	4.38
Peru	06/27	4.13	BBB+	A3	BBB+	103.50	3.66	0.01	-0.02	0.80
Russia	08/28	12.75	-	Baa3	BBB	168.12	2.48	0.07	0.05	-
Brazil	02/47	5.63	-	Ba2	BB-	101.48	5.52	0.08	0.80	-
Emerging Euro										
Brazil	04/21	2.88	BB-	Ba2	BB-	103.09	0.05	0.01	-0.09	-1.19
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.55
Mexico	04/23	2.75	-	Baa1	BBB-	106.48	-0.26	-	-	-0.36

BONDS: GLOBAL INVESTMENT GRADE												
	Aug 16	Red date	Coupon	Ratings			Bid price	Bid yield	Day's chg yield	Mth's chg yield	Spread vs US	
				S*	M*	F*						
<b>U.S.</b>												
Jefferies Financial Corp.	01/28	6.88	BBB+	Baa1	A-	129.00	2.54	-0.01	-0.05			
The Golden Sachs Corp. Inc.	02/28	6.88	BBB+	A3	A-	117.21	2.47	0.00	0.23			
NationalBank Corp.	03/28	6.80	BBB+	Baa1	A-	127.69	2.72	-0.01	0.06			
GTE LLC	04/28	6.94	BBB+	Baa2	A-	128.27	2.80	0.00	-0.11			
United Utilities PLC	08/28	6.88	BBB	Baa1	A-	130.43	2.62	-0.07	-0.22			
Barclays Bank plc	01/29	4.50	A	A1	A-	98.46	5.02	0.00	0.02			
<b>Euro</b>												
Investissements de France (EDF)	02/30	4.63	A-	A3	A-	137.45	0.82	-0.01	0.10			
The Golden Sachs Group, Inc.	04/31	3.00	BBB+	A3	A-	124.42	0.68	0.00	-0.11			
The Golden Sachs Group, Inc.	02/31	3.00	BBB+	A3	A-	121.70	0.93	0.00	0.02			
Finland	04/31	0.75	AA+	AA+	AA+	111.08	0.27	0.00	-0.05	-0.87		
<b>Yen</b>												
Mitsubishi	06/26	1.09	-	Baa1	BBB-	98.73	1.34	-0.02	-0.14	0.27		
<b>Shorly</b>												
Jefferies Financial B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40		
Jefferies Financial B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02			

Source: Interactive Data Pricing and Reference Data LLC, an IC Data Services company. US \$ denominated bonds NY close, all other London close. S\* - Standard & Poor's, M\* - Moody's, F\* - Fitch.

INTEREST RATES: OFFICIAL						
Aug 16	Rate	Fed funds	Current	Since	Since	Long
US	0.25	5.25-5.50	5.00	26-07-2023	5.00	8.25
US	Prime		8.50	26-01-2023		8.00
US	Discount		5.25	04-06-2023		5.00
Euro	R Repo		3.438	01-08-2023		3.425
Euro	UKR		5.25	03-08-2023		5.00
Japan	Coin'ight Call		0.00-0.10	01-02-2026		0.10
Switzerland	Libor Target		-1.25-0.25	15-01-2015		-0.75-0.20

INTEREST RATES: MARKET								
Aug 16	Over night (Libor: Aug 16)	Change			One month	Three month	Six month	On year
		Day	Week	Month				
US\$ Libor	5.06157	0.010	0.000	0.001	5.42824	5.63809	5.87238	6.0414
US\$ Libor	-0.64957	-0.064	0.000	0.001	-0.61943	-0.58657	-0.55500	-0.4857
€ Libor	0.18083	0.005	0.000	0.001	0.20138	0.53370	0.74740	0.8118
Swiss F Libor				-0.002	-7.75000	-0.75000	-0.70280	-0.5552
Yen Libor					0.00000	-0.02817	0.07145	0.0800
Euro Euribor				-0.037	3.62623	3.76700	3.94500	4.0918
US\$ CD				0.000	5.75500	6.03000	6.78500	
US\$ CDs				0.000	5.39000	5.53000	5.66000	
US\$ CDs				0.000	3.67000	3.76000	3.85000	

Aug 16	Short term	7 Days notice	One month	Three month	Six month	One year					
US\$	3.39	3.69	3.45	3.75	3.52	3.82					
US\$			0.45	0.55	0.58	0.68					
Sterling			0.45	0.55	0.58	0.68					
US Dollar	5.13	5.33	5.15	5.35	5.29	5.49					
US Dollar			0.45	0.53	0.56	0.57					
Japanese Yen	-0.30	-0.10	-0.10	-0.10	-0.25	-0.15					
Japanese Yen			0.05	0.15	0.05	0.15					
US\$			0.05	0.15	0.05	0.15					
Tullett Prebon	SDR	US Discount	IMF	EDMIA	ECB	Swiss Libor	SNB	EURIBOR	NIA	SONIA	WMBIA

COMMODITIES				www.ft.com/commodities				
Energy		Price*	Change	Agriculture & Cattle Futures		Price*	Change	
Crude Oil †	Sep	81.35	0.36	0.00	Wheat †	Sep	457.50	3.50
Brent Crude Oil †	Sep	84.76	-0.13	0.00	Wheat †	Sep	655.50	7.00
RBOB Gasoline †	Oct	28.84	0.00	0.00	Soybeans †	Sep	1334.00	0.70
Natural Gas †	Sep	2.61	-0.05	Soybeans Meal †	Sep	406.70	2.90	
<b>Base Metals (LME 3 Months)</b>				Cocoa ICE Lifrfe				
Aluminium	2147.50	6.00	0.00	Cocoa ICE Lifrfe	Sep	2659.00	7.00	
Aluminium Alloy	2150.00	-75.00	Coffee/Rabao †	Sep	2563.00	-40.00		
Copper	9215.00	37.00	Coffee (Arabica) †	Sep	148.95	-0.40		
Lead	2127.50	6.00	Cocoa ICE Lifrfe	Sep	701.80	161.00		
Nickel	230.00	240.00	Sugar †	11 †	23.07	0.27		
Tin	25205.00	155.00	White Sugar †	Oct	86.07	-0.11		
Zinc	2301.50	-6.50	Orange Juice †	Sep	32.68	17.50		
<b>Precious Metals (PM London Fix)</b>				Live Cattle †				
Gold	1903.85	-0.10	Coder Cattle	May	179.13	-0.60		
Silver (US cents)	2241.00	-31.50	Lean Hogs †	Oct	78.20	-0.90		
Palladium	890.00	-12.00						
	1246.00	-29.00						
<b>Bulk Commodities</b>					<b>% Ch</b>	<b>% Ch</b>		
				<b>Month</b>	<b>15</b>	<b>15</b>		
Iron Ore	104.80	0.17	S&P 500 Spt	578.25	2.76	-11.33		
Baltic Dry Index	1129.00	8.00	DJUBS Spt	103.94	-0.84	-14.54		
Richards Bay ICE Futures	111.00	1.50	TR ICE CRB Tr	307.12	1.78	-0.98		
			LEBA ICE Carbon	58.91	-1.98	129.99		
			LEBA ICE Power	10.48	-0.73	-39.60		

Sources: \* NYMEX, £ ECK/ICE, \* CBOT, \* ICE Lifrfe, † ICE Futures, † CME, £ LME/London Exchange Contracts. † Latest prices. †



FT FINANCIAL  
TIMES

BOND INDICES						
	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
<b>MARKET INDEX</b>						
AFB Pan-Asia unhedged	204.32	-0.23	-2.53	0.30	-2.75	0.32
Corporate (E)	322.96	-0.26	-1.39	-0.05	0.20	-0.88
Corporate (F)	212.56	-0.21	-0.65	2.53	0.10	-4.00
Eurozone Sov(E)	209.75	-0.37	-1.21	1.07	-0.91	-9.37
Gilt (E)	254.67	-0.23	-2.59	-5.53	-1.26	-18.32
Overall (E)	267.05	-0.24	-2.23	-4.11	-0.88	-15.68
Overall (F)	206.85	-0.31	-1.04	1.30	-0.67	-7.96
<b>FTSE</b>						
Sterling Corporate (E)	-	-	-	-	-	-
Euro Corporate (E)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (E)	712.45	12.14	-	-	7.11	1.75
Eurozone Euro-Bond	110.04	-0.19	-	-	0.34	0.64
<b>CREDIT INDICES</b>						
	Index	Day's change	Week's change	Month's change	Series high	Series low
<b>MARKET INDEX</b>						
Crossover 5Y	414.83	3.56	8.58	21.49	510.17	376.17
Europe 5Y	74.18	0.32	1.88	2.64	101.15	48.40
Japan 5Y	64.95	2.20	1.87	-0.41	85.84	61.83
Senior Financials 5Y	83.85	0.59	1.36	2.03	124.01	76.46
<b>MARKET CDX</b>						
Emerging Markets 5Y	216.44	9.74	14.91	13.94	265.81	189.34
Nth Amer High Yld 5Y	437.59	8.87	30.1	18.20	511.99	406.40
Nth Amer Int Grade 5Y	87.50	1.80	2.20	2.21	88.71	82.55

Websites: [market.com](http://market.com), [ftse.com](http://ftse.com). All indices shown are unhedged. Currencies are shown in brackets after the index names.

BONDS: INDEX-LINKED						
	Price	Yield		Month	Value	No of
	Aug 15	Aug 15	Prev	return	stock	stock
Can 4.25% '26	108.53	2.778	2.702	-0.88	5.25	69801.20
Fr 0.10% '25	98.80	0.887	0.882	0.22	12.79	243946.04
Swe 1.00% '25	127.55	1.364	1.319	0.26	35.33	226482.37
UK 0.125% '26	96.11	1.658	1.626	-0.34	13.45	495997.70
UK 2.00% '35	236.06	1.059	1.017	-2.97	9.08	490597.70
US 0.625% '26	95.10	2.736	2.699	-0.22	42.42	611191.71
US 3.625% '28	108.33	2.189	2.136	-0.97	16.78	681191.71


Representative stocks from each major market Source: Merrill Lynch Global Bond Index 1 Local currencies, 1 Total market

Value. In line with market practice, for UK Gilts inflation factor is applied to price, for other currencies it is applied to par amount.

