

Baton Rouge ‘ambush’ leaves 3 police dead

Three police officers were shot dead in Baton Rouge yesterday and at least four others injured in what US authorities described as an “ambush-style assault”. The attack comes barely 10 days after a black gunman killed five police officers and wounded seven others in Dallas after a peaceful multiracial protest against the recent killings of black men in Louisiana and Minnesota. Baton Rouge in Louisiana has been on edge since the July 5 killing of Alton Sterling, a 37-year-old black man who was shot by two white police officers. Louisiana governor John Bel Edwards called yesterday’s killings an “unspeakable and unjustified attack on all of us when we need unity and healing”.

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Roads around the area were sealed off as the incident unfolded — Joe Penney/Reuters

Turkey crackdown on rebels goes to heart of Erdogan’s inner circle

◆ Almost 6,000 dissidents arrested ◆ Judiciary under threat ◆ US denies ‘involvement’

MEHUL SRIVASTAVA AND FUNJA GULER
ANKARA

The crackdown against those responsible for Turkey’s abortive coup moved into the heart of President Recep Tayyip Erdogan’s inner circle last night while sporadic fighting in two cities signalled that small pockets of mutineers were still resisting arrest. Thousands of loyal Turks crowded around public areas such as the Ataturk Airport in Istanbul and the presidential palace in Ankara, underscoring Mr Erdogan’s call to his followers to remain vigilant. The arrest last night of Mr Erdogan’s aide-de-camp, Colonel Ali Yazici, a man with unfettered access to the president, showed how deep the conspiracy to topple his government ran. A Turkish offi-

cial revealed that Mr Erdogan’s jet was “harassed” by at least two fighter jets in the early hours of the coup. At least 29 generals and more than 20 colonels are among the nearly 6,000 arrested, while 3,000 more remain at large, according to Turkish officials. The alleged ringleader, ex-air force chief Akin Ozturk, will be charged with treason, according to an official. Fears were growing that Mr Erdogan would use the coup to target the independent judiciary. More than 2,700 judges and prosecutors have been fired — including two members of the highest court. The government has yet to tie them to the putsch. As the arrests gathered pace, Mr Erdogan called the coup “a gift from God to cleanse the army”. “We are not after

revenge — if they have tanks and weapons, we have the belief against this,” he said as supporters chanted Allahu akbar, and demanded the return of the death penalty, which Turkey abandoned as part of its move to join the EU in the early 2000s. Mr Erdogan has yet to return to Ankara, after arriving in Istanbul in the early hours of Saturday morning following the failed coup. A Turkish official said there was nothing extraordinary in the president remaining in Istanbul. He spent yesterday attending the funerals of one of his political campaigners, and the brother of his chief of staff, who were shot by soldiers supporting the coup. Turkey is putting pressure on the US to hand over the self-exiled cleric Fethullah Gulen, who it is blaming for

‘[The coup attempt was] a gift from God to cleanse the army’
Recep Tayyip Erdogan

the coup, but has yet to submit a formal extradition request, Washington said. Turkish Prime Minister Binali Yildirim said any country that supported Mr Gulen was “engaged in a serious war with Turkey”. John Kerry, the US secretary of state, yesterday said it was “irresponsible to have accusations of American involvement”, adding that the US was “not harbouring anybody”. One person with access to preliminary investigations in Turkey said there was evidence of “direct involvement with Pennsylvania”, using a common reference for Mr Gulen, who resides on a farm in the state. “It will be shared with the US government as soon as possible.”
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Truck groups face record fines for price fixing

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Austria	€3.60	Luxembourg	€3.60
Bahrain	Dm17	Macedonia	Den220
Belgium	€3.60	Malta	€3.50
Bulgaria	Lev750	Morocco	Dh43
Croatia	Kn2750	Netherlands	€3.60
Cyprus	€3.50	Norway	Nkr35
Czech Rep	Kc100	Oman	OR150
Denmark	Dkr32	Pakistan	Rupee 280
Egypt	E£20	Poland	z18
Finland	€4.10	Portugal	€3.50
France	€3.60	Qatar	QR15
Germany	€3.60	Romania	Ron17
Gibraltar	€2.70	Russia	€5.00
Greece	€3.50	Serbia	NewD420
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India	Rup195	Slovenia	€3.50
Italy	€3.50	Spain	€3.50
Kazakhstan	US\$550	Sweden	SKr37
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British biotech dives into Sardinian gene pool to find the secret of long life

DAVID CROW — NEW YORK

In the quest to find the secret to a longer life, a British biotech group has bought the genetic data of almost 13,000 residents from a Sardinian province where an unusually large number of people live past their 100th birthday. Tiziana Life Sciences, a UK drugs group focused on cancer and diseases of the immune system, said that it had acquired a “biobank” containing the DNA of residents of Sardinia’s Ogliastra province, home to one of the world’s highest proportions of centenarians. Roughly one in every 2,000 people in Ogliastra live to celebrate their 100th birthday, about five times the rate in most developed countries, and second only to the Japanese island of Okinawa. The biobank consists of more than

230,000 biological samples including frozen blood from 12,600 Ogliastra residents, which have been matched up with family medical reports and official records such as death certificates dating back more than 400 years. Gabriele Cerrone, chief executive of Tiziana, said that the group hoped the trove of data would help the company identify whether there were any particular genetic traits linked to longevity. “Can you make a magic drug to make people live longer? Probably not,” said Mr Cerrone. “But you can compare the differences in their genes to other villages around the world and see if there are big alterations.” He added: “Part of it is the environment and the diet, of course, but part of it might be something genetic that we don’t yet know about.” It has long been assumed that people

from certain parts of Japan and the Mediterranean live longer because of healthy diets rich in fish and vegetables, but some scientists have started to research communities that appear to run counter to that theory. Mr Cerrone said that the biobank would help the company search for genetic traits related to various illnesses, allowing it to try to develop drugs to tackle them. The gene pool in Ogliastra is very homogenous — the vast majority of residents are directly descended from the same group of people — which makes it easier for scientists to spot genetic patterns related to specific illnesses. Despite living long lives, the people of Ogliastra have a higher than average preponderance of high blood pressure, asthma, dry-eye syndrome, osteoporosis and alopecia, a form of baldness.

World Markets

STOCK MARKETS				CURRENCIES				INTEREST RATES			
	Jul 15	Jul 8	%Week		Jul 15	Jul 8			price	yield	chg
S&P 500	2161.74	2129.90	1.49	\$ per €	1.107	1.103	€ per \$	0.903	100.41	1.58	0.06
Nasdaq Composite	5029.59	4956.76	1.47	\$ per £	1.323	1.296	£ per \$	0.756	105.24	0.95	0.04
Dow Jones Ind	18516.55	18146.74	2.04	€ per €	0.837	0.851	€ per £	1.195	105.39	-0.06	0.00
FTSEurofirst 300	1335.71	1296.02	3.06	¥ per \$	105.805	100.545	¥ per €	117.132	103.72	-0.25	0.00
Euro Stoxx 50	2958.65	2838.01	4.25	¥ per £	140.022	130.307	£ index	80.158	104.41	2.30	0.06
FTSE 100	6669.24	6590.64	1.19	€ index	88.615	88.745	\$ index	100.329	103.24	-0.66	0.00
FTSE All-Share	3606.72	3550.17	1.59	Sfr per €	1.088	1.086	Sfr per £	1.301			
CAC 40	4372.51	4190.68	4.34	COMMODITIES					price	prev	chg
Xetra Dax	10066.90	9629.66	4.54		Jul 15	Jul 8	%Week		0.38	0.37	0.01
Nikkei	16497.85	15276.24	8.00	Oil WTI \$	46.00	45.24	1.68		0.32	0.31	0.01
Hang Seng	21659.25	20706.92	4.60	Oil Brent \$	47.66	46.61	2.25		-0.31	-0.31	0.00
FTSE All World \$	271.89	264.76	2.69	Gold \$	1327.00	1354.25	-2.01		0.49	0.50	-0.01
								Prices are latest for edition Data provided by Morningstar			

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BATTLE FOR TURKEY

Erdogan rallied his citizens to take to the streets and fight

How the plot to oust president unfolded – and failed – as thousands of people faced off rebels

MEHUL SRIVASTAVA AND FUNJA GULER
ANKARA
ERIKA SOLOMON AND LAURA PITEL
ISTANBUL

It was Friday, just after 10pm, when Ahmed Kerim, a 60-year-old taxi driver hunting for fares ran up against soldiers arrayed before the city’s Bosphorus Bridge. “The army has put their hands on the control of the state,” the armed soldiers shouted. Behind them was a set of tanks blocking the bridge. It was the opening act of a bloody – but ultimately failed – coup seeking to wrestle power from the man who has dominated Turkey for more than a decade.

As it happened, President Recep Tayyip Erdogan was on vacation on the Turkish Riviera. In the next 10 hours, the levers of the state swung unpredictably between the rebels and his government. Hijacked fighter jets buzzed rooftops across Istanbul.

The parliament in Ankara would be bombed, as would the walls outside Mr Erdogan’s palace. Prime Minister Binali Yildirim’s office would be ransacked, television stations seized and protesters shot. At a wedding in Istanbul’s trendy Moda Club, senior Air Force commanders would be restrained by armed commandos and bundled into helicopters. The chief of the police’s antiterrorism unit would be shot in the head.

But first, the plotters had to get the President and Hulusi Akar, the chief of staff for the Turkish military.

The mutineering soldiers – whose ranks included the former Chief of the Air Force, Akin Ozturk, a four-star general, and the commanders of three of Turkey’s four major military units – never did: the president’s plane left from the regional Dalaman airport just before news of the coup broke on national television.

But in Ankara, where the headquarters of the Turkish General Staff sits close to Parliament, chaos reigned. According to two Turkish officials briefed on the situation, dozens of armed men stormed the offices of Mr Akar shortly after 9pm, demanding he sign a document pledging support for the coup. At one point, one of the officials said, a soldier applied a chokehold to the man in charge of the military before he was kidnapped at gunpoint and taken to a base outside Ankara. (On Saturday, after his eventual release, his neck still bore the signs of the trauma.)

Early on, the breakaway military faction had the upper hand. The president’s whereabouts were unknown and at least half-a-dozen F-16s were under their control, spirited out of the Air Force base in Diyarbakir in southern Turkey. Their only opposition appeared to be the police, whom they set upon with fury. In Ankara, just after 11:24pm, an FT reporter witnessed the bombing of a police installation outside the city – it was later reported that nearly 40 people were killed there. Inside Ankara, the police headquarters were flattened in a bombing, and attacked by a helicopter just after 1am.

At the studios of the state broadcaster, armed soldiers forced a newscaster to read out a statement from the faction, which called itself the Council for Peace in the Homeland. They had taken over “the administration of the country, to reinstate constitutional order, human rights and freedoms, the rule of law and



A special forces police officer patrols as the Turkish president attends the funeral of a victim of the coup attempt in Istanbul yesterday; mourners at a funeral of Omer Can Katar who was killed in Istanbul; Recep Tayyip Erdogan, centre, and ex-president Abdullah Gul, right — Ozan Kose/AFP /Getty; Sedat Suna/Epa; Aris Messinis/AFP/Getty



the general security that was damaged,” the group said.

In Istanbul, at a sweets shop by the Kuleli military academy, Omer Yazici watched soldiers march out of the school toward the Cencelkoy police station. “One minute I was serving ice cream, the next I was on the floor,” he said. He heard the soldiers demand the police surrender their weapons. When

‘One minute I was serving ice cream, the next I was on the floor’
Istanbul resident

the police refused, some residents approached. “I watched them shoot people down,” he said, shaking his head. “Then the soldiers lay flat on the road, right in front of us, in a firing position – as if we were in the middle of a battle.”

As the violence escalated, with tanks rolling over cars in Ankara, and fighter jets buzzing Ankara and Istanbul, a newscaster at CNN-Turk heard from her producer that the president was on the line. What came next was a surreal

sight for Turks who have grown accustomed to Mr Erdogan’s unfailingly commanding image: their besieged leader was speaking from an undisclosed location into the camera of a cell phone. The presenter unclipped her microphone and held it close to the producer’s phone, and the camera zoomed in on Mr Erdogan’s face.

Thus, a half-hour after midnight – more than three hours after the attempted coup was set in motion – Mr Erdogan relayed a message to his citizens: take to the streets and fight!

By the thousands, they complied: confronting soldiers, lying in front of tanks and swarming the airport in Istanbul.

The imams of local mosques turned on their loudspeakers, and chanted out a salaa. That call, different from the five times a day call to prayer is used rarely, usually after the death of an important person, and in this case, to warn, mobilise and encourage people.

“The soldiers shouted at people to leave, but they wouldn’t, so they started firing into the air,” recalled Karam al-Hamad, an aid worker who rushed to Istanbul’s central Taksim square, where he found waiters and line cooks still in

white uniforms and young women abandoning their night out. “At first the people started to back up, but more and more people were coming in to the square, and within minutes they pushed back again.”

Back at the Bosphorus Bridge, crowds breached the barriers, staring down the soldiers’ guns. Shots were fired – two found Erol Olcak, a friend and campaigner for Mr Erdogan from his days as Mayor of Istanbul, and his 16-year-old son, Abdullah.

In Ankara, Colonel Sait Erturk recognised some of the soldiers from earlier assignments. At 3am, he pleaded with them to lay down their arms. Instead, he was shot. The brother of Mr Erdogan’s chief of staff, Ilhan Vrank, sent out a defiant tweet: “If we are scared everybody will be scared. I am going out.” He too was killed. At his funeral yesterday, Mr Erdogan wept.

All through the night, Turkey’s mobile phones chimed with text messages from Mr Erdogan, urging citizens to fight for the nation. Behind the scenes, according to one Turkish MP, Mr Erdogan and his aides were waiting for loyalist factions of the military to settle

on a strategy. The men behind the coup responded with further violence – parliament was bombed. About 3:30am, soldiers stormed Dogan Media Group, which houses the CNN-Turk television channel. Soon after, the channel went off-air, as did others.

Then, outside the airport in Istanbul, a roar went through the crowd: The president’s plane had landed. Flanked by his son-in-law, Mr Erdogan made his first proper address to the nation. His very appearance countered the narrative of a country slipping from his grasp.

His supporters swelled with confidence. Mohammed Ozman, a web app designer, spent all night by the Bosphorus Bridge, and joined the police as they stormed it at 5am. “The soldiers shot back, and we could feel bullets whizz past – but it was like we could walk through them . . . I thought I would be afraid but the energy of our crowd was so powerful.”

He watched with delight, he said, as the soldiers walked out with their hands over their head. “No one should ever dare get between Erdogan and his people,” he said. The coup was not yet finished but the purge was beginning.

Arrests

Opponents fear unrest is being used as cover to purge critics

LAURA PITEL — ISTANBUL

Nearly 3,000 judges and prosecutors were among thousands of people suspended or detained after the failed coup in Turkey, prompting fears that it will be used as cover to further erode the country’s checks and balances.