BONDS: TEN YEAR CREDIT SPREADS				
	Spread		Spread	
	Bid	vs	Bid	vs
	Yield	Bund T-Bonds	Yield	Bund T-Bonds
Australia	4.23	1.61	-0.10	Netherlands
Australia	3.15	0.52	-0.19	New Zealand
Canada	3.85	1.22	-0.48	Norway
Denmark	2.85	0.22	-1.45	Portugal
Finland	3.09	0.46	-1.24	Spain
Germany	2.63	0.04	-1.70	Sweden

Japan 0.94 -2.29 -3.99 United States 4.33 1.70

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company.



VOLATILITY INDICES									
	Aug 16	Day Onq	Prev	52 wk high	52 wk low				
VIX	18.21	-0.25	16.46	34.85	12.73				
VXD	13.93	-0.41	14.34	34.44	3.10				
VXD	21.23	-0.14	21.37	40.18	5.85				
VVXX	17.67	-0.36	18.03	93.30					
F CBOE, VIX, S&P 500 Index Options Volatility, VXD, DJIA Index Options Volatility, VVN, NASDAQ Index Options Volatility.									
* Deutsche Börse. VDAX, DAX Index Options Volatility.									
BONDS: BENCHMARK GOVERNMENT									
	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yield	Year chg yield	
Australia									
	05/02	1.25	78.34	4.23	0.06	0.24	0.24	0.86	
	10.00	1.00	92.15	2.05	0.03	0.20	0.26	0.62	
Austria									
	02/29	0.85	80.80	3.15	0.04	0.22	0.11	2.65	
	02/47	1.50	69.58	3.40	0.03	0.20	0.18	1.60	
Belgium									
	08/27	0.80	91.86	3.08	0.05	0.20	0.05	2.18	
	09/47	1.60	63.33	3.67	0.04	0.21	0.22	1.54	
Canada									
	03/25	1.25	94.61	3.43	0.07	0.25	0.26	1.80	
	06/30	1.25	84.60	3.85	0.08	0.26	0.37	1.71	
	12/48	2.75	85.49	3.63	0.06	0.15	0.35	0.79	
Denmark									
	11/29	0.50	74.74	2.85	0.04	0.22	0.12	1.70	
	11/29	4.50	119.09	3.00	0.04	0.19	0.18	1.51	
Finland									
	09/24	0.00	96.29	3.57	0.02	0.16	0.01	3.03	
	09/29	0.50	85.93	3.03	0.03	0.22	0.14	1.94	
France									
	05/28	0.75	89.96	3.04	0.05	0.23	0.08	2.04	
	05/48	2.00	74.52	3.19	0.04	0.19	0.22	1.62	
Germany									
	08/29	0.00	85.60	2.63	0.05	0.23	0.12	1.94	
	08/48	1.25	73.67	2.71	0.04	0.19	0.24	1.57	

	01/28	3.75	100.52	3.62	0.1	0.18	-0.06	0.99
Ireland	05/26	1.00	94.71	3.04	0.05	0.21	-0.03	2.21
	02/45	2.00	77.43	3.51	0.04	0.23	0.20	1.55
Italy	02/25	0.35	95.25	3.73	0.05	0.16	0.00	2.27
	05/30	0.40	91.17	1.80	0.11	0.24	-0.07	1.31
	03/48	2.45	83.44	4.57	0.07	0.29	0.15	1.91
Japan	04/25	0.05	99.96	0.08	0.00	0.00	0.04	0.07
	12/29	0.10	98.50	0.34	0.01	0.01	0.09	0.26
	12/49	0.40	76.39	1.49	0.00	0.02	0.18	0.41
Netherlands	07/27	0.75	92.06	2.33	0.03	0.28	0.03	2.16
	01/47	2.75	95.72	3.01	0.04	0.19	0.23	1.56
New Zealand	05/31	1.50	78.12	4.93	0.06	0.15	0.37	1.48
	09/40	2.50	115.95	2.92	0.04	0.13	0.18	0.94
Norway	08/20	1.38	84.61	3.93	0.07	-0.11	-0.11	1.15
Poland	07/27	2.50	90.24	5.31	0.00	0.06	0.08	-0.41
	04/47	4.00	78.61	5.66	0.00	0.13	-0.04	-0.33
Portugal	04/27	0.43	103.46	3.11	0.05	0.18	0.13	2.03
Spain	10/29	0.60	84.54	3.41	0.05	0.21	0.13	1.88
	10/46	2.90	82.37	4.09	0.05	0.19	0.21	1.59
Sweden	06/30	0.13	112.65	1.06	0.06	0.23	0.21	2.95
	03/39	3.50	106.93	2.94	0.04	0.21	0.31	1.64
Switzerland	04/28	4.00	113.39	1.03	-0.01	0.09	0.00	0.75
	06/29	0.00	94.14	1.04	0.00	0.10	0.05	0.80
United Kingdom	07/27	1.25	87.63	4.74	0.04	0.19	-0.02	2.80
	07/47	1.50	53.27	4.81	0.03	0.21	0.24	2.33
United States	03/25	0.50	92.84	5.15	-0.02	0.17	0.23	1.96
	03/36	2.75	94.14	2.94	0.00	0.17	0.18	1.56

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company.

# INSIDE POLITICS

Get the inside track on British politics  
weekday morning

GLTILTS: UK CASH MARKET									
Aug 16	Price £	Red Yield	Change in Yield				52 Week		Armed
			Day	Week	Month	Year	High	Low	
7.2 25pc '23	99.83	5.19	0.00	0.39	592.00	127.63	100.00	97.34	35.92
7.0 125pc '24	97.98	5.13	0.20	2.81	-	129.89	97.78	94.34	36.95
9.0 125pc '24	93.89	5.17	0.58	4.88	-1.24	181.11	96.48	92.80	33.90
7.2 25pc '26	98.12	4.89	0.41	4.49	-0.41	145.73	93.23	86.33	35.32
7.1 25pc '27	87.55	4.76	0.42	4.85	0.42	141.62	85.95	80.35	40.99
7.0 5pc '29	79.37	4.72	0.64	4.89	2.16	136.00	91.56	78.21	28.92
7.0 5pc '30	75.10	4.59	0.68	5.16	4.09	315.49	117.16	74.54	35.90
7.0 5pc '31	95.97	4.72	0.64	5.83	4.99	434.31	118.34	79.91	31.68
7.0 5pc '32	95.56	4.86	0.83	5.42	5.88	887.37	128.30	93.29	25.35
7.0 5pc '32	93.53	4.81	0.84	5.48	6.18	90.87	124.02	82.51	23.11
8.0 125pc '32	89.12	4.69	0.98	5.41	6.36	91.02	136.45	87.32	23.13

GLTILTS benchmarks & non-run-up closing prices. Closing mid-price in pounds per £100 nominal of stock.

GLTILTS UK FTSE ACTUARIES INDICES						
Price Indices	Aug 16	Day's chg %	Month chg %	Return 1 year	Return 5 year	Return 10 year
<b>Fixed Coupon</b>						
Up to 5 Years	86.09	-0.04	2298.16	0.37	-2.81	4.96
5 - 10 Years	88.95	-0.14	2368.08	0.47	-4.57	4.54
10 - 15 Years	144.90	-0.28	3386.00	-1.71	-18.12	4.73
15 - 20 Years	129.32	-0.18	3097.95	-0.86	-14.14	4.64
Over 20 Years	185.77	-0.62	3279.73	-3.49	-30.15	4.75
All stocks	125.87	-0.27	2858.04	-1.28	-16.68	4.76

Index Linked	Aug 16	Day's chg %	Month chg %	Year's chg %	Return 1 year	Return 5 year	Return 10 year
Up to 5 Years	324.45	-0.16	2788.72	0.70	-7.89	10.20	4.91


	Aug 16	Aug 15	Yr ago	Aug 16	Aug 15	Yr ago		
0-5 yrs	436.96	-0.17	-0.82	-13.85	3568.22	-4.40	-13.01	
Over 5 years	526.60	-0.81	-4.42	-35.26	3904.63	-4.81	-35.08	
All stocks	473.70	-0.42	-2.29	-23.77	3700.98	-2.28	-23.25	
<b>Real yield</b>								
	Aug 16	Jul 16	Yr ago	Aug 16	Jul 16	Previous	Yr ago	
0-5 yrs	1.44	2.63	1.88	-2.70	2.02	2.85	1.41	0.16
Over 5 yrs	1.21	18.94	1.22	-0.88	1.17	19.01	1.19	-9.10
0-15 yrs	1.01	9.53	1.06	-1.61	0.89	9.54	0.97	-1.69
Over 15 yrs	1.01	24.98	1.26	-0.76	1.14	25.00	1.25	-0.73
All stocks	1.22	15.53	1.23	-0.91	1.17	15.43	1.20	-0.93

See FSE website for more details [www.fse.com/products/indexes/glts](http://www.fse.com/products/indexes/glts)  
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ARTS

Drug trial drama benefits from new treatment



Paapa Essiedu and Taylor Russell in 'The Effect' — Marc Brenner

This week's theatre openings reviewed by Suzi Feay

A theatre audience is never a passive receptacle. It can act as witness, juror or silent accomplice to the action. For the revival of **The Effect**, Lucy Prebble's 2012 play about a clinical trial of a questionable treatment for depression, the audience functions as an extra layer of surveillance. The volunteers, Connie and Tristan, are beadyly observed by Drs Lorna James and Toby Sealey. We watch the watchers, ourselves raked into two blocs facing each other across the central performance space, which contains only two chairs and a white plastic bucket. We're enclosed too, it's just that we're in a bigger box.

Beneath the more obvious sexual and power dynamics lurk the submerged class distinctions, sharpened by having an all-black cast. This puts the emphasis on divisions within the black

community rather than on race. Demure, ballet-trained psychology student Connie is matched with talkative wide boy Tristan; posh, patrician Toby, son of a surgeon, faces hardscrabble Lorna, who scornfully explains that, as a black woman, getting out of bed in the morning is a political act.

The movement is strictly geometrical, at least until Connie and Tristan start meddling with the protocols. The impassive doctors sit opposite each other, sternly regarding the white-clad subjects boxed in by white light. The tennis-match effect moves our attention relentlessly back and forth. If all this sounds schematic, rest assured it's about to get messy.

As back-story-free clinical subjects, the characters are ciphers, facilitating judicious rewriting to fit a new cast. Paapa Essiedu beguiles as Tristan, bouncing, weaving, comically dragging his trainers as he invades Connie's precious space. Taylor Russell is a delicate but somewhat underpowered Connie in a role originally created for the

magnetic Billie Piper. Tristan's gregariousness proves a handicap as the experiment (as the ethically suspect trial is correctly labelled) continues; he's far more vulnerable in isolation than the self-contained Connie. That the privileged are always likely to come out on top is a given.

Kobna Holdbrook-Smith's mesmerically smooth tones give Toby's plummy smugness a deliciously comic air; for a psychiatrist, he seems to have little self-awareness as he "monitors for practitioner bias". His mini-lecture on laughing in public underlines moments when just such contagious jollity has infected the audience. Michele Austin's level-headed Lorna keeps the experiment on track, until she too is wrongfooted.

The subjects become emotionally entangled, but is it merely the effect of the drugs? One has a violent reaction, but who's been given the placebo? We, the audience, are drawn to contemplate our own emotions and their dependence on brain chemistry. Director Jamie Lloyd gradually allows the subtlety to

disperse in mass shouting, a disagreeable effect exacerbated by the actors being mic'd up. *The Effect* is fascinating — but never soul-stirring.

To October 7, [nationaltheatre.org.uk](http://nationaltheatre.org.uk)

Dealing with events of more than 40 years ago, the RSC's **Falkland Sound** is undeniably a historical play, likely to be received differently by those who remember the Falklands war of 1982 and those who don't. Playwright Brad Birch, born six years after the conflict, focuses on the islanders' rather than the soldiers' war, using John (Tom Milligan) as his entry point.

As a young teacher, recently arrived from England, John is a handy device to introduce the quirks of prewar island life. Roads are terrible, so a horse is recommended as a way to get around. Homegrown produce and penguins' eggs supplement the fitfully supplied island shop, proudly overseen by Mary (Sarah Moyle). Farmer's daughter Sally is romancing her father's mechanic, Jacob (Anyebe Godwin), while dreaming of an escape to Britain. As matriarch Mrs Hargreaves (Joanne Howarth) observes, everyone knows everyone else's business.

This cheerful picture underlines the shocking impact of the invasion on these ordinary folk. To his dismay, friendly Argentine Gabriel (Eduardo Arcelus, with authentic 1980s hair and moustache), a marine biologist settled in the capital, Port Stanley, becomes a figure of suspicion. Signs of low-level civilian disobedience appear. Alvaro Flores, playing Sebastian, does the heavy lifting as the sole visible member

of the invasion force, and an amiable one at that; he's eventually countered by representative British squaddie Robbie (Joe Usher).

Whipping off their wigs, the characters morph into mainland Brits who give their responses to the crisis in scenes at best risible, at worst, crass. Those born, like Birch, well after the conflict might find it hilarious to see all the politicians of the era as braying, imperialistic dolts and the British public as jingoistic idiots; their elders might well find it patronising and cheap. And reimagining the Brixton riots in interpretive dance isn't a great idea.

At other times, the cast fall into repetitive synchronised movements, perhaps to underline the harmony of island life, or merely to break up long passages of characters explaining that this happened, and then that happened.

Director Aaron Parsons' lively, free-wheeling approach means that, in

**The Effect**  
National Theatre (Lyttelton), London  
★★★★★

**Falkland Sound**  
Swan Theatre, Stratford-upon-Avon  
★★★★★

almost three hours of play time, there's lots to engage the heart, less so the mind. The ensemble is highly accomplished. Howarth appears in filmed segments as prime minister Margaret Thatcher, scenes that do much to offset the previous simplistic soundbites; there's some excellent musical work too. But a doubt lingers about using composite characters to represent a complex community. With their big 1980s hair, neon jumpers and flapping corduroys, they're fun but they don't feel quite real.

To September 16, [rsc.org.uk](http://rsc.org.uk)



Oliver Hembrough and Sandy Foster in 'Falkland Sound' — Ellie Kurtz/RSC

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In Association with

‘Open your mind to the tadpole’

GAMING

**Baldur's Gate 3**  
PC and PS5  
★★★★★

Lewis Gordon

*Baldur's Gate 3* is the kind of role-playing game that delights in loquacious dialogue as much as swords and sorcery combat. Take an encounter with the fearsome drider — half-man, half-spider. Rather than settling matters with the tip of my blade, I indulged the beast in conversation, convincing it to part with a magical moonlantern, the only thing keeping it safe in the oppressively dark Shadowlands. As it handed over the prized possession, panic spread across the creature's many eyes, as if it knew what was happening but was powerless to resist my powers of persuasion. For this monster, all that awaited in the darkness was a slow, inevitable death.

In the sprawling and astonishingly dense *Baldur's Gate 3*, you are free to approach the world and its inhabitants as you see fit. If you have a madcap idea, chances are the developers have already thought of it and designed the game to accommodate such a scheme. In this way, it is every bit a worthy sequel to 2000's *Baldur's Gate 2*, one of the first big games to make it feel that your choices mattered in the context of a beautifully realised fantasy world and a well-told story (one based on *Dungeons and Dragons'* Forgotten Realms setting). Twenty-three years later, the freedom and complexity have been considerably ramped up by Belgian studio Larian. In the opening chapter alone, there's nothing stopping you from slaughtering a gang of nature-loving druids. Rest assured, though: the game will remember such bloodthirsty actions.

*Baldur's Gate 3* will undoubtedly feel familiar to RPG fans in form. You create a character and choose their class before setting out on an adventure of exploring, looting, talking, and fighting across

the vast land of Faerûn. There's magical gear and legendary weapons to be found, and more than a few companions to be recruited. What sets this apart from other RPGs is its execution, not least in the breadth, depth, and reactivity of its writing. Ostensibly monstrous characters such as the devilish Karlach come with their own generously written backstories. Should you play your cards right, they may come to be lovers, indulging all manner of kinks, as if the age-restricted pages of Reddit exist in this high-fantasy realm.

‘Baldur's Gate 3’ makes the case for role-play as a playful, even vital, tool of experimentation

The narrative is propelled forwards by a strange, Cthulhu-esque race of creatures called mindflayers that have implanted parasites into you and your companion's brains. A big part of the game pivots on whether you choose to fight this influence or open yourself up to it. Indeed, the game's thematic core arguably resides in the latter choice: by rewarding the player's curiosity, *Baldur's Gate 3* makes the case for role-play as a

playful, even vital, tool of experimentation. As one devil-may-care character puts it: “Open your mind to the tadpole.”

If the game has a flaw, it's in the turn-based combat, which can feel mercilessly complicated — an opaque mix of dice rolls, stat-crunching and the nagging worry that you're never quite maximising every inch of the meticulously designed terrain. Duels remain fraught, and so feel less accommodating to the kind of freewheeling approaches the rest of the game so generously invites. The result, at least in the opening 10 hours or so, are battles of trial and error; the many gods of *Baldur's Gate 3* taketh away just as easily as they giveth.

Slowly, though, the combat clicks into place alongside the other systems, the game's six-year development time evident in the way these interlock. Each helps sustain the illusion of this virtual world and, more importantly, ensures the player is able to interact with it in a thrillingly coherent way. Like *The Legend of Zelda: Tears of the Kingdom*, released earlier this year, *Baldur's Gate 3* strives to deliver the most elusive of video game design goals: total freedom. With idiosyncratic, at times demanding style, it gets just as close — a possibility space teeming with invention.

Out now on PC and September 6 on PS5

Lae'zel, a companion in 'Baldur's Gate 3'





About 3bn cups are drunk around the world every day, a number expected to double by 2050. But rising temperatures mean up to half of current coffee farmland could soon be unusable.

*By Lucy Rodgers*

# The end of the coffee boom?

On the first floor of a busy shopping centre in the middle of Beijing, 26-year-old Xi Xueyang is waiting for his takeaway Starbucks iced Americano.

Xi, a busy start-up worker, picks up what he describes as a quick “utilitarian” coffee from big chains like this several times a week. But he also frequents the Chinese capital’s growing number of boutique coffee shops. “If I find the time and space, I do quite enjoy a good hand-poured coffee,” he says.

Music producer Ji Yuan, 43, is doing just that at the nearby Loose Goose, where drip coffee using single-origin beans costs up to Rmb72 (\$9.90) per cup. “Coffee to me is a beverage that I cannot live without,” he says.

Millions more feel the same. Consumption of coffee has almost doubled over the past three decades and looks likely to continue its upward trajectory. New consumers in China have been joined by others in India, Indonesia, Malaysia and Vietnam, as well as growing populations in sub-Saharan Africa.

Long-term growth rates in Asia and Africa — where coffee drinking is often seen as symbolic of entry into the global middle class — are racing ahead of traditional markets in Europe and North America, although from a lower base. Starbucks plans to open 9,000 shops across China by 2025, while international coffee brands Costa Coffee, Lavazza and Tim Hortons are also competing to attract the country’s rising number of consumers.

This means an ever larger market for beans. If current trends continue, global consumption is expected to double to 6bn cups of coffee every day by 2050. A study by the Columbia Center on Sustainable Investment suggests we will need 25 per cent more coffee by 2030.

But whether the industry can fulfil this increasing demand with its current supply chain model is in doubt. The

has a less refined flavour and is mainly used for instant coffee.