Those arrested included two members of the constitutional court, the country’s highest legal body, seen as one of the few institutions still willing and able to challenge the government of Recep Tayyip Erdogan. Ten members of the High Council of Judges and Prosecutors were held, while hundreds of other judges and prosecutors were suspended from their posts, bringing the total to 2,745.

The haste with which members of the judiciary were targeted alarmed Mr Erdogan’s opponents and human rights defenders, who voiced fears that it would be used as cover for a purge of critics of the president and the ruling Justice and Development Party (AKP).

Ayse Bingol, an Istanbul human rights lawyer, said: “We are talking about arrest warrants issued for thousands of people. How were they issued? Based on what facts? Is it a kind of witch-hunt or is there respect for the rule of law?”

The Turkish government has blamed Friday’s attempted putsch, which left 265 dead, on Fethullah Gulen, an Islamic cleric who lives in self-imposed exile in the US. Mr Gulen, who is alleged to have supporters throughout the military, civil service and legal system, has strongly denied the accusation.

The detention of two members of the Turkey’s top court will be seen as significant. One is Alparslan Altan, who headed a panel that ruled in 2014 that Turkey’s ban on Twitter was a breach of the constitution. The second, Erdal Ter-cal, has spoken out in praise of the European Court of Human Rights and urged Turkish citizens to “claim your rights”.

Both men were involved in the ruling in February that two journalists from the Cumhuriyet newspaper had been unfairly jailed while awaiting trial on charges of treason. Mr Erdogan said at the time he had “no respect” for the decision and vowed that he would not abide by it, prompting opposition warnings that he was seeking to interfere directly with the country’s top court.

One of the journalists, Can Dunder, who was jailed for five years in May pending appeal, said Mr Erdogan was using the failed coup “to get rid of all of his opponents and realise his lasting dream of a one-man system”.

Others warned that it was too soon to make such judgments. Selim Kuru, an analyst at the Ankara-based think-tank Tepav, described the round-up as “concerning” but argued that many had been too quick to brand the move a purge. “This was a coup plot in a big country, with the involvement, if not the leadership, of the Gulen network,” he said. “These guys have been seeping into state institutions for decades. Now all of that is unravelling.”

No details have been made public about the evidence linking the suspects to the attempted plot. A senior Turkish official declined to comment on individual cases but said the allegations were “based on financial transactions and the communications between the individuals in question and the putschists”.

Investor concerns

Attempt to oust president adds to uncertainty over economy

LAURA PITEL — ISTANBUL
ARASH MASSOUDI AND
MEHREEN KHAN — LONDON

Turkey moved to reassure investors yesterday that the economy would not be derailed by a failed coup.

The central bank said that it would offer unlimited liquidity to banks, while deputy prime minister Mehmet Simsek said that the government was in charge and there was “no need to worry”.

Mr Simsek, who was due yesterday to hold a conference call with investors, wrote on Twitter: “Our country is returning quickly to normal after this putsch attempt rebuffed by our nation.”

“Our country’s macroeconomic fundamentals remain solid. We are taking all the necessary measures.”

Still, the attempted coup to oust Recep Tayyip Erdogan threatens to deliver a stinging blow to a Turkish economy that is heavily reliant on foreign investment.

Chaotic scenes of rebel soldiers taking to the streets of Istanbul and Ankara on Friday caused the lira to plummet 5 per cent – its biggest fall since 2008. The currency’s weakness risks pushing up

inflation and adding further pressure to Turkey’s yawning current account deficit, while the uncertainty will threaten inward investment and tourism, according to analysts.

“It is a very serious confidence shock but it also depends on how permanent the depreciation in the currency will prove,” said Murat Ucer, economist at Global Source Partners, a consultancy.

The coup attempt adds to an already tumultuous year that has featured two general elections, a prime minister deposed and a wave of terror attacks blamed on Isis and Kurdish militants.

The tourism sector – a vital source of foreign exchange – has already been battered by the attacks, including the assault on Ataturk airport in Istanbul by three suicide bombers last month that killed more than 40 people. Turkey’s diplomatic spat with Russia over the shooting down of a Russian war plane along the Syrian border last year has exacerbated the sector’s woes.

Tourism revenues declined by 23 per cent in May, with the year-on-year slowdown intensifying with each passing month, according to government data.

key looks more and more like a political basket case”, said Dani Rodrik, a Turkish economist at Harvard University.

It was economic strife, said Mr Rodrik, that pushed Mr Erdogan to reconcile with Russia and Israel in recent weeks. Any gains to tourism that might result from that will be jeopardised by the political instability, he added.

Bulent Gultekin, professor of finance at the Wharton School at the University



of Pennsylvania, and a central bank governor in the 1990s, said: “The challenge for Turkey – and what this government has forgotten – is the need to improve productivity. Without long-term investment in education . . . or an export-led economy, you condemn yourself to slower economic growth.”

A local banker worried that Turkey’s economy may struggle: “It’s going to take years to reach the same level of investment we had last year,” he said. “We have terrorism, we have coups, we have a lack of intelligence.”

Turkey had been one of the world’s better performing emerging markets. But growth was already forecast to slow from 4.5 per cent in 2015 to 3-4 per cent this year. It is heavily dependent on relatively short-term foreign capital inflows because of its high current account deficit, while many Turkish companies have significant levels of debt.

The lira’s fortunes are also set to weigh on the central bank, which had been expected to cut rates by 50 basis points, but could now hold back for fear of escalating the lira’s sell-off.

Additional reporting by Funja Guler in Ankara

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BATTLE FOR TURKEY

Ankara accusations

US hits out at claims it was behind coup attempt

Washington demands evidence before considering extradition of exiled cleric

DAVID J LYNCH — WASHINGTON
JAMES FONTANELLA-KHAN
SAYLORSBURG, PENNSYLVANIA

The administration of Barack Obama lashed out at accusations made by senior Turkish officials that Washington was behind Friday's attempted military coup against President Recep Tayyip Erdogan, calling such charges "irresponsible".

The Turkish claims, made by ministers close to Mr Erdogan, centre on the exiled cleric Fetullah Gulen, a one-time ally of the president who Ankara now insists orchestrated the coup from his compound in rural Pennsylvania.

Turkey's prime minister has demanded the extradition of Mr Gulen, who is a legal permanent US resident, and labour minister Suleyman Soylu said he believed the Obama administration was behind the coup.

"The US is not harbouring anybody. We are not preventing anything from happening," John Kerry, the US secretary of state, said yesterday. "We have always said: give us the evidence, show us the evidence. We need a solid legal foundation that meets the standard of extradition in order for our courts to approve such a request."



'I don't believe the world takes the accusations made against me seriously'

Fetullah Gulen

The dispute over Mr Gulen threatens to upend an already tense relationship that Washington has relied on in its offensive against Isis militants in neighbouring Syria and Iraq.

Air strikes by US warplanes have been flown from Incirlik air base in southern Turkey, but on Saturday the Turkish government temporarily cut access to the base, raising questions over whether Ankara was using the facility as a bargaining chip.

A Turkish official described the move as cautionary, as the brigadier-general in charge of the base appeared to have been involved in the attempted coup, and by yesterday morning the Pentagon said "air operations in Turkey have resumed".

Although Ankara has yet to submit a formal extradition request for Mr Gulen, Mr Kerry said he expected to be in touch with the country's justice minister "shortly" and Turkish authorities had promised him "they are assembling the evidence, putting it together in a dossier".

In a rare interview with the Financial Times and a small group of other reporters at his central Pennsylvania home, a frail Mr Gulen denied any involvement in the plot and suggested Mr Erdogan's allies may have staged the coup in order to crack down on Gulenists in the government.

"I don't believe that the world takes the accusations made by president Erdogan [against me] seriously," Mr Gulen said through a translator. "There is a possibility that it could be a staged coup [by Mr Erdogan's AKP party] and it could be meant for further accusations."

Although Mr Erdogan has made many calls in recent years for his former ally to return to face justice in Turkey, compiling a case that would persuade a US court could prove challenging and may explain Ankara's slowness in submitting a formal extradition request.

Long before Friday's attempted coup, the battle between Mr Erdogan and Mr Gulen was marked by the dismissal or reassignment of thousands of judges, prosecutors and police officers.

While Turkish officials say such moves were necessary to rid the bureaucracy of Gulenists plotting



A soldier suspected of involvement in the coup attempt, centre in blue, is held in Istanbul on Saturday Selcuk Samiloglu/AP

against the state, the crackdown has been depicted internationally as subverting the rule of law — a potential complicating factor in any court case outside Turkey itself.

Turkey would also have to demonstrate that it has a "smoking gun", definitively linking Mr Gulen personally to criminal plots.

Extradition requests are normally submitted by foreign embassies in Washington to the state department where they are reviewed and then transmitted to the justice department. After legal scrutiny, the issue is sent to the appropriate US attorney's office, which obtains a warrant to apprehend the individual.

Mr Kerry said the US believed Mr Erdogan had successfully reasserted control after Friday's events. US officials are urging the hardline president to "strengthen democracy" rather than unleash a wave of reprisals against political opponents not directly linked to the uprising.

Additional reporting by Mehul Srivastava in Ankara and Adam Samson in Saylorsburg

President faces tough choices over army he re-empowered

GLOBAL INSIGHT

David Gardner

As prime minister, Recep Tayyip Erdogan defanged Turkey's armed forces, only to re-empower them when he became president two years ago.

Mr Erdogan's see-sawing relationship with the country's most powerful institution has been one of the dominant themes of his tenure, and is the back-story to the attempted coup.

The army acted as the final arbiter of power in Turkey since the death in 1938 of Mustafa Kemal Ataturk, the founder of the republic whose secularising mission they presume to embody. The generals previously made or broke Turkish governments, thundering into the nation's cities in full-blooded coups in 1960, 1971 and 1980, or pushing aside elected leaders simply by making plain their displeasure.

That changed after Mr Erdogan's neo-Islamist Justice and Development party (AKP) came to power in 2002. A turning point may have been April 2007, when the army issued an elliptical ultimatum against the presidential candidacy of Abdullah Gul, co-founder of the AKP, essentially saying Turkey's Kemalist heritage could not be entrusted to a former Islamist. The AKP called the army's bluff in an early election, which Mr Erdogan won by a landslide.

Skirmishing continued between government and generals. By 2011, shortly after the AKP's third general election triumph, Mr Erdogan had culled the top brass of the armed forces.

Mr Erdogan's chief enforcer in this purge was the shadowy network around Fethullah Gulen, a reclusive Islamic imam resident in the US whose followers were embedded in Turkey's police and judiciary. While some army officers almost certainly did plot against the AKP, Gulenist prosecutors manufactured evidence and widened the net to ensnare their own and AKP opponents.

It was only after the network started barging into the security services that Mr Erdogan fell out with the Gulenists, who then launched a graft probe deep into his inner circle, precipitating an intra-Islamist fight to the death.

None of this amounts to evidence that

what the government calls the Gulenist "parallel state" was behind this coup. The puzzling ineptitude of the attempted takeover might even suggest otherwise. And it is Mr Erdogan who is largely responsible for the military's re-emergence as a power player.

It was the president's decision to play the nationalist card and relaunch all-out war against the Kurdistan Workers' party insurgency last summer that brought the generals back inside the circle of power, handing them control of much of the predominantly Kurdish south-east. The army also began to reassert its influence as Mr Erdogan's Syria policy unravelled. Ankara had allowed jihadi volunteers free passage through Turkish territory but Isis has made Turkey a prime target, forcing a rethink in foreign and security policy influenced by the army and the still mainly Kemalist diplomatic establishment.

Failure of the coup has furnished Erdogan with pretext to bulldoze barriers to one-man rule

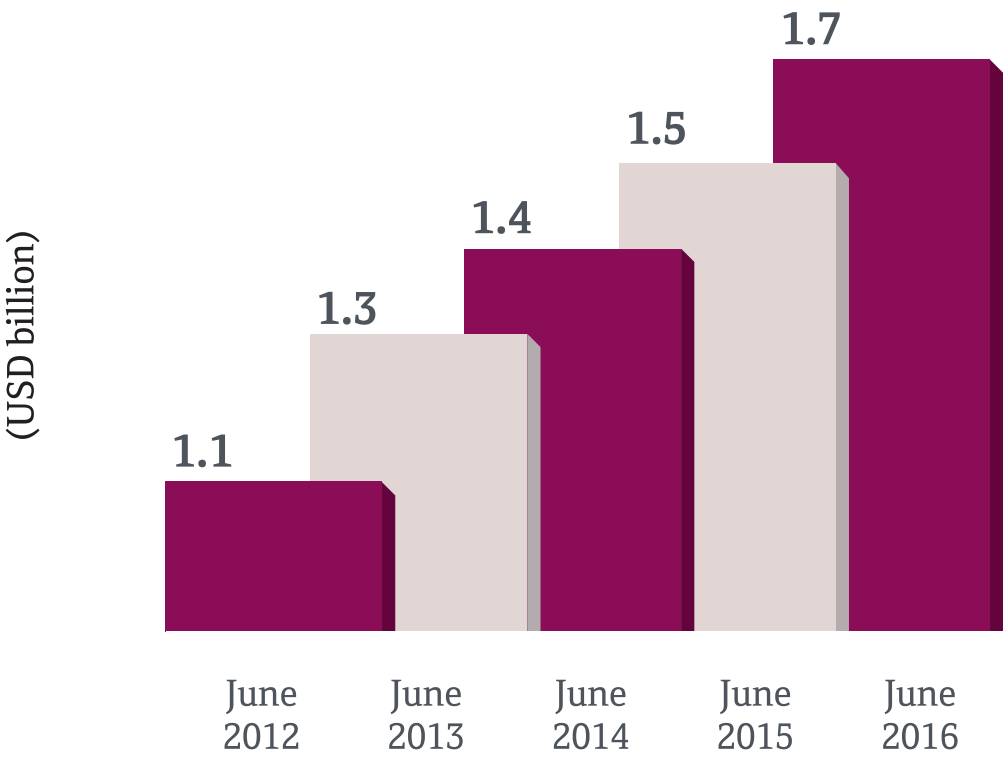
While the militarisation of the Kurdish question re-empowered the army, its alliance with the AKP against the Gulenists has been uneasy. The army, for example, has been keen to weed out Gulen supporters from state institutions but resolutely opposed to another purge within its own ranks.

There were signs that was on the cards at next month's Supreme Military Council, an annual meeting that sets the military compass and before which pro-AKP media were signalling senior officers faced being cashiered. That may have prompted a faction inside the army to act, along with signs the government was moving for the first time against the military's business interests.