“Coffee is a tree that loves perfect weather, just like Goldilocks,” says Jennifer “Vern” Long, chief executive of the World Coffee Research Institute (WCR), an organisation funded by the global coffee industry. “It’s a tree that loves optimal levels of precipitation . . . [temperatures that are] not too cool, but not too hot — just a really optimal zone, which is increasingly hard to find.”

Some estimates suggest that by 2050 up to half of the land used to grow coffee could become unusable. A study by the Institute of Natural Resource Sciences at Zürich University of Applied Sciences found that four of the top five producers of coffee in the world — Brazil, Vietnam, Colombia and Indonesia — would see their best areas for growing decrease in size and suitability. Other countries outside the tropics, such as the US, Argentina, Uruguay and China, could have new opportunities to grow the crop.

But shifting production to new places would be a painful process with significant costs: ecological, such as deforestation, economic and human. Coffee is a highly traded commodity and crucial to multiple economies and livelihoods.

The growers at the heart of the industry, with their knowledge and experience handed down over generations, are crucial to the future of coffee. Without ensuring these farmers make a decent living and continue producing across a diverse set of origins, the impact of climate change on coffee supplies and prices will be even more pronounced.

But poverty among growers is widespread. Of the estimated 25mn farmers across 50 “coffee belt” countries, about 80 per cent are smallholder producers working on plots of land of less than 5 hectares. The majority of production labour is provided by women.

These farmers are now often on the front line of the climate crisis, with harvests being hit by droughts, floods, more pests and disease. Many feel they are shouldering much of the climate burden for little or no reward and are deciding to leave the industry. “Farmers don’t see a future in coffee anymore,” says Eleanor Deans, sustainable sourcing manager at Fairtrade. “If no one wants to grow anymore, how are we going to drink any coffee?”

Organic farmer Silvia Gonzalez, who serves on the board of directors for the Latin American and Caribbean Network of Fair Trade Small Producers and Workers, says some growers have seen yields decline from more than 2,000kg down to 1,500kg per manzana — a unit equating to just under a hectare.

Most growers are unable to confront the climate crisis head on because of their precarious place in the value chain. Producing countries retain less than 10 per cent of the retail value of the estimated \$200bn annual coffee industry, while big companies based in higher-income, importing countries keep most, according to the UN’s World Intellectual Property Organization.

Daniele Giovannucci, founder of the Committee on Sustainability Assessment and co-author of the World Intellectual Property Organization’s report, says producers are not rewarded for the climate risk they are bearing. “I’d say 75 per cent of the risk embedded in the coffee industry from crop to cup occurs among farming communities. And they certainly do not earn anywhere close to a commensurate amount for the risk,” says Giovannucci, who once tried and failed to persuade a former Starbucks chief executive to add 3 cents to a cup of coffee to double farmer income.

Sustainability experts argue a fundamental rethink of how coffee is priced is needed to ensure farmers have the financial resources to build climate-resilient businesses and consumers know they’re buying a sustainable product.

Key to this reset is a greater focus on culture, history and farm stories, much like in the cheese and wine industry, Giovannucci says, pointing to products such as Parmigiana, Stilton and Champagne. “The question for us is, I think, whether the industry will be smart enough to create the narratives we’re talking about — of amplifying the intangibles of an origin, of a human and ecological story,” he says.

## Power of science

Organisations connected to the coffee industry are now rallying to try and save its long-term future. The WCR argues an injection of cash into agriculture research and development could tackle the impact of climate change as well as ensure coffee producers make a decent

Much of coffee’s value is added after export



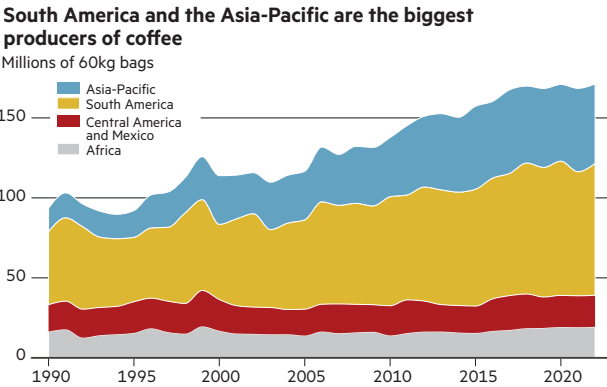
Illustrations by Cecilia Reeve

Once harvested, coffee cherries are processed and exported

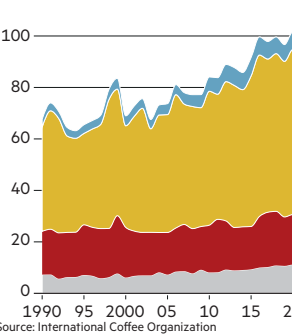
Most value is added once the beans arrive at their destination country

The beans are roasted, packaged and sent to coffee shops or supermarkets

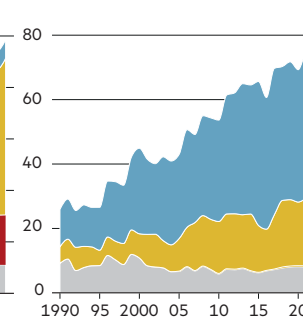
Baristas grind and serve the beans at coffee shops, while other consumers prepare their own brew at home



**South America dominates arabica — driven by Brazil and Colombia...**  
Arabica production, millions of 60kg bags

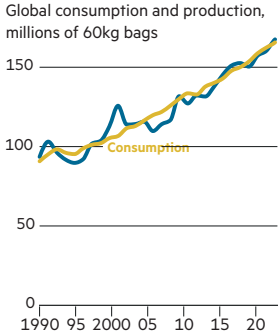


**...while the Asia-Pacific region leads the pack in robusta**  
Robusta production, millions of 60kg bags

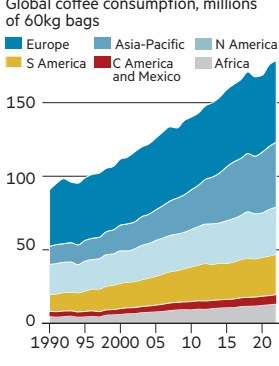


Source: International Coffee Organization

**Consumption of coffee has often outstripped production**  
Global consumption and production, millions of 60kg bags



**Consumption has almost doubled in three decades**  
Global coffee consumption, millions of 60kg bags



living. An extra \$452mn a year over the next decade is needed to ensure farmers have the plant varieties and innovations needed, the non-profit has concluded.

The cash, ideally from a mix of public and private investment, could help fund research into more resilient plants, better disease and pest control, new ways of protecting water and natural resources and enhancing soil health, as well as best practice in farm management.

Where the investment would go would depend on who was funding it. But it is consuming countries that need to “lean in” to co-finance this R&D agenda alongside low-income, producing nations after decades of under-investment, says Long of the WCR. “Then we could actually create the kind of innovation required to meet all of our consumer demands around greenhouse gases, reduce pesticide use, drive up productivity, which gives farmers a pay rise, and really enable many countries to successfully export coffee.”

Most of the increase in production over the past decade has come from just three countries — Brazil, Vietnam and Colombia — which have all invested in farm technology and climate-resistant plants. “As a scientist, I’m an eternal optimist,” says Long. “I think we can innovate our way out of this mess.”

The ICO has also set up a task force, made up of about 40 stakeholders spanning big brands and governments, and aims to guarantee an economically, socially and environmentally sustainable coffee supply by 2030.

Climate change is “coming faster” than the industry thought, admits the ICO’s Nogueira, and innovators are trying to find short-term solutions. Meanwhile, the big coffee companies have been accused by growers and sustainability experts of not doing enough.

Michelle Burns, head of global coffee, social impact and sustainability at Starbucks, says the company is “committed to sourcing coffee responsibly” and is

‘Farmers don’t see a future in coffee. If no one wants to grow anymore, how are we going to drink any?’

“actively working to ensure” the future of coffee at the company’s own research coffee farm in Costa Rica.

The company has invested more than \$150mn in communities to encourage innovation, will donate 100mn climate-resilient coffee trees to Central America by 2025 and has co-created the Sustainable Coffee Challenge with Conservation International to find other solutions, she says. It also pays farmers above the market price, Burns adds.

## A new bean?

A longer-term, radical solution, put forward by scientists at the Royal Botanic Gardens, Kew, is to broaden the “global crop portfolio”. A variant of coffea liberica — popular in the 19th century but dismissed for its unpleasant flavour — is showing promise, say researchers.

Alongside renewed interest in the traditional, larger-seeded liberica, an increasing numbers of farmers in Uganda and South Sudan have begun turning to a smaller-seeded variant of the species, known as excelsa. While they previously mixed it into lower-priced robusta, they are now beginning to sell it under its own name.

With a taste closer to arabica but thriving under warmer conditions at lower elevations like robusta, excelsa shows promise, says Kew’s Davis. He suggests it could be bred with arabica or robusta to create more climate-resilient plants or even become a commercially viable product in its own right. Coffee traders are already planning to ship the bean to speciality roasters. “I think the key thing for us is it has the potential to be mainstreamed,” says Davis.

What is clear is that something has to change, and quickly, if future demand is to be met. Vivek Verma, chief executive of the coffee side of food and drink supplier Ofi, says consumers now consider coffee “more of a necessity than a luxury”.

But the industry needs to make it economically viable for producers, he adds. “Otherwise we risk losing some of the rich diversity of flavours from multiple origins that gives coffee its widespread charm and appeal.”

## Reporting team

Caroline Nevitt, Justine Williams, Dan Clark, Nian Liu and Emma Lewis



# The FT View



## The US and Iran look for de-escalation

*Risk of deepening nuclear crisis remains, but efforts to contain it are welcome*

After more than two years of tortuous, halting talks, the Biden administration may finally be making some progress in its efforts to de-escalate tensions with Iran, secure the freedom of US nationals imprisoned in the Islamic republic and potentially put a lid on a long-running nuclear crisis.

Last week, Iran transferred four Iranian-US citizens, including businessmen Siamak Namazi, Emad Shargi and Morad Tabbaz, from Tehran's notorious Evin prison to house arrest as the first phase of a prisoner swap. Under the agreement, the detainees, plus another dual national also under house arrest, will eventually be free to leave the Islamic republic. Washington, meanwhile, will allow Tehran to access \$6bn of its frozen oil funds held in South

Korea and release five Iranian prisoners.

The deal smacks of hostage diplomacy and will justifiably cause concerns that it will encourage the regime to keep cynically using human pawns as a tactic in its decades-long hostility with the west. But the release of the dual nationals is a welcome step — Namazi had been in Evin for eight years; Shargi and Tabbaz for five years, all on spying charges.

A successful prisoner exchange may help build a degree of trust where none exists and support efforts to contain a nuclear crisis that has been simmering dangerously since Donald Trump unilaterally abandoned the 2015 nuclear deal Tehran signed with world powers.

US and Iranian officials have been discussing other de-escalatory measures that would include Tehran putting a cap on its uranium enrichment levels and co-operating more with the International Atomic Energy Agency. Washington is also pushing the republic to stop selling armed drones to Moscow, which Russian forces have used to

brutal effect in the war in Ukraine. In return, the US may turn a blind eye to Iranian oil exports, which have been stymied by sanctions.

Those discussions are not complete and they are not designed to produce a new nuclear deal. But they would amount to progress by stopping at its current capabilities a nuclear programme that could inflame the Middle East. Iran is enriching uranium at its highest ever levels and has the capacity to produce sufficient fissile material to develop a nuclear bomb in about two weeks if it chose to do so.

If the programme continues unchecked, Israel or the US at some point would feel compelled to respond militarily. The risk of a miscalculation that could trigger a conflagration is also real. Any attempt to delay this prospect should be seen as diplomatic pragmatism. A more desirable solution — to breathe new life into the now moribund 2015 Iran nuclear deal — is sadly out of reach at this time.

A successful prisoner exchange may help build a degree of trust where none exists

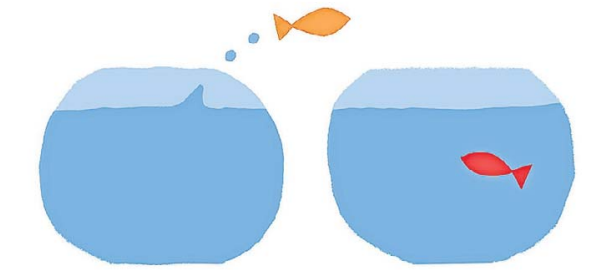
When Trump launched his “maximum pressure” campaign against the Islamic republic he offered no political off-ramp. Iran responded to the pressure by acting provocatively: it mobilised proxies to destabilise and attack its enemies, and ramped up its nuclear activity. In Tehran, the calculation is that its leverage comes from stoking crises and making its foes aware they will pay a cost. There is no reason to believe that malign behaviour would change.

As expected, Iran hawks in the US are already criticising the Biden administration for agreeing to unfreeze the \$6bn. The prisoner deal is not contingent on the de-escalatory measures, but could still fall apart. There are questions about how sustainable the steps to contain the nuclear crisis would be even if they were secured. The underlying challenge of preventing Iran becoming a threshold nuclear state remains unresolved. Any moves to de-escalate tension and reduce the risk of war should be welcomed.

### Opinion Society

## The value of venturing into other people’s worlds

Ben Hickey



It might be the years I spent living in Paris as a child, but the month of August has always struck me as an utterly insupportable month for any kind of arduous work. This is a time for slowing down, taking stock, concentrating on being — not just doing — and yes, quite possibly for having it out in dramatic fashion with our nearest and dearest (bust-ups can be important too).

But it is also a time for exploring; for wriggling out of our comfortable little bubbles and leaping into new and unfamiliar ones. For me, the best, most enriching breaks tend to be those that involve not just hedonistic pleasure (though they must feature a good amount of that), but also the kind of experiences that expand my horizons, giving me a glimpse into lives and perspectives that I do not usually encounter.

Without engaging with those outside our filter bubbles, we rarely feel true empathy with them

And that’s what a lazy, languorous month like August — the whole notion of a holiday, in fact — can offer beyond just rest and relaxation. By taking us away from the daily grind, it can offer us the opportunity to inhabit, if only for a few days, a different world.

This is a rare gift: in our divided, over-convenient and hyper-online societies, we very seldom have the need — let alone the inclination — to interact in any substantive way with those outside our narrow social, cultural or ideological spheres. We might get involved in a bit of performative, bad-faith 280-character jousting on social media, but trying to actually understand where the person with whom we are disagreeing might be coming from? Fuhgeddaboutit.

Without engaging with people outside our own filter bubbles, we rarely feel true empathy with them. This doesn’t apply to everyone outside it, of course — we are perfectly able to feel compassionate towards people we consider morally righteous, particularly if they do not threaten our own interests. But beyond that, there seems to be considerable resistance.

So while a nice left-leaning liberal might be quite able to show considerable empathy towards, say, a displaced Ukrainian family, there seems to be no such compassion when it comes those

who have been deemed unworthy of it. A young Russian soldier, perhaps, or even a Tory: 68 per cent of Labour voters in a 2019 survey by Opinionum and the London School of Economics said they felt “disgust” towards Conservative voters. (48 per cent of Tories expressed the same feeling towards Labour voters.)

Fine, you might think — after all, should you really be feeling empathetic towards people who, according to you, are on the wrong side of history? And is it really worth spending mental and emotional energy trying to summon compassion for people whose views you consider beyond the pale or even antithetical to societal progress?

In a word: yes. It is always worth trying to understand why a person you vehemently disagree with has come to hold the view that you consider objectionable or bizarre. Journalists are taught that if one person tells you it’s raining and another that it’s not, your job is not to report what each person is saying, but to look out of the window and see for yourself. I’ve always been more interested in finding out why, when it is evidently not raining, one person continues to say that it is.

We will never be able to bridge the divides that pit us against one another, weaken our democracies and pollute our discourse if we are not willing to at least try to try other perspectives — however ludicrous or morally dubious they might seem. What we tend to find, when we walk in another man’s moccasins, is that the reason we weren’t understanding his perspective is not because he is a monster without a soul, but because he has a different value system.

This is a phenomenon that Jonathan Haidt describes in his book *The Righteous Mind: Why Good People are Divided by Politics and Religion*. “People bind themselves into political teams that share moral narratives,” writes Haidt. “Once they accept a particular narrative, they become blind to alternative moral worlds.”

We can alleviate such blindness if we attempt to spend some time in these alternative worlds. It does not require an expensive holiday: there are often people living very different lives from us close by. Even picking up a book can help — research has shown that reading literary fiction can make us more open-minded.

So if you ever find yourself saying “I just don’t understand how anyone could think [fill in the blank]”, consider taking that as a sign that you need a new approach. While you might not always like what you find, trying to understand it should be a challenge not just for the summer, but for life.

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## Letters

## Broadcasters are proving resilient and popular

Ofcom, the UK media watchdog, is right to highlight that viewers are watching less broadcast “traditional” TV and are increasingly watching on-demand services (“Big switch: Viewers turn to digital TV”, Report, August 3).

However, beneath the headline decline is a story of remarkable national resilience (if you’re feeling defensive) or enduring popularity (if you’re feeling positive) in the face of global competition.

The UK’s broadcasters are rapidly, and successfully, adapting to changing viewing habits. They are encouraging

the shift from broadcast to on-demand viewing. Their on-demand services grew last year while global streamers declined for the first time. They should be judged by the sum of their broadcast and on-demand parts.

As Ofcom’s figures show, nearly two-thirds of all video viewing in the UK is accounted for by the broadcasters, and they reach 79 per cent of the population every week, despite immense competition from global platforms. That is impressive scale. They remain the bedrock of the nation’s media consumption and the

home of its mass cultural moments.

The rebalancing between broadcast and on-demand viewing has been happening for over a decade as people of all ages change how they watch TV. That change isn’t over yet. In fact, TV is forever transforming.

But what’s clear is that the broadcasters’ pedigree and expertise in what UK viewers enjoy, and their proven adaptability, means they are well placed to thrive in the future.

**Matt Hill**  
Research and Planning Director  
Thinkbox, London W1, UK

### When de Gaulle’s mastery of language let him down

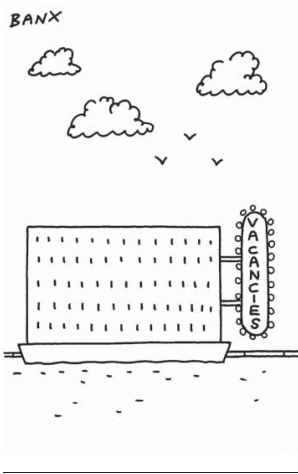
Reading Gideon Rachman’s column “Putin, de Gaulle and national greatness” (Opinion, August 15) one is reminded that de Gaulle was masterful in his use of ambivalent language, for example when he told Algeria’s French settlers “*Je vous ai compris*”. But he lost the plot when he went to Canada and declared “*Vive le Québec libre*”.

Greatness and judgment erodes with time and the growth of arrogance in leaders.

**Professor Wyn Grant**  
University of Warwick, Coventry, UK

### It raises the question – who are banks there to serve?

On the issue of cash being “an interest-free loan to government”, and unremunerated central bank digital currencies being the same — the “real scandal” as Andy Haldane calls it — it’s important to remember that most UK retail current account deposits earn zero interest rate, and many banks actively charge a monthly fee. Surely



the public would rather our money balances be a public good than one which private banks make money out of (Opinion, August 1)?

**Caroline Bentham**  
Lead Associate, Cambridge University Centre for Alternative Finance, UK

### Biden wants to avoid Hillary Clinton’s mistake

In “Could loneliness explain why Trump won?” (FT Magazine, August 12) Gillian Tett cites an essay by Hillary Clinton suggesting this was why she lost the presidential election in 2016. But to win, only one number counts: 270, the number of US electoral college votes needed to become president. Clinton either purposely ignored or forgot that number one rule. Donald Trump did not. While losing the popular vote, Trump won the electoral college.