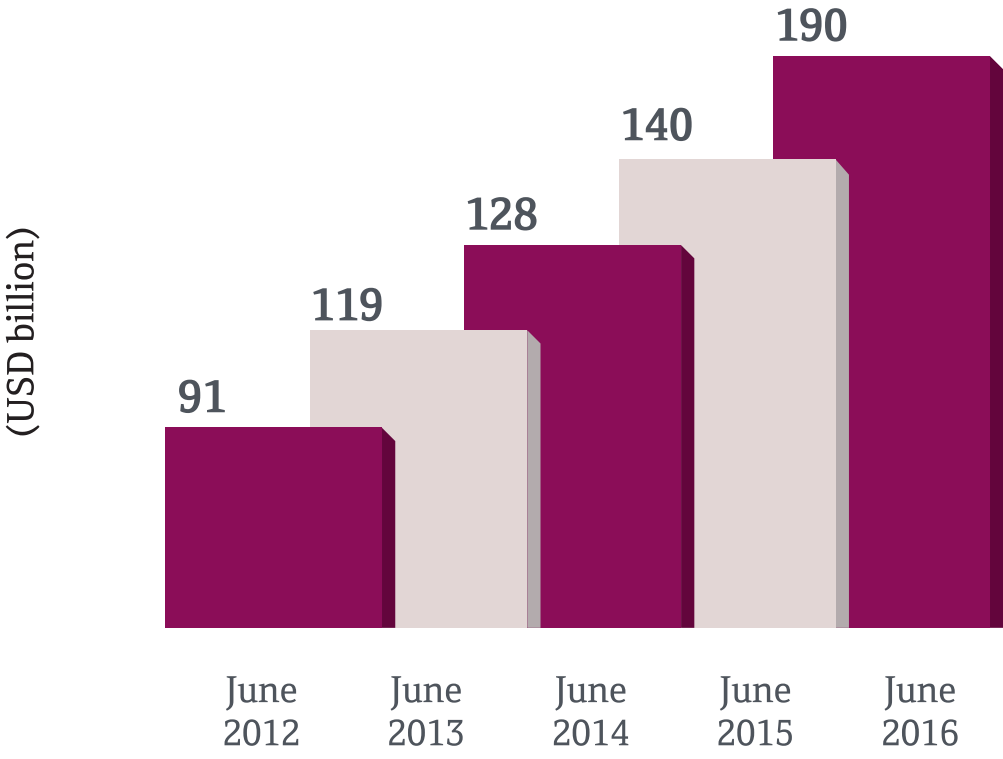
The failure of the coup has furnished Mr Erdogan with a pretext to bulldoze remaining barriers to his drive towards the one-man rule of an executive presidency. The president called the coup "a gift from God" enabling him to "cleanse the army", and there have been thousands of arrests inside the military and the judiciary. Yet, the generals are back in the political equation, and a president who survived because they backed him might be rash to overplay his hand.

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INTERNATIONAL

Attack in Nice

French politicians clash as public mood starts to sour

Frustration grows after tough anti-terror measures fail to prevent atrocity



Grief: people gather at a makeshift shrine on the Promenade des Anglais in Nice yesterday. The Bastille Day attack claimed 84 lives — Valéry Hache/AFP/Getty Images

ANNE-SYLVAIN CHASSANY — PARIS
JIM BRUNSDEN — NICE

In November, after Islamist terror attacks in Paris killed 130, Manuel Valls, France’s socialist prime minister, warned a shaken nation that more innocent lives would be lost. Eradicating the threat, he said, would take a generation. Days after a truck driver ploughed into a crowd celebrating Bastille Day in Nice, killing 84, the public mood is less forgiving and rival politicians are rushing to assign blame and promise solutions.

Alain Juppé, the former prime minister who is the frontrunner in the contest for the centre-right presidential nomination, lashed out at a government security strategy that failed to avert the third mass casualty attack on French soil in 18 months.

Henri Guaino, a centre-right MP who was an adviser to former president Nicolas Sarkozy, proposed equipping soldiers guarding sensitive sites across France with rocket launchers.

Another opposition MP, Frédéric Lefebvre, suggested placing the country under military siege.

Meanwhile, Marine Le Pen, leader of the far-right National Front who is widely expected to qualify for the second round of presidential elections next year, proposed restoring compulsory military service.

Such reactions — 10 months before

presidential polls — contrast with the unity France’s political class demonstrated after the November attacks.

They highlight a growing sense of public fear and frustration in the face of a security threat that even the strongest countermeasures have so far failed to neutralise and that experts struggle to comprehend.

“The latest attack, by one man without much logistics, shows the limits of an all-security approach,” said Jean-Charles Brisard, head of the Paris-based Centre for the Analysis of Terrorism.

“Some of these individuals fall off the radar of intelligence services. We need to broaden the spectrum of our analysis, get more people under cover. We need more human rather than technological intelligence tools.”

Earlier this month, a parliamentary inquiry into last year’s Islamist terror attacks highlighted deep failings in the country’s intelligence services and called for an overhaul.

It urged the revival of a network of field agents, calling its unwinding in a previous reform “a catastrophe” that had prevented authorities from collecting “weak signals” from homegrown terrorists. The committee also questioned the use of 10,000 soldiers across the country.

“The government digs up exactly the same responses as in November,” Georges Fenech, the centre-right com-

mittee chairman, said. “It’s proof that we’ve reached the limits, that there is no political offering to fight terrorism.”

Mr Juppé said that, however difficult the task, “fatalism [was] not a policy”.

In an interview with Le Parisien published yesterday, the mayor of Bordeaux said he would do a better job deploying the 100,000 police and soldiers now mobilised to ensure security. He also pledged to re-establish a network of field

officers and set up a new prison police force to spot radicalised inmates. “We have to switch gears in this fight that is a permanent and an extremely serious threat,” Mr Juppé was quoted as saying.

Ms Le Pen’s proposals involve restoring border controls and compulsory military service, stripping dual-nationals of their citizenship and closing mosques suspected of preaching a radical form of Islam.

But yesterday, Mr Valls defended President François Hollande’s measures in the aftermath of the Nice attack, for which the Islamist group Isis has claimed responsibility. The deeply unpopular socialist president, who is

not expected to qualify for the second round of the presidential race, decided to extend the state of emergency for three months and intensify French air strikes against Isis in Syria.

Mr Valls said the fight against Isis could not result in a “Trumpisation of the minds” — seemingly referring to the US republican presidential candidate’s polarising rhetoric about Muslims.

“I can see the escalation of proposals, the temptation to question the rule of law,” Mr Valls told the Journal du Dimanche. “Let’s be clear: we have changed era. The terrorist threat is from now on a central, durable question.”

In Nice, as France entered the second of three days of national mourning, the mood among some residents swung from resignation to anger.

Near one of the shrines scattered along the Promenade des Anglais, where the attack took place, one woman said she was “revolted” at the political class

“Right, left — they only care about their buttocks!” she shouted.

But Gérard, a retired civil servant smoking a cigar on one of the city’s sea-front benches, was more philosophical. “I don’t think there is anything they could do to prevent this,” he said.

He suspected the killer was “someone desperate, suicidal, who decided to take as many people with him as possible”, adding: “I think there will be more.”

Bastille Day

Doubt cast over extent of truck killer’s Islamist radicalisation

TOM BURGIS — PARIS
JIM BRUNSDEN — NICE

Shortly before 4am on Friday, François Hollande made his first address to a nation that was once more reeling from an act of grotesque violence — saying the killing of 84 people the previous evening on Nice’s beachside promenade was “of terrorist character”.

The French president went on: “We must do everything we can to fight the scourge of terrorism. It is the whole of France that is threatened by Islamist terrorism.”

By the time the sun had risen over the Riviera, Barack Obama had denounced “what appears to be a horrible terrorist attack” and Angela Merkel had declared that “Germany stands in the fight against terrorism at France’s side”.

But after three days sifting through the phone records, computer and apartment of Mohamed Lahouaiej Bouhleh — the man behind the Bastille Day atrocity — and interrogating friends and family, investigators had only found proof of loose, and only very recent, links with a terrorist organisation.

The perpetrators of the Charlie Hebdo and Jewish bakery attacks last year had clear connections to radical preachers. The cell that committed the November onslaught in Paris had travelled to Syria to train with Isis.

On Saturday Isis hailed Bouhleh as one of its “soldiers”. But, as with Omar Mateen, the Afghan-American who killed 49 at a gay club in Orlando in June, the Islamist group’s connection to the dead killer seem to have existed tenuously in life.

The loose link poses a new challenge for France, as it confronts a more diffuse threat that is hard to identify and contain. Unlike Mateen, investigators have yet to find indications that Bouhleh sought to dedicate his attack to the Islamist cause. A person close to the investigation said Bouhleh’s list of phone contacts included local jihadis. French media reported yesterday that he may have had accomplices and police continued to detain six people after releasing the killer’s wife.

Speaking to Le Journal du Dimanche, Manuel Valls, French prime minister, said: “The investigation will establish the facts, but we know now that the killer was radicalised very quickly.

“The claim on Saturday morning by Islamic State and the fast radicalisation of the killer confirms the Islamist nature of this attack.”

But other French senior ministers were left to speculate about the extent of his connections with Isis. “Even though Daesh [the Isis acronym in Arabic] does not organise, Daesh instils a terrorist spirit,” Jean-Yves Le Drian, the

defence minister, said on Saturday.

Bouhleh’s neighbours and relatives describe a man whose life was unravelling. The 31-year-old delivery driver had struggled with mental illness. He was getting divorced, he drank, and had recently received a suspended jail sentence after a fight. One thing he showed no signs of being was a fundamentalist.

Tunisian by birth, Bouhleh lived in a rundown quarter of Nice. Moncef, a neighbour of the couple before they split, who declined to give his full name, said Bouhleh was “solitary” and seemed unstable.

“There was nothing religious in him,” he added, echoing local Muslims who said Bouhleh was never seen at the



Mohamed Lahouaiej Bouhleh: had struggled with mental illness

mosque. French academics have clashed over whether the country is witnessing the radicalisation of Islam or the Islamisation of the radicalism that breeds its urban ghettos.

“I don’t think he was radicalised at all,” says Farhad Khosrokhavar, a sociologist at the School for Advanced Studies in Social Sciences in Paris, who has studied the links between marginalisation, religion and extremism. “It’s a case of raw violence. He took a decision to kill in a moment of despair. My guess is that it’s much more like a mass shooting in the US than [Islamist] radicalisation.”

Mr Khosrokhavar says the Nice attack, like the beheading in January near Lyon of a factory boss by a disgruntled employee who claimed allegiance to Isis, is best understood as “mimetic violence”. Attacks such as Paris and Brussels have created “a model that fragile people can imitate”.

But, Mr Khosrokhavar says, it serves the leaders of both jihadi groups and western nations to impose a narrative of organised terrorism after any attack. “Everybody is satisfied. [Isis] is happy because it claims an international existence. Society is happy because it can say that violence comes from outside, not inside. The government can say the enemy is outside.”

Additional reporting by Anne-Sylvaine Chassany

Financial services

Dombrovskis takes softer line on London’s euro role

JIM BRUNSDEN AND ALEX BARKER
BRUSSELS

The City of London’s lucrative position as a financial hub for euro trading will be at stake in Brexit talks but it is “too early to draw conclusions” about the business moving from London, Europe’s new financial services chief has said.

The City’s status as the main centre for euro-denominated clearing has long rankled eurozone capitals. Only days after Britain’s referendum vote, François Hollande, France’s president, said the arrangement had to end, adding that it would be a “lesson” to those who advocated the UK’s EU exit.

In an interview with the Financial Times, Valdis Dombrovskis, who took over the European Commission’s financial regulation brief on July 15, took a softer line. There are “different factors at play” in deciding what to do, he said, “but certainly it is going to be part of our negotiations with the UK . . . obviously this is a relevant question”.

Mr Dombrovskis, the former prime minister of Latvia and the commission vice-president for the euro, embodies the shift in Brussels politics since the Brexit vote. His new responsibilities for financial regulation came through the resignation of Jonathan Hill, Britain’s commissioner, in the aftermath of the Leave campaign’s victory.

Lord Hill, an ally of former prime minister David Cameron, had held the commission’s coveted financial regulation brief since 2014, overseeing Europe’s banking union and the capital markets union initiative, which aimed to broaden businesses’ funding opportunities beyond traditional bank loans.

Mr Dombrovskis told the FT he would pursue “continuity” with Lord Hill’s agenda. “With the possibility of the EU’s biggest capital market actually leaving the EU, this task becomes even more urgent and even more relevant.”

He also sought to allay fears that, after the Brexit vote, eurozone priorities would dominate financial services regulation, overriding the interests of non-

euro countries in the single market. “To the extent possible we should be moving forward as an EU as a whole,” he said, in a nod to countries outside the euro area. Others senior officials in the commission take a less accommodating view.

As for the fate of the City itself, Mr Dombrovskis warned there was no simple solution for preserving the prized ability of London-based traders and investors to operate freely across the whole EU market after Brexit.

Should Britain leave the single market, Mr Dombrovskis noted it would leave the City reliant on a separate set of provisions in EU law that grant overseas-based firms some rights to operate in Europe.

This would require Britain to apply for access “sector by sector”, he said, with the EU to vet whether the UK’s regulatory standards are as tough as its own. In such a scenario, Britain’s application of the current EU rule book would help, he said. “But certainly it is a more complicated and less straightforward solution.”

Mr Dombrovskis inherited a full in-tray from Lord Hill, who was preparing a series of legal proposals. These include rules to help the EU cope with big bank failures, and also highly sensitive plans to harmonise some elements of national insolvency law.

While it is early days, one area where Mr Dombrovskis has taken a slightly different tack to Lord Hill is on a plan to set common EU rules for the structure of banks, including potentially breaking them up. The Latvian is the second EU commissioner to inherit the problem of what to do about the proposal, which has been stuck in the European Parliament for two years. It is particularly loathed in France, whose banks stand to be most affected by the law.

Rather than park the issue, Mr Dombrovskis said he wanted to see if something could be salvaged. There are many examples of bank structure rules that have proved their worth, he said. Separating retail from investment banking “has proved useful in a certain number of cases and not only in the EU”.



Valdis Dombrovskis: ‘different factors at play’ over City’s status

Oil price

Azerbaijan criticises IMF over stigma of emergency lending

JACK FARCHY — BAKU

Azerbaijan has criticised the International Monetary Fund for its response to the oil price crash, arguing that the stigma associated with borrowing from the fund has prevented it from supporting energy-rich countries.

“The IMF . . . said that the decrease in oil price would have a positive impact on the global economy. It has not happened,” Samir Sharifov, the finance minister, told the Financial Times. “The stigma of [needing help from] the IMF prevents many countries to approach the fund to address a very small problem before it becomes really big.”

Mr Sharifov’s complaint hits at a concern for the IMF. In the wake of the collapse of oil prices, a growing number of governments have shunned the IMF’s emergency lending in favour of low-interest loans from the World Bank. The bank said last week its total lending in the fiscal year to the end of June surged to \$61bn largely because of growing demand for such budgetary support.

Azerbaijan itself, which has traditionally relied on hydrocarbons for 95 per cent of its exports, briefly flirted with a \$4bn package of loans from the IMF and World Bank early this year.

Mr Sharifov said the country, with little debt and a sovereign wealth fund worth \$34bn, never needed “bailing out”. But he added that the IMF could have provided Azerbaijan with much cheaper loans than the market rate.