If Trump is the candidate, he will focus on a handful of states and districts in which as few as 20,000 votes could decide the winner. Joe Biden won in 2020 with over 5mn popular votes more than Trump and 302 electoral college votes. But if this is a rerun of 2020, will Biden repeat Clinton’s catastrophic blunder? Or will he focus on this relatively minuscule number of voters who are likely to determine the outcome of the election?

**Harlan Ullman**  
Washington, DC, US

### OUTLOOK AMERICA

## Pickleball is redefining retirement



by Taylor Nicole Rogers

When my dad decided to retire at the end of last year, my mom and I were pretty worried. How was he going to spend his time?

The answer turned out to be pickleball. We shouldn’t have been surprised — the game is quite literally everywhere in the US these days.

My dad is among the 4.8mn Americans who picked up his paddle in 2022, making the combination of badminton, ping-pong and tennis the fastest growing sport in the country.

The once-obscure racket sport is expanding so rapidly — participation grew 159 per cent between 2019 and 2022 — that its unusually dedicated fan base is running out of courts to play on. Longtime pickleballers explain that they used to play on tennis courts, converting the space by lowering the net by two inches in the centre and taping out new lines. But the game became so popular that they outgrew existing courts, and angered tennis players along the way.

So players started creating courts wherever they spotted empty space; they popped up in virtually every public park. In New York’s Central Park, the iconic Wollman Rink has been turned into multiple pickleball courts for the summer. In New Hampshire and New Jersey, private courts have opened inside abandoned shopping centres. The game is reshaping American cities.

Even with this expansion, you almost never see an empty court.

At least half a dozen people described their relationship with pickleball to me as an “addiction”. My dad says the fanaticism is down to how easy the game is to pick up — regardless of what shape you’re in — and its community of dedicated players. Most pickleball games use a rotation system, where you end up teaming up with and against strangers at almost every game. Players become fast friends, and use group chats and an app to co-ordinate games.

When I visited my dad’s usual game last week, he recognised every single car in the parking lot. A 65-year-old friend of his, Rick Meismann, tells me: “I don’t care for people, and I haven’t met a person here that I don’t like.”

Dad is not the only one who spends his days on the pickleball court. Bert Maupin, who recently retired after 40 years in IT, jokes that pickleball is his job now.

The triweekly game that Meismann, Maupin and my dad attend has revitalised the Chattanooga, Tennessee, community centre, its director, Jeff Strong, tells me.

It all started when Pam Hoover and her husband, Tim, came to the Tyner community centre last year to vote in an election. The gym struck them as the perfect place to set up a court.

Now, most of the city’s 18 community centres offer pickleball. The matches draw so many seniors that Strong is planning a whole slate of programming around them, including bingo and summer camp games such as cornhole.

“The game is a big asset,” Strong says. The retirees who initially came for pickleball are now volunteering at the centre’s summer camp for inner-city youth. The day I visited, the Tyner’s four courts were filled with two dozen participants aged 61 to 85, “dinking”, or playing.

But not everyone is thrilled by the proliferation of pickleball courts. The paddles make a distinctive popping sound as they whack the plastic ball. Some city councils are working to block the development of new courts to limit the noise, while a handful of homeowners associations have resorted to lawsuits.

Aside from tennis players and those who live near courts, pickleball has another important detractor: my mother.

“It’s a great outlet for him,” Mom says of Dad’s pickleball habit. “It’s just that he overdoes it. He comes home so tired that he can’t move . . . I do not want my husband shuffling through my house.”

Dad doesn’t disagree. “That is all true,” he says.

Still, he and his friends keep playing. Hoover, 69, broke her wrist and bruised her tailbone during a game, yet she still comes to the community centre three times a week to watch her husband and their friends play.

“In your golden years, it just makes everything a bit more golden,” says Pam Randolph, 68.

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Opinion

Corporations scent a tech opportunity in Ukraine

INNOVATION

Marietje Schaake



Technologies are playing a prominent role on Ukraine’s battlefields as the country continues to defend its homeland — and European destiny — against Russia’s war of aggression. Civilian and military technologies are being tested and used in new ways. Drones inform troops about the frontier, AI labels targets, and facial recognition systems identify fallen Russian soldiers. Some corporate leaders can hardly hide their excitement about the war as an opportunity.

In the months leading up to the invasion, analysts imagined the first full blown cyber war, given Russia’s record of wreaking havoc against Ukraine with NotPetya in 2017. That ransomware, launched by Russia, targeted govern-

ment departments, media organisations and power companies, causing global damage of over \$10bn. The worst fears of such a cyber war have certainly not materialised. Ukraine has proven resilient, and the role of technology is not what was anticipated.

Today, we see technologies integrated with battlefield methods. This is a hybrid conflict, in which the lines between civilian and military uses of technologies are blurred. Drones are used in massive numbers for reconnaissance flights as well as to deliver explosives. Their use is so substantial that Ukraine reportedly loses around 10,000 of them a month.

Among some business leaders there is a perverse sense of enthusiasm for testing out new products. Alex Karp claims his company, Palantir, is making a decisive difference in favour of Ukraine, for example through their AI that supports identifying targets. Since shaking hands with Volodymyr Zelenskyy in June 2022, the company has opened an office in Kyiv. Karp has said: “the power of advanced algorithmic warfare systems is now so great that it equates to having

tactical nuclear weapons against an adversary with only conventional ones.”

Former Google chief Eric Schmidt took a trip to Ukraine, where he met staff in President Zelenskyy’s office and the country’s defence minister. He scoped out future investment opportunities and is now supporting a local start-up incubator for military technologies. Schmidt spoke of the first “networked war” and praised Elon Musk for

Some of those at the top have a perverse enthusiasm for testing out new products

providing satellite internet connections through his company Starlink to the Kyiv government.

US military leaders are less enthusiastic about the developing dependence on commercial tech firms. They worry about Elon Musk’s dominance in satellite internet constellations. Musk denied a request by the Ukrainian

military to turn on Starlink near Crimea, for example, and promoted a so-called “peace plan” that might as well have been written by Russian president Vladimir Putin himself. Still, Ukraine’s digital minister Mykhailo Fedorov emphasised: “Starlink is indeed the blood of our entire communication infrastructure now.”

The controversial AI company Clearview is facing fines for violating privacy rules in Europe, but proved keen to offer its technologies to hundreds of Ukrainian officials. They use it, for example, to identify Russian soldiers who have been killed, or those still alive and committing war crimes or looting. The free use of its systems in Ukraine is aimed, no doubt, not only at supporting Ukraine but also at polishing Clearview’s embattled reputation.

William LaPlante, US under-secretary of defence for acquisition and sustainment, poured some cold water on all this, tempering the hype from tech CEOs talking up the role their products might play in deciding the outcome of the war. He warned that fighting is not done by Silicon Valley “even though

they’re gonna try to take credit for it.”

Still, Ukrainian officials hope that the influx of the west’s technology companies will have a lasting positive impact on the country. Nursing the objective that one day they might develop a Silicon Valley of their own, the government is banking on being hub for all kinds of innovative technologies that can be developed from the military technologies they need to defend the country now.

Fedorov has compared what could be achieved in Ukraine to the “Israeli model” of high-tech business growth. He has presided over the digitisation of government services ranging from permit applications to citizen services and IDs. But for a start-up nation to flourish, the country first needs to successfully stave off Russian invaders so that its people can focus on starting companies instead of fighting in the trenches to defend their country against artillery and bombs.

The writer is international policy director at Stanford University’s Cyber Policy Center and special adviser to Margrethe Vestager

Flirting with default, Argentina turns rightward

Hector Torres

Argentines went to the polls last Sunday in a primary election that was a dress rehearsal for the general elections to be held on October 22. The winner, Javier Milei, with a little over 30 per cent of the vote, is a rightwing libertarian who campaigns like a rock star, lives alone with five mastiffs named after famous liberal economists and claims not to have brushed his hair since he was 13 (he is 52).

Milei has vowed to “dollarise” the economy and “blow up” the central bank in order to prevent Argentina’s corrupt “political caste” from printing any more pesos.

Consider the dire economic context in which this message has resonated with many desperate Argentines.

The central bank is almost out of reserves, the government of President Alberto Fernández has imposed restrictions on access to the foreign exchange market and exchange rates have mushroomed as people rush for dollars.

Since Argentina signed its 22nd life-line programme with the IMF in 2022, it has missed all its fiscal, monetary and reserve accumulation targets. The government blames a \$20bn drop in exports on a severe drought. While acknowledging the impact of the drought, the IMF argues that the government compounded the problem by pumping up the economy with generous energy subsidies and an overvalued official exchange rate that has artificially reduced the cost of imports.

No wonder Argentina is again on the

If Milei were to win in October, his libertarian ambitions will collide with the dismal economic reality

British neglect risks Northern Ireland’s future

POLITICS

Stephen Bush



The politics of Northern Ireland throw up strange alliances and unexpected points of agreement. For example, republicans think that the British government has no place or interest in governing the place — and many British ministers, have, over the years, appeared to agree.

In 1970, Reginald Maudling, after his first visit as home secretary, boarded his plane home, sighed and said “For God’s sake, bring me a large Scotch. What a bloody awful country!” One of his predecessors, William Joynson-Hicks, assured Stormont’s prime minister that “I know my place” and “don’t propose to interfere”. Both men were Conservatives and nominally unionist politicians.

Nor is that indifference confined to the past, or to Tory ministers. Karen Bradley admitted in 2018 when she was Northern Ireland secretary that she had been unaware when she took the post that she “didn’t understand things like when elections are fought, for example, in Northern Ireland — people who are nationalists don’t vote for unionist parties and vice versa”. This would be the equivalent of Ben Wallace, the defence secretary, cheerfully admitting that

when he took the job, he hadn’t realised that the army and the navy aren’t one and the same thing.

On the Labour side, because of the electoral and institutional importance of the Irish diaspora within the party and because it matters personally to Keir Starmer, whose pre-politics career brought him to Northern Ireland, politicians generally have to feign a level of interest in public. But in private, most of them are no more interested than their Conservative peers.

Westminster’s real level of engagement can be seen in the reaction to the Police Service of Northern Ireland’s data breach. The personal details of 10,000 serving officers and staff were accidentally leaked online. These included officials who work with the security services. Although it is generally believed that dissident groups are nowhere near as effective or significant a threat as the Provisional Irish Republican Army was during the Troubles, the data breach does pose a serious risk to PSNI officials and to policing in Northern Ireland, a part of the UK where the terror threat is still treated as “severe”.

The PSNI is far from alone among police forces in the British Isles in facing serious challenges. No one could claim that London’s scandal-ridden Metropolitan Police had acquitted themselves well in their response to the murder of Sarah Everard by a serving police officer, or in a series of high-profile blunders.

The new Met chief, Mark Rowley, recently exposed himself to ridicule by



Ellie Foreman-Peck

calling on mobile phone companies to do more to help tackle smartphone theft. Given that these companies have already developed facilities that allow the location of stolen devices to be pinpointed with incredible accuracy, it is unclear what else Rowley wants Apple and Samsung to do, except perhaps hire their own armed wing.

And no one would argue that the Greater Manchester Police’s behaviour over the wrongful conviction of Andrew Malkinson revealed a force that had mastered the arts of contrition or accountability.

But the problems of the Met or the GMP are second-order compared with both the costs and the risks created by the PSNI’s data breach. While the Met appears at times to lack the inclination

Politicians neither notice nor care when the province enters a period of crisis, nor show much desire to help

to fulfil the basic functions of a police force, the PSNI data breach might well compromise the PSNI’s ability to do so. The financial costs alone are beyond what a devolved parliament, with curtailed abilities to either raise revenue or borrow money, can cope with. Ian Paisley Jr, a Democratic Unionist party politician who sits in the House of Commons, is absolutely right to say that parliament ought to be recalled to discuss the crisis, and in any other part of the UK it would already have happened.

Westminster’s lack of interest in Northern Ireland is a reflection of the mainland British electorate as a whole, but the problem is deeper than that. Just as Northern Irish matters tend to have little impact on voters in mainland Britain, so few votes are won in the effective conduct of foreign affairs. Still, foreign secretary James Cleverly has strengthened his stock at Westminster. Chris Heaton-Harris’s standing at Whitehall owes more to the fact that he was respected by colleagues as an whip and because in the early days of Twitter he had a good line in cheesy

jokes than his role as secretary of state for Northern Ireland.

For many, Westminster’s visible indifference is a sign that unionism is an unreciprocated love affair: politicians in Great Britain neither notice nor care when Northern Ireland enters a period of crisis, nor show much desire to help out or get involved. The indifference of British politicians in the era of Joynson-Hicks to the discrimination against and disenfranchisement of Northern Ireland’s Catholic minority helped drive the province into the Troubles. Indifference in the age of Maudling helped to exacerbate them.

Indifference in the time of Bradley is why the UK’s Brexiters pursued a form of Brexit and made promises that could only result in a weakening of Northern Ireland’s place in the UK. It is, once again, indifference that deepens Northern Ireland’s policing crisis and indifference that remains the one consistent part of Britain’s relationship with Northern Ireland.

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Business deserves deeper insight into security threats the UK faces

Simon Fraser

In the great power confrontation between the US and China, military tension is rising but the weapons of choice are economic. Digital technologies, trade interdependence and cyber warfare blur the boundaries of economic and security policy in ways that affect us all. The race for leadership in green technology and developing AI is also about geopolitical dominance.

Government intervention in markets is escalating through sanctions, trade protection, export controls, supply chain management and investment screening — such as the US’s Chips and Science Act, its new controls on investment into China and the EU’s draft economic security strategy. These interventions put businesses, investors and scientists on the frontline of adversarial international politics, seeking reassurance. Given the

fast-moving threats, there will never be total certainty. But they can reasonably expect governments to set coherent policies that balance open economic relationships with national security constraints. And they are entitled to opportunities for consultation.

Since the G7 summit in Hiroshima in May, the idea of reducing economic dependence on high-risk countries is supplanting wilder notions of full decoupling, which would have catastrophic economic and political consequences. Continuing economic interdependence preserves prosperity and deters conflict. But businesses need to know what this approach means in practice. When US national security adviser Jake Sullivan talks of keeping sensitive technologies within a “small yard and high fence”, they ask what is to be kept in the yard, and how the fence is constructed.

The UK should focus on improving the way decisions are made and executed. For example, advice to the cross-departmental National Security Council, which brokers sensitive decisions at the heart of Whitehall, has been dominated by “securocrats,” many of whom

have limited knowledge of economics and business. There should be a stronger economic counterweight. The Treasury is rightly boosting its own economic security expertise.

Transparent and effective dialogue with the private sector is vital. Occasional feel-good meetings between handpicked CEOs and top ministers are not enough. Consultation should be early, systematic and operational — it is often the nitty-gritty of implementation that matters most to business, such as the precise specification of products captured by a control list.

Whitehall’s poor record of timely decision-making in applying export controls on sensitive technologies is justly criticised. Businesses are caught between different departments with

Companies are caught between Whitehall officials with little sense of where the final decision lies

little sense of where the final decision lies or when it will emerge. Processes for constructive challenge are unclear. There is a strong case for a single “shop front” for business liaison.

Similarly, while the National Security and Investment Act sets out objective criteria relating to sensitive sectors and stake size, the recent shift of responsibility from the Department for Business and Trade to the Cabinet Office is tacit recognition that the most difficult cases are highly politically sensitive. They can end up being handled in what seems like a black box.

Sharing sensitive information is a perennial problem. Despite the welcome publication of the high-level national risk register, the government is understandably reluctant to disclose detailed threat assessments on issues like foreign intelligence activity. Constraints on sharing can also inhibit private consultation, though many people in business have government security clearances. Despite the challenges, better access to information should be a goal.

The UK National Cyber Security Centre, GCHQ’s public arm, has pioneered

proactive engagement with business to explain and avert digital threats. Expanding such an approach to issues concerning critical national infrastructure and newly emerging technologies like AI would be welcome. International co-operation is also vital. When the EU, US or Japan introduce rules that are not aligned they create competing and sometimes contradictory obligations for business. The US is pursuing overtly “America First” policies and will penalise countries and companies that do not comply. Promoting co-operation with the US, the EU and others in the G7, OECD and international standard-setting bodies is a priority.

Geopolitical confrontation and state intervention are here to stay. Both will hamper economic efficiency and growth. The greater the economic damage, the more difficult the political choices. Government has a strong interest in bringing businesses deeper inside the tent.

The writer is managing partner of Flint Global and former permanent secretary at the UK Department for Business and the Foreign and Commonwealth Office

The writer is senior fellow at the Center for International Governance Innovation and a former IMF executive director



# Lex.

Twitter: @FTLex

## EY/TPG: private chancer

EY partners let the genie out of the bottle last year. Those keen on splitting the firm's consultancy away from its audit business did not have their wish granted. But forces were put in motion.

Private equity group TPG has approached EY about buying a stake in its consultancy arm, according to a Financial Times report. EY rejected the proposal.

There was some sense to this deal. For one, private equity funds have a fair bit of dry powder at their disposal. Globally this figure stands at \$2.1tn, according to Preqin.

Even so, TPG's interest was ambitious. EY's consultancy arm is estimated to be worth some \$100bn, 23 times last year's ebitda. TPG manages not much more than that at \$137bn.

This is a difficult time for EY. In April, the partnership gave up on its plan to break apart, dubbed Project Everest. Global chief executive Carmine Di Sibio, a proponent of Everest, has decided to retire. No replacement has yet been found.

Still, interest in a split will not go away. EY sought to separate its consultancy from its audit practice to avoid conflicts of interest with clients.

Partners also hoped to generate some needed capital to fill a deficit in the US business pension fund.

The pitch from TPG should come as no surprise. Private financiers like the asset-lite, cash-flow-generative aspect of professional services groups. This interest can come in the form of equity or debt. It also makes sense that some partners at global audit/consultancies might like to sell up, particularly those closer to retirement age.

Deals have not been very large so far. Apollo's \$1.3bn private debt deal with accountancy BDO USA this month is the biggest. There have been equity purchases, too. CVC acquired public relations and advisory consultancy Teneo in 2019, which itself bought public relations group Tulchan early this year.

But investments are mounting up. Initially, CVC bought out BC Partners' roughly 50 per cent stake in Teneo.

It had already reportedly banked a four-times return on its investment in management consultancy AlixPartners between 2012 and 2016.

EY needs to find a new leader before it can countenance external approaches. But private equity firms will keep circling. The forces propelling a break-up will not disappear anytime soon.

## RTX/Pratt & Whitney: ground down

Pratt & Whitney makes the engines that power planes through turbulence.

Such engineering prowess is little help to the US engine maker as it contends with tumult of its own.

Last month Pratt & Whitney, a unit of aerospace and defence group RTX, was forced to issue a recall of its geared turbofan engine GTF.

The problem stemmed from contamination in the powdered metal used to make an engine part. Over the next year, the company must remove and inspect some 1,200 engines made between 2015 and 2021. Airlines have already changed flight schedules and ground aircraft as a result.

Since the recall, RTX shares have dropped 12 per cent. That leaves the stock trading on just under 17 times forward earnings, compared with its three-year average of 20 times.

Calculating the profit impact is not clear-cut. It depends how fast RTX can conduct inspections and the time required to make any fixes. Airlines will demand compensation. The manufacturing fault, described by P&W as a one-off, may cause long-term damage to order books.