“If we borrowed [at a rate of] around 7 per cent, and there is a funding which is available at much cheaper terms, for example, from IMF it would be . . . 1 per cent . . . why should I not blend it?” he asked. “For me it is not an issue of bailing out the economy, it is an issue of funding — the way I can get cheap funding.”

The IMF tried to address the stigma

attached to its emergency lending by creating new precautionary facilities following the 2008 global financial crisis. Those facilities have been tapped by countries such as Mexico and Kenya but their use remains relatively rare.

Mr Sharifov said the IMF was now working on “four or five new products” to address the issue. “This is the kind of conversation which the IMF is having with many oil-rich countries,” he said. “Some, of course, borrow from international capital markets. At the same time there is an institution sitting on cash that they cannot basically disburse.”

Azerbaijan has been one of the countries

“The stigma of [needing help from] the IMF prevents many countries to approach the fund”

tries hardest hit by the decline in oil prices, suffering a 3.4 per cent economic contraction in the first half of 2016 after an overnight devaluation of its currency by almost one-third in late December.

Baku is in talks with a range of international financial institutions, including the World Bank, European Bank for Reconstruction and Development, and the Asian Development Bank, for \$5bn in loans and guarantees to fund its share of a pipeline project that would deliver Caspian gas directly to Europe for the first time, Mr Sharifov said.

Azerbaijan would be able to fund its share of the project, estimated at \$13bn, even without support from international organisations, he said.

“Despite the shock that we have experienced, I believe we are resilient,” Mr Sharifov said.

Additional reporting by Shawn Donnan in Washington

INTERNATIONAL

Party convention

Trump’s ability to unify Republicans put to test



Donald Trump greets his newly selected vice-presidential running mate Mike Pence at an event in New York on Friday — Drew Angerer/Getty Images

Candidate has chance to heal wounds after divisive primary campaign

DEMETRI SEVASTOPULO — CLEVELAND

When the Republican convention opens in Cleveland today the four-day event will mark the main chance for Donald Trump to overcome deep divisions over his campaign to unify a party that will formally crown him as its nominee to fight Hillary Clinton for the White House in November.

In spite of winning record votes in the primary, Mr Trump has struggled to rally the Republican elites. His ability to heal those wounds will be tested this week as he crafts his nomination acceptance speech on Thursday.

There will be particular scrutiny on how Mr Trump, who has used charged language throughout the campaign, addresses race relations following the spate of tragic incidents involving the deaths of African-American men and police including the latest in Baton Rouge yesterday.

“Trump can’t possibly unify the Republicans, in part because he is by nature divisive,” said Tony Fratto, a Republican former White House official. “Trump classifies people by race, by income, religion, education, by their foreign or global perspective. There are winners and losers, never winners and winners. He wins allegiance from an intense but narrow base by alienating and offending others. That is not a winning strategy.”

Since effectively securing popular

support for the Republican nomination in May, Mr Trump has moderated his attacks on the party leaders as they come to terms with the reality that he would be the nominee. But the outsider-turned-politician has still felt compelled to upbraid the party, particularly after his poor May fundraising numbers sparked concern that resistance to him as the nominee was prompting wealthy Republican donors to stay away.

When he introduced Indiana governor Mike Pence as his running mate on Saturday, Mr Trump said “one of the big reasons that I chose Mike . . . is party unity, I have to be honest”.

‘He wins allegiance from an intense but narrow base by alienating and offending others’

Even though the idea of a contested convention became moot after Texas senator Ted Cruz and Ohio governor John Kasich quit the race in May, Mr Trump has faced continued opposition from Republicans leading a #Never-Trump campaign.

But he secured an important victory just before the convention, when his team quashed an attempt to allow the convention rules to release delegates from the obligation to vote for the candidate to whom they were tied.

The party conventions are one of the most important events in the US political calendar. While ambitious party members joust for the main speaking slots — such as the one at the 2004 Democratic convention that catapulted

Barack Obama to national fame — companies also use the occasion to wine and dine politicians in the hope of generating return favours.

But just as Mr Trump ran an unorthodox primary race, the convention will also be unorthodox. In addition to the many politicians who will stay away — including Mr Kasich who will become one of the first governors of a state holding his party’s convention not to attend — many of the big corporate sponsors have also decided to skip Cleveland.

Many corporate executives are worried about having their logo associated with the campaign on television in case Mr Trump uses his nomination acceptance speech on Thursday to insult large swathes of voters, from women and disabled people to minority groups such as Muslims and Hispanics.

Since the ousting of Corey Lewandowski, his former campaign manager, Mr Trump has attempted to appear more presidential. He has used a teleprompter for speeches despite having previously mocked Mrs Clinton and his Republican rivals for doing the same. Many Republicans question whether he can maintain the discipline they believe is essential for them to have any chance at occupying the White House.

Paul Manafort, the long-term lobbyist who is running the Trump campaign, and the Trump family — who urged the tycoon to select the staid Mr Pence for his vice-presidential nominee over the more volatile New Jersey governor Chris Christie and former House Speaker Newt Gingrich — have also encouraged Mr Trump to rise above the fray.

But while he has become more controlled, he has shown plenty of flashes of

his trademark maverick style. In introducing Mr Pence, he boasted that his new hotel in Washington was ahead of schedule and under cost. And as Republicans were flying to Cleveland for a show that will make his reality television show *The Apprentice* seem tame, he was touting his Irish golf course.

“@TrumpDoonbeg: Great news! We’ve been nominated for Ireland’s Best Golf Hotel 2016. We would appreciate your vote!” Mr Trump said in a tweet that also included a link to the website where people could vote — for his golf course.

See Edward Luce

Ambush

At least 3 police officers shot dead in Baton Rouge

DAVID J LYNCH — WASHINGTON

At least three police officers in Baton Rouge, Louisiana, were killed and four others injured in a shooting yesterday described as an ambush, in the latest attack against law enforcement that has put Americans on edge.

One suspect had been killed and police were using a robot to check his body for explosives, according to Corporal L’Jean McNeely, a Baton Rouge police spokesman. “Three or four” officers were killed in the shootout, he said. “Officers did engage. There was no talking; there was shooting.”

The killings come amid a worsening national divide over policing. Recent shootings of black men by local police in Minneapolis and Baton Rouge ignited widespread protests in major cities across the US.

During one demonstration in Dallas this month, Micah Johnson, a troubled army veteran, opened fire on police officers, killing five.

On Wednesday, President Barack Obama welcomed members of the Black Lives Matter group and law enforcement representatives to a White House summit on policing. “We’re not there yet. We’re not even close to being there yet, where we want to be,” Mr Obama said following the meeting.

“We’re not at a point yet where communities of colour feel confident that their police departments are serving them with dignity and respect and equality. And we’re not at the point yet where police departments feel adequately supported at all levels.”

The officers were shot after responding to a report of an armed man walking along a local street. Two of the dead were Baton Rouge police officers; the third was a deputy with the East Baton Rouge sheriff’s department.

Kip Holden, the mayor-president of East Baton Rouge parish, said authorities were still trying to get a handle on the situation.

Local authorities were describing the incident as an “ambush-style assault” on the police. Additional suspects were

believed still to be at large. Police appealed to local residents to report anyone who looked suspicious, including those dressed in army fatigues, masks or all black outfits.

“It’s just a tragic situation. We’re still working the scene,” he said.

Louisiana governor John Bel Edwards released a statement calling the shootings an “unspeakable and unjustified attack on all of us when we need unity and healing”.

Baton Rouge has been on edge since the July 5 death of Alton Sterling, a 37-year-old black man who was shot and killed while being arrested by two white police officers.

On Tuesday, local authorities said they had broken up a plot to target police, arresting three men who stole eight handguns from a pawnshop. One of those apprehended told investigators the guns would be used to harm the police, according to Baton Rouge police chief Carl Dabadie.

Louisiana state police colonel Mike Edmonson described the plot as a “substantial, credible threat to police”.

Indeed, the simmering tensions between police and the black community appeared to have erupted again just a few days after the White House meeting.

The Baton Rouge shooting comes as Republicans are gathering in Cleveland, Ohio, for their presidential nominating convention amid intense security worries.



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Parliamentary deadlock

India prime minister strives to achieve tax reforms to create single market

AMY KAZMIN — NEW DELHI

India begins its four-week monsoon session of parliament today, with the government of Narendra Modi, prime minister, hoping to move ahead with long-awaited tax reforms aimed at turning the country into a genuine single market.

The adoption of a goods and services tax, or GST — to replace different state, local and taxes with a single unified value added tax system — is seen as potentially transformative for India’s economy.

But despite the widespread consensus on its desirability, a GST has stalled for years as India’s political rivals — Mr Modi’s Bharatiya Janata party and the opposition Congress — have each sought to claim the credit for steering it through parliament.

Implementing the GST requires amending India’s 66-year-old constitution, which empowers the federal government in New Delhi, and allows states to collect retail sales taxes. The constitutional amendment to change this system has been approved by the lower house but is stuck in the upper chamber, where the BJP has struggled to secure the necessary two-thirds majority.

In recent days, Arun Jait-

ley, finance minister, and other BJP leaders have reached out to the Congress party to smooth the bill’s passage, and the BJP has expressed optimism it will go through in this parliamentary session.

India’s business community, which has long urged the simplification of India’s tax system, is watching with a mixture of hope and anxiety.

“We are holding our breath,” said Yasho Saboo, owner of India’s largest watch retailer, Ethos.

“It’s a tax reform we badly need, and that is long overdue. It’s nonsense to have different indirect taxation rates in different states; it makes moving things across internal boundaries so difficult.

“We’ve been talking about this for close to a decade now, and it’s going to have a huge and positive impact on our business.”

The GST was originally suggested by Congress

when it was in power nearly 10 years ago, but it made little headway.

While Mr Modi’s government has pushed to see it realised, it has faced resistance from Congress — now in opposition.

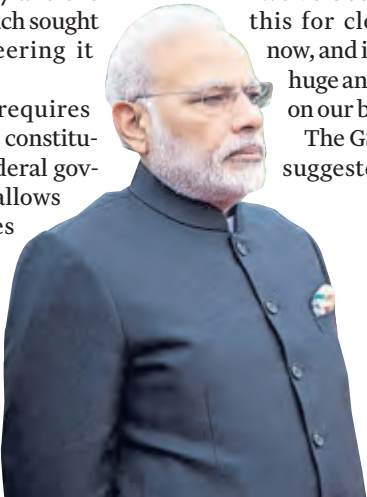
The tax reform is expected to improve the ease of doing business, encourage more investment in manufacturing and boost gross domestic product by as much as 1 to 2 per cent.

Even if the bill is passed in the coming weeks, India still has much to do before the GST becomes a reality, despite New Delhi’s hopes of implementing it by next April. “The amendment is just the first step,” said Rajeev Dimri, a partner in BMR & Associates accountancy firm.

Once approved by parliament, the amendment must be ratified by the legislatures of half of India’s 29 states, though that process is expected to proceed smoothly given the general consensus on the issue.

Yet India’s parliament will then have to pass two new pieces of legislation to detail the new tax code — including the proposed tax rates. Similar tax laws will also have to be passed by at least 22 states. The government will also need a new IT system, on which work has already begun, as will companies.

“If the amendment gets passed it is a bit of an uphill task [to implement by the deadline] but do-able,” said Rajeev Malik, senior economist at CLSA.



Narendra Modi: his party is optimistic over the bill’s passage

ARTS

Pink sheep, sunshine and a prospect of escape

POP

Latitude Festival
Suffolk, UK

Neil O’Sullivan

“The government hates you, but, don’t forget, I still love you,” announced the enduring indie rocker Steve Mason as he finished his excellent set at Latitude on Saturday. You don’t have to agree with Mason’s politics to understand his sentiment: in this distinctly weird British summer, festivals such as the Suffolk arts and music favourite hold out a valuable prospect – escape from a bewildering news cycle and a turbulent world, even if just for a weekend.

The crowd, surrounded by pink-dyed sheep in a fairytale forest setting, and basking in sunshine for much of the first two days, needed no persuading. For some of the performers it took a little longer to get in the groove. The highly rated Australian Courtney Barnett comes over like a particularly talented Lena Dunham character on her laconic records (sample lyric: “Oliver Paul, twenty years old, thick head of hair, worries he’s going bald”). On stage she was initially the opposite of playful, seeming to channel all her energies into her intricate tales of millennial angst. After a slow start, though, she livened up and, as the quality of songs such as “Pedestrian at Best” and “Depreston” kicked in, the gathered ranks of twentysomethings nodded meaningfully at the prospect of only being able to afford properties so far out in the suburbs that there are no decent coffee shops.

In contrast to the reserved Barnett, Father John Misty swaggered on dressed like Jim Morrison’s folkier younger brother. Within minutes he had sunk to his to his knees and was crooning skyward about finding a woman who would see him for who he is truly is. Before he turned into this mirror-shade-wearing lothario figure, Misty used to drum with the low-key US band Fleet Foxes. But his reinvention is a brilliant idea. Most miserabilist American rock is

performed by unkempt men in flannel shirts who seem to have brought it on themselves rather. But Misty’s fusion of writhing Lizard King and mincing Jarvis Cocker turns his gothic ballads into theatre, and occasionally pantomime: at one point in “Bored in the USA” he got out his smartphone and checked his messages. In front of an increasingly large crowd, it was a compelling, transporting performance.

Escapism arrives in the strangest places at Latitude, even when you are not looking for it. You would expect it from catching an hour of Squeeze’s breeziest hits on a scorching Saturday afternoon and they duly delivered, via comfortable covers of “Cool for Cats”, “Up the Junction” and the rest. Certainly you’d hope to get it from John Grant’s otherworldly voice – and he did not disappoint either.

More unexpected was its appearance in the BBC Radio 6 tent on Friday night. Slaves, two heavily tattooed young men yelling at the tops of their voices, were not an immediately cheering prospect. Yet somehow their set managed to be ludicrously life-affirming. Hammering out a splurge of one-speed punk pop, by the time they reached “Cheer up London”, a hymn to commuter drudgery (“put another 0 on your paycheck/ Are you done digging your grave yet?”), they had invited a young fan on stage to dance along. (“What’s your name, where you from, what are you on?”). As the fan body-popped crazily, a crowd of middle-aged nine-to-fivers surreally chanted the chorus to the song: “you’re already dead and it’s not that bad!”

The infectious two-piece from Kent were part of a trend during the weekend. Across the prominent slots on the festival’s two main stages, there was a relative shortage of traditional rock groups and an increase in solo artists and mini-bands such as the Scottish trio Chvrches, who drew perhaps the biggest – and youngest – crowd of the first two days to hear their urgent synth-pop and Lauren Mayberry’s searching voice.

This reflects shifting tastes (more electronica, fewer guitars) but also perhaps the economic pressures facing



Swagger: Father John Misty; right, Lauren Mayberry of Chvrches
Splash/Getty

young musicians: bands have an incentive to stay smaller-scale when there’s less money to be made in the industry. And if each night’s main headliner was still what might be described as an old-school band, the reappearance on Saturday of US indie rockers The National five years after they first headlined Latitude is some evidence of a shrinking pool of candidates for festivals to choose from. (Something similar happened at Glastonbury this year, where two of the three Pyramid stage headliners, Muse and Coldplay, had headlined before.)

For Friday’s final act The Maccabees, though, this was their first time taking the top slot at a big festival, 10 years after they came on the scene. The stylish south Londoners, who themselves have

spoken about the difficulties of keeping a band together these days, did not let the opportunity go to waste. Their guitar interplay was impressively dynamic, the vocal harmonies underlining the tightness of a unit that has grown together.

After a showcase that lasted an hour and a half before finishing with the jittery-anthem “Pelican”, a massive shower of multicoloured confetti was cannoned into the summer sky and danced slowly above the crowd’s heads. It was a sight to savour. For another day at least, the escape went on.

latitudefestival.com



CLASSICAL MUSIC

BBC Proms
Royal Albert Hall, London
★★★★★

Richard Fairman

In tribute to the lives lost in Nice the night before, the 2016 BBC Proms opened with the colours of the French flag lighting up the stage and a performance of the *Marseillaise*. It took a moment to sink in that this was not the opening of Tchaikovsky’s *Romeo and Juliet* Fantasy-Overture. Then the audience rose silently to its feet.

Every year the BBC Proms give classical music an open window on the world. With the huge audience in the hall and many of the concerts (like this one) live on television and online, we have seen many events marked in recent years – not least the death of Diana, Princess of Wales, and, memorably, 9/11.

From day one this year will clearly be no different, however unambitious the 2016 season looks in other respects. The new director, David Pickard, has assembled a typical handful of themes, including music inspired by Shakespeare and a lot of cello concertos. There will be Proms in new venues, such as the Sam Wanamaker Playhouse and the Bold Tendencies multi-storey car park in Peckham.

It should not matter that the innovations are small-scale as long as the quality is good. The opening-night concert set off on the right foot. The performance of Tchaikovsky’s *Romeo and Juliet* combined a keen focus on detail with strong overall drive. The BBC Symphony Orchestra’s wind section sounded especially pungent in the Royal Albert Hall’s acoustics and Sakari Oramo gave the lovers’ big theme breathing space.

Apparently, flag waving is no longer reserved for the Last Night. An Argentinian flag greeted Sol Gabetta as the soloist in Elgar’s Cello Concerto, which she played with much restrained feeling – a daringly intimate performance in this space, but it worked well. Then a Russian flag ushered in Prokofiev’s *Alexander Nevsky*, sturdily sung by the BBC Symphony Chorus and BBC National Chorus of Wales, and with Olga Borodina bringing a touch of Russian class as the mezzo soloist. The usual cheers rang out. The season is under way.

bbc.co.uk/proms

Investment Plan for Europe



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Tricky science made simple(ish)

PODCASTS

Fiona Sturges

The best science shows are the ones that, on the surface, don’t seem to be about science at all. Give me an hour-long, round-table discussion about quantum mechanics and I will slip quietly into a coma. Come up with a party trick involving a cat that is at once dead and alive and I’m all ears.

The UK podcast *Science(ish)* has found a fun way to discuss some frankly difficult concepts. Presented by the broadcaster Rick Edwards, and the New Scientist writer Dr Michael Brooks, it looks at the science behind popular culture, framing each show around a sci-fi movie. It’s not an entirely new idea – whole books have been written about the technology behind *Star Wars* and *Star Trek* – but, as a series, it works beautifully.

Science(ish) hinges on our curiosity about how the world works, and is delivered with both enthusiasm and a reassuring dose of scepticism. Previous episodes have used the film *Interstellar* to talk about black holes, *Minority Report* to discuss criminal behaviour

and *The Day After Tomorrow* to ponder climate change.

The latest episode examines Ridley Scott’s 1979 blockbuster, *Alien*, a film beloved by the hosts despite their respective children having hooted at the special effects. But the point here isn’t the quality so much as the questions it raises. Are we alone in the universe? Why is the notion of life on another planet so intriguing? What would an alien actually look like?

They consult Dr Seth Shostak, senior astronomer at the SETI (Search for Extra-Terrestrial Intelligence) Institute, who remarks that although there’s no



Curiosity: ‘Science(ish)’ discusses the science behind films such as ‘Alien’

evidence of life beyond Earth, it doesn’t mean it doesn’t exist. “What it means is we haven’t found it,” he says, excitedly.

While Shostak feels that, amid the billions of unexplored planets, there could well be “biology out there”, his fellow guest, Professor Simon Conway Morris, a paleontologist from Cambridge university, isn’t convinced. Were there other habitable planets, many of them older than ours, he says, then life on them would have evolved and their technology would be way ahead of ours. In short, they would have found us. Damn.

In recent weeks, *Science(ish)* has spawned a weekly sister programme called *Special(ish)*. These are shorter, hugely atmospheric vignettes on scientific themes, the latest being on the physiology of deep-sea diving. This is bite-sized science, expertly made.

For a similarly accessible approach to big ideas, *The Infinite Monkey Cage* on BBC Radio 4, also available as a podcast, goes from strength to strength. Recorded in front of a live audience and presented by the comic Robin Ince and the TV scientist Professor Brian Cox, it’s a show that expands our brain power while lulling us into thinking we’re listening to a gentle panel show. Its continued success – it’s now into its 14th series – lies not only in the deceptively clever format but in the gleeful enthusiasm of its hosts. Long may it continue.

OPERA

Paradise Interrupted
Lincoln Center Festival, New York
★★★★★

Martin Bernheimer

The intentions behind *Paradise Interrupted* were no doubt lofty, also daring and original. Expectations ran high when the Lincoln Center Festival introduced this quasi-Kunqu opera, a hyper-qaunt, drearily fussy creation by Huang Ruo fusing ancient ritual with modernist comment and biblical punctuation.

Jennifer Wen Ma’s staging, lovingly mounted at the nearby Lynch Theater of John Jay College of Criminal Justice, worked diligently to validate historical practices. The director also created superbly stylised decors. Qian Yi, fondly remembered for her virtuosic contribution to the unending *Peony Pavilion*, dominated the proceedings as the reflective heroine, exhibiting dancelry poise, tragic demeanour and a tireless

sort-of-soprano that made her eternal, literally high-toned chants sound almost suave to foreign ears.

One admired clever visual effects, inventive choreography and apt video illustrations by Austin Switser. One appreciated a male quartet representing wind, air, light, fire, love, wolf and four directions. One wanted to applaud the hard-working scene-changers toiling onstage within the symbolic, subtly



Tragic demeanour: Qian Yi

shifting decors invented by Matthew J. Hilyard. Under the circumstances, the constantly clanging and/or droning onslaught of orchestral comments, diligently delivered in the pit by something labelled Ensemble FIRE and led by Wen-Pin Chien, seemed wholly appropriate.

If only all this exalted effort could have been expended on something more compelling than Ruo’s arty-smarty endurance contest. Alas . . .

Citing Eve’s expulsion from the Garden of Eden, the inaction starts with its protagonist dreaming of an erotic encounter with an absent lover. She sings in Mandarin, her words clumsily translated in both English and Chinese projected titles. Thus begins “a psychological journey through a surreal, interactive garden made from dynamic paper sculptures”. Delicacy is crucially tested on numerous levels in the process.

Although the nervous verbal, vocal and illustrative navel-gazing in this dubious paradise continues for only 80 minutes, it seems to drone on forever.

To July 16, lincolncenter.org

FT BIG READ. ASSET MANAGEMENT

Active managers, entrusted with beating the market, are facing up to tougher times as clients head en masse to index-tracking funds. New strategies, including M&A, are needed to keep investors on side.

By Stephen Foley

To an audience of financial advisers who had come to hear the hottest stock tips from the big stars of the fund management industry, it was a startling thing to say: “If somebody asked me to make the argument for active management, I would find it difficult given the statistics.”

The speaker, Dennis Lynch, is stock-picking royalty. The son of the founder of Lynch & Mayer, a pioneering money manager from the 1970s, has his own \$3.4bn mutual fund — the Morgan Stanley Institutional Growth fund — which has put money into the likes of Twitter, Netflix and Tesla. It has outperformed the S&P 500 by more than 2 percentage points annually for the past decade, putting him in the top 6 per cent of his peers and accumulating substantial extra profits for his investors.

But active managers, those whose funds must try to beat the market rather than simply track the index, are facing something approaching a crisis.

A majority fail to beat the index over any significant period, and most of those that do ultimately find their out-performance to be fleeting. New competitors are claiming any insight they actually possess can be replicated by a computer. Clients are shifting en masse to index-based funds — active funds have lost \$213bn in assets in the year to the end of May, Morningstar says, while passive funds took in \$240bn. Profit margins, traditionally among the best in the finance world, are under threat and

‘The managers that tend to outperform have certain characteristics in common. They also tend to have a lot of skin in the game’

it seems only a matter of time before there is pressure on managers’ pay. Sporadic lay-offs at some money managers this year may be a harbinger of more to come, say consultants, especially if a newfound willingness to discuss mergers triggers a wave of cost-cutting deals.

The panel at the Morningstar Investment Conference, held in Chicago last month, was titled “Ultimate Stockpickers”, but it began with a challenge to participants to, in effect, justify their existence. Mr Lynch said that perhaps only 15 per cent of active managers are persistent market-beaters.

“The managers that tend to outperform have certain characteristics in common,” he said. “They tend to be longer term in nature, not traders. They are willing to be different to the benchmark. Most importantly, they also tend to have a lot of skin in the game.”

Overturning underperformance

Some see the changes as an opportunity. Stephen Yacktmán, another second-generation fund manager on the panel, who runs Yacktmán Asset Management in Austin, Texas with his father Donald, said talk of the death of active management “makes us smile”. With mediocre managers driven out, and investors piling into passive funds, there will be more opportunities for those who go looking for under-appreciated stocks.

The comments are a reminder that stockpicking as a career has always required an uncommon degree of self-belief. Never more so than now. Clients have imbibed the evidence of studies such as the latest annual Spiva survey from S&P, which shows that 83 per cent of US mutual funds and 86 per cent of European funds have underperformed the market over the past decade, and Morningstar’s own work suggesting that today’s top performing managers are no more or less likely to be among the top performers of the next few years.

The result: index-trackers already account for 40 per cent of the \$9tn in US equity mutual funds and exchange traded funds, and the shift is accelerating.

Savers who have paid high fees and failed to get even market returns will hardly be upset if the industry emerges from a period of upheaval with fewer businesses, lower profits and fewer people, if they end up paying less and getting better returns.

There are debates, however, about whether fair prices for assets can be discovered if too high a proportion of the money is simply tracking the index. And active management remains a large employer, running and supporting 100,000 mutual funds around the world and countless more portfolios for institutional investors — a veritable Lake Wobegon of practitioners who all believe they are above average.

As Will Riley, portfolio manager at Guinness Asset Management in London, puts it: “You have to believe [when] getting out of bed that you have a chance of outperforming, otherwise you wouldn’t bother.”



\$213bn

Loss from active funds in year to end-May. Passive funds took \$240bn

\$9tn

Value of US equity mutual funds and ETFs; 40% is in index-trackers

Asset management remains an uncommonly profitable business, with operating margins of 37 per cent in 2015 and profits that topped \$100bn globally, according to Boston Consulting. But growth appears to have stalled. The ultra-low fees on passive funds do not make up for the outflows and fee cuts on the active side.

Managers have been keeping a lid on costs by limiting the growth and pay of sales forces and cutting operating expenses. But Brent Beardsley, Boston Consulting’s senior partner, says the squeeze could soon start to affect the portfolio managers themselves.

A year ago, Johnson Associates said the average US equity fund manager could expect to earn about \$690,000 a year in pay and performance bonuses, but it predicts industry pay could fall by between 5 and 10 per cent in 2016. That sort of downward pressure has been felt in investment banking since the credit crisis, but asset managers’ pay had only been going up until last year.

Pimco, BlackRock and GMO have made lay-offs this year, and although most of the cuts were sales or back-office staff, Pimco also dropped some fund managers in its equities business.

“Firms will keep a sharper eye on where there are products and areas where they are sub-scale, and think whether they should close them, since they will not see the same margin or the same upside now,” Mr Beardsley says.

The open question is whether the industry will respond with mergers and acquisitions aimed at cutting costs

faster. Chief executives have traditionally scoffed at the idea of megadeals, saying it is important to preserve unique cultures. However, there has been a notable change of tone among some industry leaders. Greg Johnson, chief executive of Franklin Resources, whose funds have suffered some of the heaviest outflows of the past year, says consolidation is coming, echoing comments by BlackRock boss Larry Fink.

Joe Sullivan, chief executive of Baltimore-based Legg Mason, predicts that retail and institutional investor specialists could merge, while managers with a US focus could acquire those with big overseas operations.

“This is as disruptive a time as I have seen in this industry. Every CEO has to

‘This is an industry that arguably has excess capacity, particularly when the performance has been inconsistent’

take a step back,” he says. “There are a lot more conversations out there about what could happen than has ever been the case. This is an industry that arguably has excess capacity, particularly when the performance of active management has been inconsistent.”

Much will depend on the attitudes of shareholders, and whether they are willing to tolerate lower margins in return for higher dividends and share

buybacks, or whether they will force companies to keep profits up.

“We all have to try to protect our margins, but the reality is they [margins] are going to come down,” Mr Sullivan says. “Stack up those margins against industrial companies or service companies. Asset managers have margins in the 30s or low 40s. Really? How many businesses do you know that throw off those kinds of margins?”

Money managers are still willing to invest in areas where they see growth opportunities. These are often one stage up from the traditional fund level, however. Instead of touting individual products, they approach clients offering to use their funds as building blocks, charging them instead for asset allocation expertise, risk management consulting or other services.

David Hunt, chief executive of PGIM, the asset management arm of New Jersey insurer Prudential, says that instead of trying to eke out a little outperformance against a benchmark such as the S&P 500 — outperformance that is known as “alpha” in the industry — managers will be expected to make bolder bets, going big on fewer stocks. Their “active share”, the amount of the portfolio that deviates from the benchmark, will need to be higher. “The link between pay and performance will continue to be very close,” he says.

Human struggle

Standing out from the human crowd is one thing to worry about. Another is the race against the machine. Even alpha — or at least a good deal of it — can be replicated by computers, academics claim. The analytical work and gut instincts of the consistently successful stockpickers might actually boil down to simple bias for value stocks, momentum investing or one of the other factors that have been proven to outperform market capitalisation-weighted stock indices.

The “quants” — who build investing algorithms rather than form opinions on company prospects — are as bullish as the traditional active managers are nervous for their futures.

QMA, a quant asset manager, uses the latest issue of the Journal of Portfolio Management to publicise its own research on what it calls “closet quants”, active managers whose outperformance



Beyond alpha Despite the client outflows, active management still runs 100,000 mutual funds worldwide

Stepping up M&A Joe Sullivan of Legg Mason, Larry Fink of BlackRock and others predict some consolidation

Closet quants? Rivals say some active managers’ outperformance is explained by mathematically proven factors

can be explained by mathematically proven market factors: “Why choose a closet quant fund, when you can have the real thing, an actual quant fund?”