RTX has offered few estimates on these scenarios. The GTF engine is a sizeable part of the business. It is used on the best-selling jet, the Airbus A320neo. Analysts at Baird believe that sales account for about 10 per cent of RTX group revenues.

Inspecting the 200 engines that have flown most should reduce free cash flow by \$500mn this year, says RTX. This works out to \$2.5mn per engine.

But extrapolating this for the remaining engines does not account for typical maintenance scheduling, which reduces the extra cost.

Jefferies pegs the hit to 2024 free cash flow at about \$1.5bn.

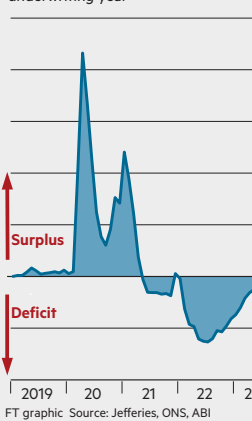
This does not include compensation for airlines, which RTX chief executive Greg Hayes acknowledges will be "expensive". Management's aim of

## Admiral: premiums product

Pricing in the UK motor insurance market is emerging from a lossmaking period. Insurers are pushing up premiums while the cost of claims has eased. The earlier insurance losses are reflected in poor share price performance over the past two years.

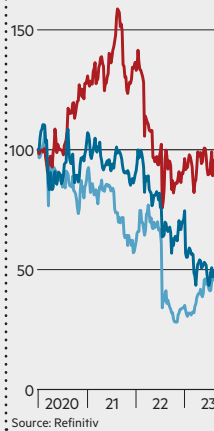
### Pricing surplus/deficit

Written basis premiums vs claims by underwriting year



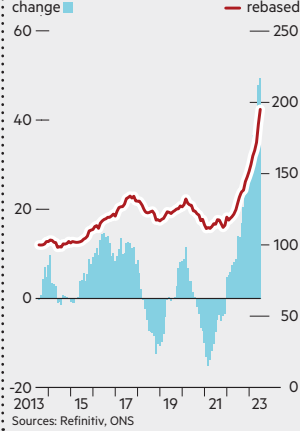
### UK motor insurers

Share prices (rebased)



### UK motor insurance premiums

Annual % change



Nelson's advice was not to interrupt the opposition when they were committed to a mistake.

British insurer Admiral has followed this strategy, avoiding the errors made by peers which took large losses on underpriced risks. Half-year results show profits rising and underwriting losses falling. The share price has been hoisted 8 per cent in response.

UK motor insurance has had a rough ride.

Motor policy prices fell during the pandemic as cars remained stuck on driveways. Recovery in car trips coincided with rising repair costs. These ran ahead of premium increases, leaving the sector with record annual losses in 2022.

Shareholders paid the price. Prior to results published yesterday, Admiral's share price had lost almost a third of its value since the start of last year.

Rising premiums should lift share prices higher.

Average UK motor premiums are at record highs, according to the Association of British Insurers. At Admiral they rose 21 per cent year on year in the first six months of 2023. Compare this with the paltry 7 per cent increase in the previous six months, a figure well below the 10 per cent rate at which claims costs rose.

Admiral has traditionally led the wider motor insurance market on prices. Peer Direct Line may be about to report the same uplift in results due next month.

Claims costs have stabilised too, partly as a result of better supplies of parts and the slowdown in second-hand car price increases.

However, record UK wage growth in the quarter to June is reason for caution about inflation. This could have a detrimental impact on Admiral's future claims costs.

The company's interim payout dipped.

Admiral shares should yield just over 5 per cent in 2024, according to Visible Alpha consensus. But better pricing should push up earnings more, says Tom Bateman at Berenberg. That could result in a yield closer to 6 per cent, a premium worth having.

delivering \$9bn in free cash flow in 2025 looks unrealistic. Ground any optimism of a quick stock rebound.

## Vietnam EVs: VinFast blast

The richest man in Vietnam just got a lot richer. Pham Nhat Vuong, chair of VinFast Auto, has added billions of dollars to his net worth thanks to the success of the Vietnamese electric-vehicle maker's New York listing.

But the company's \$85bn market valuation may be shortlived.

VinFast shares rose 255 per cent after it joined markets through a merger with blank-cheque company Black Spade Acquisition. The rare

Vietnamese listing is good publicity. VinFast wants to expand in the US market. Construction of its \$4bn North Carolina factory began last month.

So far, however, rollout has been unimpressive. Just 137 VinFast EVs have been registered in the US as of June, according to S&P Global Mobility data. The company was forced to recall its electric SUVs in the US in May.

VinFast has yet to break even. It recorded a net loss of \$598mn in the first quarter. Last year, it reported a \$2.1bn loss. Cash from the listing will help fund the Carolina factory.

Cutting prices to take market share from Tesla will be tough. Prices for VinFast's electric midsize crossover VF8 start at \$46,000 in the US. Tesla's Model Y costs \$47,740 but qualifies for a \$7,500 federal tax credit.

VinFast's projected annual sales of up to 50,000 were already a stretch from last year's 7,400 sales. But even if it can achieve this, it will still be small compared with established carmakers. VinFast's annual goal is about an average week's worth of sales volume for General Motors.

The share price jump should not be taken as proof of widespread investor confidence. Trading volumes were skimpy, worth about \$185mn of its shares. Vuong controls 99 per cent of outstanding shares, mostly via parent Vingroup.

Vingroup, Vietnam's biggest conglomerate, has a portfolio of real estate, retail, technology and healthcare businesses. For VF8 fans, Vingroup offers a less volatile way to bet on VinFast's global expansion.

## Target: middle income

The advantage of low expectations is that they make it easier to spring pleasant surprises. US big-box retailer Target has suffered from consumers tightening their purse-strings over the past year. But yesterday it reported a jump in profit thanks to less discounting and better inventory management.

In the quarter that ended on July 29, net income rose from \$183mn to \$835mn. Shares rose as much as 8 per cent in early trading.

But it is tough being stuck in the middle. Target's profit increase came against easy comparatives. It does not eliminate longer-term struggles.

Low-cost rival Walmart generates about 60 per cent of its US revenue from grocery. The figure for Target is around 21 per cent. This means Target is losing out as Americans shift their spending towards essentials such as food and fuel. A 5 per cent drop in sales during the second quarter underscores this. Target's decision to cut sales and profit guidance for the year suggests that the mix is not expected to change.

Even sales of home goods and fashion, traditionally Target's areas of strength, are being eroded by off-price retailers. The biggest of these, TJX, yesterday reported an 8 per cent jump in second-quarter sales and lifted its sales and profit outlook for the fiscal 2024 year.

While Target shares are down 29 per cent over the past 12 months, TJX shares have gained as much. A valuation gap has also opened up, with Target trading at just 15 times forward earnings against TJX's 23 times.

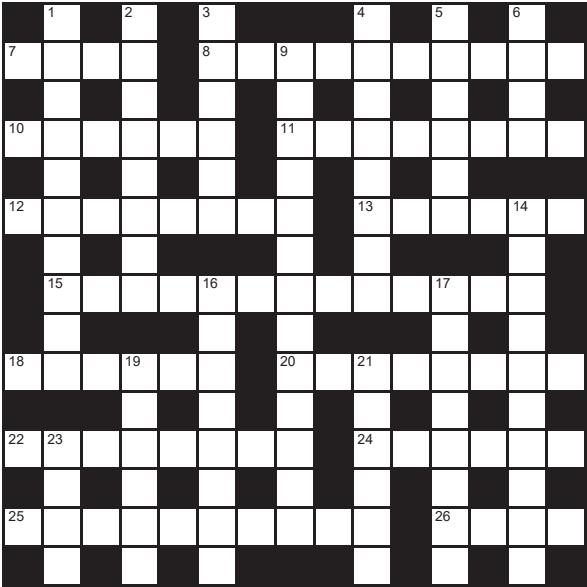
Target's decision to highlight the end of the pandemic-era pause on student loan payments suggests that gap will continue. More than 43mn Americans owe \$1.6tn in student loans. These were suspended during the pandemic. But payments, which average hundreds of dollars a month, will resume in October. This could set up a shock for millions of Americans. Instead of shopping at Target, they may choose to browse the aisles of discount retailers.

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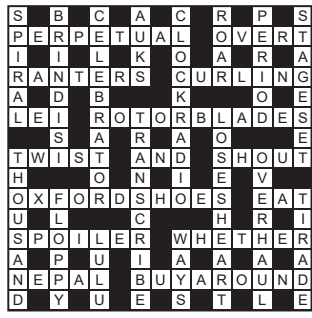
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### ACROSS

- What prompts one to talk when no-one's about? (4)
- Awfully tender men around area might provide it (10)
- One missing gear finds first passing turning horse (6)
- Sum being cracked by heads of Roedean and Eton (8)
- Female associated with wild turtles and bats (8)
- Everybody one's embracing close to armistice? (6)
- Messing about with diode, Brian Cox has a gas (6,7)
- Open slats primarily found on a French shack (6)
- How food can be served in an easily accessible way (2,1,5)
- Old politician (D) meeting with Middle-easterner (8)
- Plain selection of flipping hard nuts (6)
- Pants (if so called) in which the seams are picked? (10)
- Has EU's answer totally screwed leaders? (4)

### DOWN

- Trump? Concerning type who should be behind bars! (10)
- Small piece of office equipment one runs briefly (8)
- Mild-mannered chap heading for Lois Lane at last (6)
- Soprano who's not appeared with The Stones since childhood? (8)
- A bit of mumbling on spoken exam is unconscionable (6)
- One perhaps seen well tied up on a pirate ship? (4)
- Dolled up to get attention in a ninja outfit? (7,2,4)
- Group of people who might cross a politician? (10)
- Live near hot springs? I must jump in! (2,3,3)
- One could say Robinson Crusoe's darn lies in novel form (8)
- Durable trousers unravel in the end? Not at all! (6)
- A strain picked up could make you swear (6)
- I party with large bloke like Buddha (4)\*

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**Preeti Arora Razdan**  
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