While insisting on great respect for active managers, some fund management groups have gone down this route themselves. Janus Capital has distilled its active small-cap equity strategy into a mathematical formula and launched it as an ETF. Franklin Templeton has launched a similar range of what its billboard ads proclaim to be “ETFs built on the most important factor: the human factor”.

For the humans, it can be an exhausting race up the value chain. Marketfield Asset Management’s Michael Aronstein, who this year marks 30 years as an active fund manager, has often invested more like a hedge fund manager, running a mutual fund with the ability to bet against stocks as well as buy them. Taking bold bets is hard, and the bigger prizes are in hedge funds proper, where clients are more willing to accept the risk than mutual fund investors.

“You could be betting your career, and the bias in our industry is that there is very little incentive to do that,” he says.

Mr Aronstein’s fund has seen bouts of strong performance and huge inflows and, more recently after mistakenly predicting global inflation, weak performance and outflows. But he remains indefatigable. “Investing methods that were obscure back in the early days, such as distressed debt investing or convertible arbitrage, are now well known. With the amount of data available, the idea that there is a particular insight that is not already incorporated by the market is pretty difficult.”

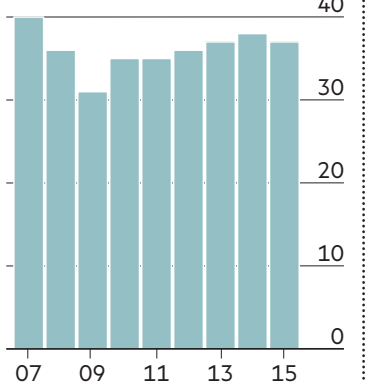
This may be the new lot of the active fund manager, driven to take more concentrated risks. It is what successful stockpickers like Mr Lynch may already be familiar with, but for others it will be uncomfortable territory.

As for the investors, there are no guarantees that results will end up being any better on average, and every chance that the ride will be scarier for them, too. Ironically, just before its conference this year, Morningstar stripped Mr Lynch’s fund of its gold rating — because it was more volatile than its peers.

Additional reporting by Robin Wigglesworth and James Fontanella-Khan

Global asset managers’ operating profits

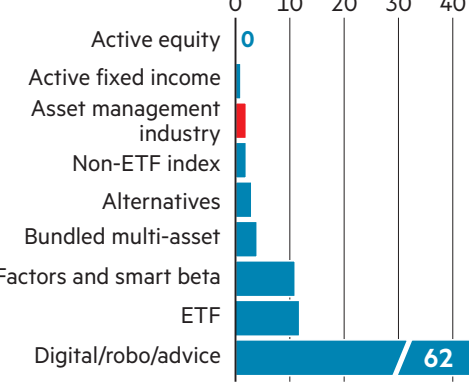
% of net revenues



FT graphic. Sources: Boston Consulting; BlackRock

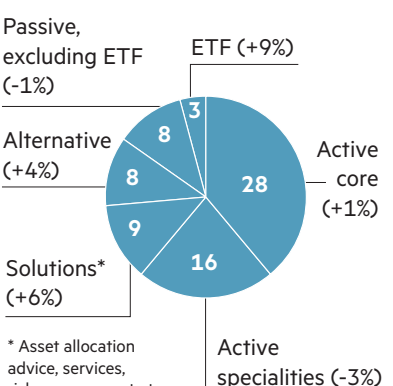
Expected organic growth in annualised global asset management

2016-20 %



Global assets under management

\$tn, 2015 (annual % change)



* Asset allocation advice, services, risk management etc.

View from Westminster
Active funds offer ‘intellectual curiosity’

Passive funds are “boring”, says Tim Guinness, the founder of Guinness Asset Management, a boutique fund manager managing \$1bn from a townhouse in London’s Westminster. “What do people want to own? If your portfolio is constructed so that it can never outperform, that is less attractive than one that can.”

The industry veteran, who sold his first company to Investec in 1998, is

still so bullish on asset managers that he even runs a little fund which invests in their shares — and he does not shy away from active managers. In fact, his fund buys shares in firms whose funds have seen strong performance, on the belief that client inflows, and higher revenues, will soon follow and boost the share price.

What is it that gives Mr Guinness a spring in his step, despite talk that active managers like him could be replaced with robots? “What makes me look forward to it every day is [that] I’m curious, I’m interested,” he says. “Being a fund manager and trying to do well is rather like doing the crossword.”



Tim Guinness, seated, and Will Riley

Will Riley, Mr Guinness’s protégé and lead manager on the asset management sector fund, highlights “the intellectual challenge of putting together an investment process you think is repeatable and can give you an edge through the cycle”.

He does not doubt that stockpicking success will be rewarded. “When do people buy funds? When they have a track record that is better than the next guy’s,” he says. “For all the academic studies that say past performance does not equal future performance, I don’t think that aspect of human nature is going to change.”



Turkey must seek accord, not reprisals

This is far from being a victory for the country’s democracy

After the rebellion come the reprisals. Only hours after tanks rolled on to the Bosphorus bridges in an attempt to topple Turkey’s government, president Recep Tayyip Erdogan was hailing the failed coup as a “gift from God”, as it presented an opportunity to “cleanse” the armed forces. By Sunday, thousands of military personnel were under arrest, thousands of judges sacked and calls to bring back the death penalty were trending on Twitter.

There can be no justification for the coup attempt, which recalls some of the worst moments in Turkey’s history. In a night of shocking violence, bombs hit parliament and helicopters fired on civilians. More than 260 people were killed and some 1,500 injured in battles between loyal and rebel factions in the police and security forces, and between soldiers and civilians who came out to oppose them.

While previous coups had some public support, few in Turkey now want the armed forces to interfere with elected governments. Leaders of all political parties were swift to condemn the attempt. Senior generals remained loyal. And when Mr Erdogan called on his supporters to come on to the streets, tens of thousands responded.

However, while the government has now regained control, this is far from being an unalloyed victory for Turkish democracy. The uprising underlines the deepening divisions in Turkish society. Mr Erdogan retains the passionate support of around half the electorate, but he has made no concessions to the concerns of other groups. He has driven secularists and liberals into a state of fury and despair, and inflamed ethnic and religious tensions.

In the absence of effective parliamentary opposition, he has stifled the media, stamped on street protests, and purged rivals from state institutions. He has proved willing to play the

nationalist card for electoral gain, reigniting the smouldering conflict in the Kurdish south-east. He is intent on constitutional changes that would still further cement his grip on power.

This is an environment in which frustrations can easily spill over into violence. There is no denying the courage of the people who tackled tanks on Friday night; but there have also been some reports of ugly mob justice.

It is unclear who masterminded the coup attempt. Mr Erdogan accuses followers of the US-based cleric Fethullah Gulen, former allies who have become bitter rivals. But there are other causes of disaffection in the army, including the government’s policy in Syria.

What is clear is that further repression will worsen the situation. Factional infighting has already weakened Turkey’s police and security forces, which have struggled to counter terrorist attacks by Isis jihadis and Kurdish rebels. The fresh purge could be a damaging distraction. Moreover, Mr Erdogan has already taken the opportunity to strike directly at the constitutional court — the last institution capable of withstanding his edicts.

This has implications beyond Turkey. Ankara is an indispensable ally for the US in Syria and for the EU in handling the migration crisis. Demands for the expulsion of Mr Gulen and claims of US involvement in the coup — forcefully denied by Washington — may strain relations and raise fears over US access to the crucial Incirlik air base. Turkish stability in a volatile region matters — and it is under threat.

He would do better by his traumatised country to recognise that democracy is not just about winning elections, but the need to show respect and restraint to opponents and build shared support behind shared national goals — including the primacy of civilian rule.

Sir, Stephanie Flanders argues that the looming fiscal stimulus package should “go beyond big-ticket infrastructure schemes” and “channel a significant chunk of any increased spending through local government and the city regions” (“Britain’s chance to show the world how to do stimulus”, July 15).

I beg to differ. It is critically important that we get the right policy response to the economic pain caused by Brexit. Economists can play their part in that process and we have a responsibility to advocate evidence-based policy options, now more than ever. Whether we like it or not, the referendum campaign revealed that

dismal scientists and their opinions are not universally held in high esteem. When Michael Gove, the former justice secretary, said people in this country have had enough of experts, he was talking about economists.

If we want to be able to nudge public opinion and public policy in the right direction in the future we need to (re)build our reputation for getting the big decisions right. Our recommendations about the post-Brexit policy respond should therefore be based on a hard-headed reading of the literature, identifying what works and what doesn’t, not advocacy of what is fresh and new and, in Ms Flanders own words, “potentially costly”.

Making us feel ‘positive’ is not the FT’s responsibility

Sir, Johnnie Boden and I clearly read the FT for very different reasons (“Some positivity please, FT”, Letters, July 14). I don’t believe that the FT has a responsibility for making us feel positive about the economy, or state of the world for that matter. There are better and more enjoyable ways of achieving that end than reading a newspaper. I look to the FT for neither positive nor negative comment but rather an honest appraisal and rigorous examination of the evidence. If the newspaper’s commentators subsequently conclude that the outlook for the economy following the vote to leave the EU is less rosy than the fantasists in the Brexit camp would have us believe, then that is fair comment. Keep up the good work.

Peter Kent
London N5, UK

No marks for balance in an at times hysterical debate

Sir, I write in reference to Mr Nigel Lanning’s excellent letter “The sun still shines and we all get on with life” (July 15), which precisely hits the nail on the head.

The whole EU referendum campaign was a sordid tale of misinformation, disinformation and unsurprisingly half-truths. During the continued negative and often hysterical bombardment of economic forecasts and political predictions as to the fate of our country, I took the opportunity to remind clients of the work of psychological researcher Philip E Tetlock who during probably the largest ever study of its kind discovered an inverse relationship between the predictive ability of economists and political experts with their supposed standing in their field. The findings showed that the more of an expert one was considered, the worse their predictions turned out to be, and sadly your organ has been replete with them often being rabidly partisan in the debate. No marks for balance there.

Mr Lanning correctly states the disconnect between the “London bubble” and the rest of the country in terms of people getting on with things outside London. However, it’s almost as if the reportage from the capital has been gripped by a super-negative groupthink phenomenon, in some cases naively believing the EU will trundle along to that hallowed broad sunlit economic nirvana, with the UK missing out. While undoubtedly the

risks in the short term are to the downside for the UK economy, the future might be uncertain but the upside potential is huge for this country. Things are uncertain now, but as the Queen Mother used to say, “and this too, will pass”.

In a parallel that could not be more suited to where we are at the moment, Archilochus, the Greek warrior, said that “the Fox knows many things and the Hedgehog one thing”, which Tetlock interpreted in his studies as Hedgehogs (experts) having one big theory and being very confident in their forecasting, whereas the Foxes were dismissive of big theories, diffident about their forecasting but adapted to events. The studies showed the Foxes were better predictors than Hedgehogs.

Is it now the case, Sir, that instead of a nation of shopkeepers we have become a nation of Hedgehogs and Foxes?

Stuart Leigh-Davies
Investment Manager, Redmayne-Bentley, Henley-On-Thames, Oxon, UK

Clinton has spent her life advancing women’s rights

Sir, Roula Khalaf (“March of the sisterhood — from Brexit to the White House”, Notebook, July 14) correctly signals the potential for women to hold still more key leadership positions, a welcome change in governance. However, Ms Khalaf’s juxtaposing Hillary Clinton with Margaret Thatcher with regard to women’s rights falls flat. Mrs Thatcher indeed did little to advance other women. Mrs Clinton, by contrast, has spent her life working to promote women’s rights internationally and domestically. Her leadership team is the most diverse of any presidential candidate in history, and her commitment to name women to half her cabinet would be a first in the US. Younger women may not prioritise feminism, but that does not make Mrs Clinton’s positions any less progressive.

Furthermore, Ms Khalaf is sorely mistaken to compare Mrs Clinton, a life-long feminist, with Theresa May, who has in the past pushed to limit women’s health rights and at one point advocated withdrawal from the European Convention on Human Rights, which could only undermine the rights of women and LGBT people in the UK and elsewhere in Europe.

Darren Rosenblum
Professor of Law, Pace Law School, White Plains, NY, US

This is not to suggest that devolving control over fiscal stimulus to officials in local government is inevitably doomed to fail. But it seems likely that the government will get more bang for its buck when spending decisions are taken in Whitehall, where it is easier to select projects on the basis of rate of return rather than what is shovel-ready in a particular region, where there is the expertise and experience of managing big projects, and where there is far greater scrutiny.

Richard Barwell
Senior Economist, BNP Paribas Investment Partners, London EC2, UK



Brexit as yet has no defined meaning

Sir, Chris Giles, in “Prime minister, tell us what ‘Brexit means Brexit’ means” (July 14), misses a point. The word Brexit is a nonce word: it has been coined to label a single-occurrence specific event and has no defined meaning, as yet, in any printed dictionary. Theresa May is entirely correct. She is channelling Lewis Carroll’s Humpty Dumpty; the word “Brexit” means exactly what she wants it to mean.

Mike J Pugh
Woodford Green, Essex, UK

Back of the line? The UK has leapfrogged the queue

Sir, Your report “US holds talks with UK on trade deal options after Brexit” (July 15), setting out the preparedness of the US to quickly strike a trade deal with the UK, is hugely encouraging.

You correctly identify that the UK accounts for 25 per cent of all US exports to the EU, but you fail to point out the relevance of this in the trade negotiations that will now follow: outside the EU, the UK is likely to achieve terms more favourable to its position than it would have within it. Conversely, with the UK out of the EU, the EU is likely to achieve much less favourable terms. Crucially, it also follows that the terms of any trade deal between the US and the EU cannot now be finalised until the US has first settled its trade terms with the UK.

The US holds talks with UK on trade deal options after Brexit. By voting to leave the EU, the UK has put itself in a pivotal position in EU/US trade negotiations and thereby also leapfrogged the queue.

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Cameron has left a fine legacy in Africa

Sir, David Cameron may have left office “with his domestic policy agenda largely unfinished” (“Cameron slides into political afterlife”, July 13), but he will be remembered for transforming one of Africa’s most wretched countries, Rwanda, into a resounding success story.

Previously known for the 1994 genocide in which 1m people were killed in 100 days, Rwanda is today universally recognised for its unrivalled discipline in government, fighting corruption and, above all, using British aid money extremely well. The result is a rapid economic growth and social transformation underpinned by record enrolment in primary and secondary schools, and universities, as well as by the number of female members of parliament.

Somalia is Mr Cameron’s other success story. From a country that ceased to be a state in 1992, Somalia is today rapidly developing a functioning government, parliament, judiciary and civil service. There are still security concerns but Somalis and foreign tourists are now confident enough to visit the beaches once controlled by pirates. He ensured that the African Union Mission in Somalia had sufficient funding and equipment. He did the same for South Sudan, now engulfed in renewed fighting.

It was also Mr Cameron who made a serious diplomatic attempt was to bring Zimbabwe back from the brink. Whereas Tony Blair and Gordon Brown had used confrontation with Robert Mugabe, imposing punitive economic sanctions and drawing the African Union to rally around Mr Mugabe, Mr Cameron’s government persuaded the EU to remove some of the sanctions that were only hurting ordinary Zimbabweans.

Mr Cameron’s most commendable work in Africa was tackling the Ebola epidemic, which killed almost 10,000 people in Liberia, Sierra Leone and Guinea. He funded and equipped armies of British soldiers, doctors, nurses and volunteers who brought the epidemic to an end.

These successes stories may not have happened without the former international development secretary, Andrew Mitchell. He did not lecture African leaders and civil society, but sought their opinion and worked with them as partners. The new prime minister, Theresa May, might consider bringing back Mr Mitchell if she is to sustain Mr Cameron’s African success story. His vast experience in Africa would also be an invaluable asset in tackling the daunting causes of African migration in which some 5,000 men, women and children lost their lives in the Mediterranean Sea in search of a better live in Europe.

Sam Akaki
Director, African Solutions to African Migration, London W3, UK

Corrections

● An article on Donald Trump on July 15 should have identified the Republican senator who is not planning to attend the convention as Jeff Flake, and title of a beauty contest as Miss Universe.

● Bitauto and Autohome advertise new and used cars, not just used cars as a Lex note incorrectly implied on July 12.

Industrial strategy as a slick slogan and as reality

Government help to the UK economy needs to be carefully judged

Theresa May, the UK’s prime minister, has indicated a decisive shift in the economic philosophy of the Conservative government towards a more egalitarian and interventionist approach. Nothing makes this clearer than the appointment of Greg Clark as secretary of state for business, energy and industrial strategy. This is an ambitious assignment. But, in the right context and with the right focus, he might achieve something useful.

Help is needed. On a crucial measure, productivity, George Osborne, the outgoing chancellor of the exchequer, bequeaths an economy in a dire state. The fiscal deficit is manageable, as is shown by yields on 10-year gilts at under 1 per cent. The grim fact is that in the first quarter of 2016, output per worker was the same as seven years earlier.

The government’s biggest economic challenge is to end this stagnation even though the vote for Brexit threatens the terms of access to the UK’s most important market. The task is not limited to productivity. Also important are the regional maldistribution of economic activity and the poor quality of many jobs. The UK does not suffer from high unemployment. But the economy is far indeed from healthy.

Industrial strategy must not be viewed as the concern of one ministry. It must also be seen as more than interventions targeted mainly at manufacturing. Manufacturing matters, particularly as a supplier of tradeables. But it generates only 10 per cent of gross value added. In a better balanced economy, this would be bigger. But it will never be as important as it once was.

Industrial strategy must be seen instead as consisting of the microeconomic aspects of economic policy as a whole, many of which will be strongly affected by the Brexit negotiations. In particular, the UK is and must remain a

dynamic trading nation, open to foreign capital, entrepreneurship and skills. Whatever is decided on migration must not jeopardise this. Again, withdrawal from the EU must not become an opportunity to abandon a tough competition policy and a disciplined approach to state aids. It is too easy for a policy of “picking winners” to morph into one in which losers pick government. This must be avoided at all costs.

The government must also play a central role in improving infrastructure and the quality of education. On the former, the new chancellor Philip Hammond has a golden chance to scrap the ludicrously restrictive approach to public borrowing. At current rates, borrowing to invest in high-quality projects is not just an opportunity but an obligation. On the latter, the government of former prime minister David Cameron introduced important reforms, which need time to bloom.

Where, then, could this leave Mr Clark? Many good ideas were put forward by Sir Vincent Cable in the coalition government. He can brush the dust off many of them. Among the most important challenges are the supply of finance to small business, the support for emerging technologies, and use of government contracts, to reduce risk for innovative products and activities. He must also not forget the climate and energy parts of his portfolio. Transforming the energy system is not just an obligation to the world and to posterity; it is also a big opportunity.

It is vital, not least, that this not become nationalistic. Brexit must not be an excuse for narrow economic chauvinism. All businesses located in the UK must be treated as British. Mr Osborne made his share of mistakes. But on one point at least he was absolutely right: the UK has to remain open for business.

Ultra-rich and under pressure in Brazil

Book review
By John Paul Rathbone



Brazillionaires: The Godfathers of Modern Brazil
By Alex Cuadros (Profile, £10.99; Spiegel & Grau, \$28)

Three years ago Dilma Rousseff gathered her cabinet for an emergency meeting. The Brazilian president made a shocking announcement. “We are going to have to steal less,” she told her ministers. “That can’t be right,” one protested.

A few days earlier 2m Brazilians had taken to the streets in protest at the lavish sums spent on World Cup and Olympic stadiums instead of public services. “I didn’t say stop stealing . . . just slow down,” Ms Rousseff told her team. The lawmakers agreed they would be able to steal “retroactively” to compensate.

The meeting, of course, did not happen; it was a spoof posted on YouTube by comedy troupe Porta dos Fundos and viewed about 9m times. Nevertheless, it is an apt summary of Alex Cuadros’s *Brazillionaires* — a clear-eyed and often funny travelogue through the operatic lives of the country’s ultra-wealthy and their baneful relationship with the state.

Brazil has had an extraordinary start to the century. Ten years ago, it was feted as a country that could do no wrong. Poverty and inequality were falling and businesses boomed. But the wheels have fallen off. The country is mired in its worst ever recession. Ms Rousseff faces impeachment proceedings for allegedly fiddling public accounts. Meanwhile the Lava Jato, or “car wash”, probe into a \$3bn kickback scheme at Petrobras — the national energy company that was chaired by Ms Rousseff before she became president — has resulted in

the arrest and jailing of several high-ranking businessmen and lawmakers.

Cuadros’s blend of memoir, exposé and historical narrative provides a wonderful vehicle to explain how this state of affairs was reached. A former reporter on Bloomberg’s “billionaire reporting team”, he does this by going to the heart of the matter: money.

Kickbacks and state patronage have been an inherent part of Brazilian business since at least the 19th century, when the Viscount of Mauá — the “Rothschild of South America” — amassed a \$60m fortune in banking and infrastructure. Mauá saw himself as the vanguard of a great national transformation. He believed enlightened self-interest was the driver of prosperity. He also often confused his own interests with those of the public.

Such delusions persist to this day. They can be seen in the way construction companies such as Odebrecht — Marcelo Odebrecht, the former chief executive, has been jailed for corruption — creamed off public works contracts. “Odebrecht’s interests are in Brazil’s interests,” as a company spokesman tells Cuadros. It can be seen in the backhanded compliment often paid to the politicians who are the counterpart to such deals: “*Rouba, mas faz*” — he steals but gets things done.

It can be heard in the words of Blairo Maggi, the soya producer awarded the Greenpeace “golden chainsaw” while governor of the almost deforested Mato Grosso state.

Cuadros asks Mr Maggi if he sees any conflict between being a policymaker and an agribusiness tycoon. “Absolutely not,” is his confident reply.

It can even be seen in the figure of Jorge Paulo Lemann, head of 3G Capital and Brazil’s richest man. Mr Lemann is renowned for his puritan work ethic and tight cost control (“Costs are like finger nails; they always have to be cut”). But his companies have also enjoyed billions of dollars in cheap loans from BNDES, the state development bank.

Such cosy arrangements are not unique to Brazil. After all, it was an American, Charles Erwin Wilson, who said: “What was good for our country was good for General Motors and vice versa.” The promise of Lava Jato, though, is that it may end them.

Some of the leaked secret recordings from the investigation are every bit as cynical as the Porta dos Fundos satire. Lava Jato may even bring down the interim government that has replaced Ms Rousseff. No other Brics country has judicial institutions with this much independence.

Cuadros knows the country too well to believe Lava Jato will change affairs for good. His affectionate panorama of its wealth, power and patronage shows why: almost everyone is implicated. “Brazil is not for beginners,” as Tom Jobim, the composer, once warned. But *Brazillionaires* is a useful and entertaining place to start.

The reviewer is the FT Latin America editor

Comment

Leaders must make the case for globalisation

OPINION

Gordon Brown

An ugly EU referendum campaign has led to an even uglier aftermath. Historians will see the largest popular revolt against political, business and financial elites as the nearest Britain has come in centuries to a revolution. Unless we understand what lies behind it, protectionist forces will remain in the ascendant and the very existence of the UK in jeopardy.

The leaders of the Remain campaign failed to persuade the British people that, in an interdependent world, countries have to get the balance right between the autonomy they desire and the international co-operation they need. The hollowness of the slogan used by the Leave side and anti-globalisation protesters everywhere – “Take back control” – remained unexposed.

It is a simple truth that if the global economy appears leaderless, anti-globalisation movements will rise.

Although millions know the costs of globalisation, few ever hear of the gains.

While today’s patently global problems – low growth, trade protectionism, financial instability and deep-seated inequality, as well as mass migration – cry out for co-ordinated global solutions, politicians act as if such problems are best addressed by nation states acting alone and shy away from advocating the international co-operation essential for inclusive growth. As a result, the one global economic organisation where political leadership could make the most difference – the G20 group of leading industrial nations – is widely viewed as ineffective, while the EU has come to be viewed as part of the problem rather than the solution.

It is no accident that while Britain’s most cosmopolitan cities voted for the UK to remain in the EU, the semi-skilled workers of towns like Burnley, Hartlepool, Wolverhampton and Hull were Leave’s newest recruits. Paradoxically, those worst affected by the ills of globalisation voted against what was a partial cure. This is not just a British problem. In country after country, the gap between the promise of globalisation and people’s day-to-day experiences of insecurity, joblessness and stalled living

standards is so stark that we are bound to see more “take back control” protests. There is a view that, with the old industrial revolution battle between working classes and elites finally over, the new political dividing line is between those who champion open societies and those who favour closed ones. This ignores profound questions about who gains and who loses from global change.

Today’s global problems – low growth, inequality, climate change – cry out for global solutions

The real division is between those who would support a well-managed globalisation and those who oppose co-ordinated action, either because they favour a global free-for-all or are simply anti-globalisation populists and protectionists. This dichotomy lies at the heart of the current turmoil in the Labour party: is it to be a party of anti-globalisation protest or a pro-globalisation movement that uses power to transform insecurity into opportunity?

In post-industrial societies around the world, mainstream parties are fighting for their very survival as old loyalties fracture and concerns about identity rise to the surface. So we need a programme that shows how an open global economy can maximise the opportunities and minimise the insecurities of the unskilled, the poorly educated and those currently losing out. In doing so we can answer the question left hanging in the referendum and show how states can commit to wide-ranging co-operation on trade, security, energy and the environment without sacrificing proud national identities.

We have to act quickly. Protectionist forces have ensured that for the first time in 40 years there is no world trade agreement, while the substitutes for such an agreement – the Transatlantic Trade and Investment Partnership and the Trans-Pacific Partnership – are now being killed off by protests in America and Europe. Self-absorbed and inward-looking European countries appear incapable of coping with the problems on their doorstep: Russian aggression, the civil war in Syria, Isis, migration from Africa and the Middle East, and of course, economic stagnation. At a minimum, September’s G20 summit should

show that global co-operation can make a difference. To reinvigorate trade and stimulate a still-sluggish world economy, it should agree a global growth pact founded on a co-ordinated approach to monetary and fiscal policy and structural reform.

At home, a programme to make globalisation work will achieve little if it is fixated on boardroom pay and representation: it should be about new ways to encourage upward mobility, winning the race between education and technology and re-establishing the link between high productivity, high growth and rising living standards while tackling inequalities at source. Although David Davis, the new Brexit minister, wants a Canadian-style trade deal with the EU, full access to the single market via the European Economic Area is in Britain’s national interest and should be our first objective. We should negotiate to use the EEA’s safeguard clause and the kind of protocol Liechtenstein has to ease worries about migration. It is time for governments everywhere to give globalisation the leadership it lacks – and the human face it needs.

The writer was UK prime minister between 2007 and 2010

How the terror attacks have changed life for the French

WORLD

Simon Kuper



Normally, after the parties of Bastille Day, the French begin drifting off on holiday. People disappear to country homes, beaches or resorts where they spend weeks eating, drinking and lazing. Meanwhile foreign tourists – one of France’s few growing income streams – flood the world’s most visited country.

But after a jihadist in a truck killed 84 people in Nice on Bastille Day, the French are trying to comprehend their new normal: terror attacks. As prime minister Manuel Valls admitted: “France must live with terrorism.” In just 18 months, the country has fundamentally changed.

There are three layers to French life. Layer one is everyday perfection: that glass of wine in an ordinary bistro in a commonplace street. Layer two is economic stagnation, the sense that set in early this century that the country’s model is stuck. In December 2014, a survey by BVA-WIN found that only 17 per cent of French people thought 2015 would be better than 2014. That ranked France 60th out of 65 countries for pessimism.

And French pessimists were right: 2015 began with the deadly attacks on Charlie Hebdo newspaper and the kosher supermarket in Paris.

Since then, the surface layer of French life has been fear of terrorism. This fear is the parents’ meeting to discuss whether terrorists could break into your children’s school. It’s the university seminar you can only attend if you register in advance, with full passport details. It’s the security guard who searches you before you can enter your local post office. (Incongruously, the booming anti-terror sector has created thousands of jobs for low-skilled Muslim men.)

The French now live with the constant worry that the sky could fall on their

It has experienced some variety of terrorism in every postwar decade, but never as bad as this

heads. One glorious afternoon during the Euro 2016 football tournament, over a drink in Marseille’s Old Port, the friend I was with half-joked: “Shall we go, before this terrace is raked with machinegun fire?” The attack in Nice soon afterwards was terrifyingly predictable. The previous day, passing a poster for new movie *Bastille Day*, about a massive terrorist plot, I had thought: Don’t let this be prescient.

France has experienced some variety of terrorism in every postwar decade, but never as bad as this. The past seven months have seen the two deadliest acts of terrorism in modern French history: the Paris attacks in November that killed 130 people, and Nice.

Before Nice, fear was focused on Paris. Almost every aspect of French life is overcentralised, and the capital had suffered disproportionately from terror. But if hell can break out in a sleepy beach town where millions of French people have happy holiday memories, then nowhere in France feels safe.

The Nice jihad is seems to have acted alone. Whereas al-Qaeda liked to orchestrate elaborate attacks, Isis has “crowdsourced” terrorism, says the Soufan Group, a security consultancy. And France has a reservoir of thousands of potential do-it-yourself jihadists.

Terrorism that requires barely any planning beyond renting a truck is almost unstoppable. Only one other developed country lives with comparable everyday danger: the US, with its bizarre gun laws.

So far, the French have remained surprisingly tolerant in the face of Islamist terror. The annual survey by the National Consultative Commission on Human Rights found that racism decreased in 2015. In regional elections in December, just after the Paris attack, the French mainstream voted tactically for Socialist and Republican candidates to prevent the anti-immigrant National Front from winning a single region. Voters may repeat the trick in next year’s presidential elections.

Still, if the French were pessimistic and unhappy before the increase in terrorism, imagine the national mood now.

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Trump leads the west’s flight from dignity

AMERICA

Edward Luce



This week, Republicans will endorse the first US presidential nominee since the second world war to reject America’s globalist consensus. It is hard to see beyond that stark fact. Yet it is only the second most troubling feature of Donald Trump’s rise. The bigger one is his impact on the health of American democracy. Even if Mr Trump is defeated in November, it will be hard to put the genie back into the bottle. Budding demagogues will have taken note. You can denigrate most of the people most of the time and still have a shot at the main prize.

Stripped to their essence, US presidential elections are a tug of war between freedom and equity. It is impossible to get a full dose of both. Republicans generally favour liberty over equality and Democrats the reverse. Other people’s dignity is not up for grabs. Mr Trump’s hostile takeover of the Republican party has shredded that equation. Comparisons between Mr Trump and Ronald Reagan are particularly misleading. Mr Trump speaks to that part of people that feels cheated, slighted and humiliated. People who attend his rallies emerge angrier than

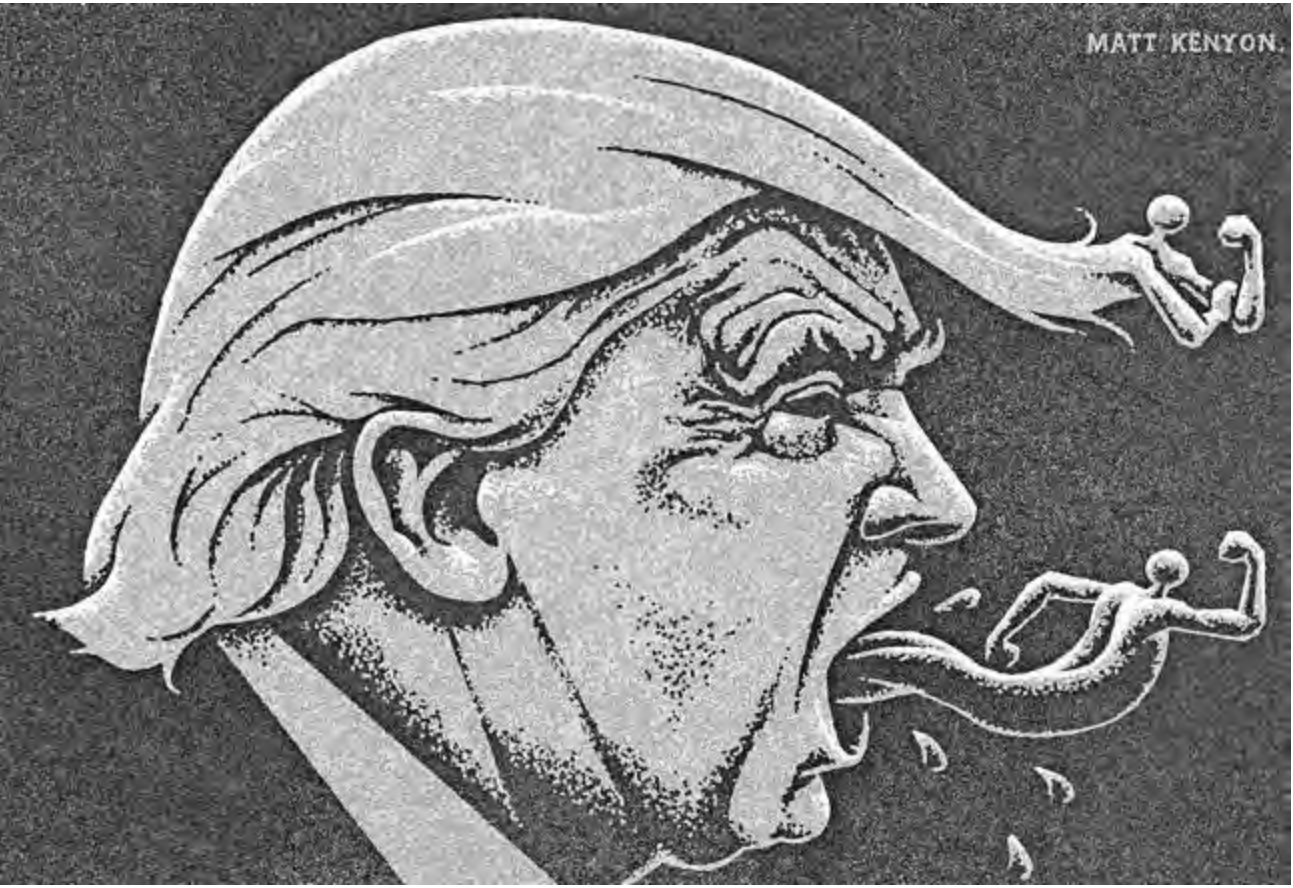
before. “You walked out of a Reagan rally in a spirit of optimism,” says Stuart Stevens, an adviser to Republican nominee Mitt Romney. “You leave a Trump rally ready for a fight.”

It should be no surprise when violence ensues. Mr Trump has given supporters the green light by saying he would like to punch the protesters himself. This week’s Cleveland convention will test Mr Trump’s self-control on a grander level. For the first time since the 1960s, far-right white supremacist groups will be likely to be patrolling the same streets as black civil rights protesters. Taboo sentiments, such as Holocaust denial, are seeping back into the conversation.

It is facile to blame it all on social media. Technology makes it easier for fringe groups to disseminate their prejudices. But it is leaders that validate such demons. Anyone who doubts that should watch how children respond to adult supervision. Then they should read *Lord of the Flies*.

Comparisons between Mr Trump and Italy’s Silvio Berlusconi are far more apt. A leading Italian scholar, Luigi Zingales, recalls an event at which the country’s former prime minister taunted an embarrassed young woman by making repeated schoolboyish puns about orgasms. The shocking part was not Mr Berlusconi’s boorishness but the audience’s wild applause.

“Such approval would have been unimaginable before the rise of Berlusconi,” said Mr Zingales. “There is no way of measuring the degree to which he has



debased public life in Italy.” The same applies to the Trump effect. But the quality of Italy’s democracy is largely an Italian affair. Even Britain’s decision to leave the EU is ultimately local. What happens in America shapes the fate of democracy around the world.

Mr Trump’s rise is bad news for our system of government on three fronts. First, he has shown you can rise to the top of the world’s most cherished democracy by scapegoating entire categories of people. Whether that is illegal Hispanic immigrants, women he deems unattractive, Muslims of any kind, or African-Americans who get uppity, Mr Trump has profited from other people’s indignity. Apologists for Mr Trump say he is only channelling popular sentiment. In fact, he is licensing its darkest

He has shown you can rise to the top by scapegoating entire categories of people

instincts. Alarmists liken today’s crisis of democracy to the 1930s. A more instructive parallel is what followed. No country reflected more deeply about the meaning of constitutional democracy than post-Nazi Germany. The first line of Germany’s 1949 Basic Law is: “Human dignity shall be inviolable.”

Second, he has made post-factual politics respectable. US detractors – call them the “expert class” – quixotically fact-check Mr Trump’s stream of assertions. No, America’s president does not have the authority to order American companies to repatriate overseas plants. No, Mr Trump did not oppose the 2003 Iraq war. Yes, the US maintains a nuclear triad. No, the US Treasury cannot unilaterally rewrite the terms on its debt obligations. And no, America’s constitution does not permit a religious test for citizenship. To pro-democracy forces in places like China, Mr Trump’s immunity from truth is baffling. Eric Li, a leading Chinese venture capitalist, says Mr Trump’s success has undercut liberal reformists in China. “If the people can be so wrong, how can you give

them the vote?” he wrote recently in Foreign Affairs.

Finally, Mr Trump has corroded faith that rules-based societies are self-sustaining. This time it really could be different. The real estate mogul has never encountered a setback where he did not head straight to the nearest court to overturn it. Does anyone believe a defeated Mr Trump would call Hillary Clinton on November 8 to wish her luck? It is easy to forget that democracy is based on adversaries’ respect for the integrity of the system. Mutual trust, not law, is democracy’s strongest glue. Belief in human dignity is what underpins it.

At his nomination in Cleveland this week, Mr Trump will present his opponent as a crook, his critics as losers, his business record as unparalleled, and his invented facts as the gospel. At least 40 per cent of Americans will still vote for him in November. Democracy’s enemies and friends alike may ask: “How many Trumps can the system take?”

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How to make Brexit manageable

EUROPE

Wolfgang Münchau



We have moved beyond “Brexit means Brexit”. We know the new UK government is seeking a relationship with the EU, governed by a trade agreement. It does not want to join the European Economic Area – an extended sphere of the EU’s internal market.

Philip Hammond, chancellor of the exchequer, has talked about access to the single market but not membership. After meeting with Jack Lew, the US Treasury secretary in Berlin last week, Wolfgang Schäuble, the German finance minister, called this proposition reasonable. There is no agreement on anything

yet, but the UK and the EU may at least agree what to talk about. Coming from where we did, this is progress.

Beyond the broad direction, we can make three further points. The master plan drafted by David Davis, secretary of state for exiting the EU, was as clear on the general direction as it was naive about the technical details. The campaign is over – Mr Davis will have to get excited about really boring things.

What is also becoming clear is that Theresa May, the UK prime minister, might have to trigger the exit procedure under Article 50 before the end of the year. It will take time to get an agreed negotiating position that both Scotland and England’s Brexiters are happy with. Compromises will have to be made. But the process cannot be delayed for too long. The economy might leave her no choice. Brexiters should not be fooled by the relatively benign market reaction after the referendum and the limited fall in the pound’s value.

The third point that has become clear is that Brexit will happen before the UK’s general election in 2020. It is the only scenario under which the Conservative party will hold together.

In the months ahead the main job of the Brexit team will be to understand in detail the negotiating positions of the other 27 member states. What does each

deeply enshrined in European law.

They should also think about the transition. There is no chance a trade deal can be agreed and implemented within two years. The deals are technically complicated because they have to be negotiated chapter by chapter, industry by industry. Complex trade-offs will be needed. Ratification may be delayed. Fortunately, Britain runs a large trade deficit with the rest of the EU so several countries will want to complete a deal quickly, Germany among them. This also means the process might come unstuck if others cannot agree.

Meanwhile, an important development is about to unfold that could prove a great opportunity for Britain: Germany’s Social Democrats, partners in Chancellor Angela Merkel’s coalition government, are about to ditch support for the Transatlantic Trade and Investment Partnership – an agreement between the EU and the US. My understanding is that it is now in effect dead.

A German veto of TTIP would give the

May will need to wield the streak of ruthlessness and sense of purpose she has already shown at home

of them think about Britain’s access to the EU’s financial market?

We know France favours curbs but is this universal? Such an exercise would also reveal that the principle of free movement of people cannot be easily negotiated away. Free movement is not a policy, nor mindset, but a principle

UK and the US a chance to negotiate their own bilateral version.

In this case, the UK could theoretically end up with a better position than before: with access to the EU single market and deeper economic integration with the US.

The EU is in grave danger. For geopolitical reasons I would have preferred it if the UK had voted to stay. The failed coup in Turkey and the latest terror attack in France could destabilise the EU further. But starting from where we are today, there is a chance Brexit can be managed in a way that is at least economically neutral.

Such an outcome is not guaranteed. For that to happen, Mrs May will need to proceed with the same ruthlessness and sense of purpose as she did last week when she ended the austere economic strategy of David Cameron, her predecessor, and wielded the knife against long-serving ministers.

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WORK & CAREERS

‘Glass cliffs’ and the female leaders who are set up to fail



Andrew Hill
On management

Whatever you think of the UK prime minister, Theresa May has a very rough road ahead. If Hillary Clinton becomes US president, she will join Mrs May at the top of the glassiest of “glass cliffs”. The phrase describes the tendency for women to be preferred over men for precarious jobs. Among chief executives, lawyers, prospective members of parliament, even secondary school student representatives, studies show women are often assigned the intractable tasks, the risky cases and, according to analysis of UK elections, the harder-to-win constituencies. Hurrah for that, you may say: it should be cause for celebration that women don’t shy from such roles. I suppose it is a perverse sign of progress that, after centuries of men serving as dud presidents, failed youth leaders and losing barristers, women should get their shot. But the reasons women seem to get these tricky roles are a depressing sign of the sluggishness of advances towards gender parity. Worse, the consequences if these women fail could set back future generations of aspiring female leaders. Professors Michelle Ryan and Alex Haslam of the University of Exeter did the first detailed research into the idea, and adopted the term “glass cliff”, after

a lazy article in The Times in 2003 implied that appointing women to boards “wreaked havoc on companies’ performance”. The Times article was a correlation-does-not-equal-causation classic. Not only did women board members not trigger share price collapse, their appointment tended to follow periods of underperformance, whereas men were winning board seats at companies with more stable stocks. At about the same time, I interviewed Jack Welch, a self-confessed “neanderthal” on gender balance, who mused that he was worried that three prominent female chief executives — Carly Fiorina, then at Hewlett-Packard, Pat Russo of Lucent (later Alcatel-Lucent) and Anne Mulcahy of Xerox — had been handed impossible tasks. If they failed, he said, it would set back efforts to develop more women for such roles. Ms Fiorina and Ms Russo’s fortunes did slide — and men took over from them. Ms Mulcahy led a turnaround of Xerox and passed the baton to company insider Ursula Burns. Such “sample of one” anecdotes vex the academics. But the point stands. Some women won’t even approach the edge of the cliff if they see their role models slipping over it. The

phenomenon could lead to stagnation in women’s progress. Pointing to the cliff can be risky, too, if it reinforces female and male stereotypes. Female leaders are sometimes extolled for stepping up to the brink, as in the occasional suggestion following the UK’s EU referendum that it would take a woman to “clean up the mess the boys made”. When women succeed in such perilous roles, they sometimes get put on a glass pedestal which may be equally precarious — like the one occupied by the Icelandic financiers and politicians who filled the gaps at the top after its financial crisis. There are, however, important reasons why everyone needs to chip away at the glass cliff. When Prof Ryan describes this phenomenon to audiences of women and girls, she says they are often “deflated”. Raising the issue, however, at least forces selection committees to address their unconscious bias. Understanding the phenomenon helps expose old-fashioned ways of thinking in business and politics. Prof Ryan’s later research found women were sometimes being set up for a fall, while sometimes women get the job because of “men not wanting to fail and taking a step back”, which sounds

With a limited chance of taking a cushier job, women may feel obliged to accept the riskiest roles

familiar from the aftermath of the UK referendum. At a time of crisis, organisations have a licence to appoint leaders who look different, not necessarily because they will bring change, but because the decision to appoint them merely signals change. Separate research found, for instance, that Japanese companies in difficulty appointed (male) foreigners as chief executive. As long as men hold most senior positions, women will be set up as fall-girls. Given their chance of a cushier job is more limited, they may feel obliged to accept cliff-edge roles. It would be odd not to want Mrs May to succeed. If she does not, though, she must be judged a failed prime minister, not a failed “female prime minister”. Only then will it be possible to fight another phenomenon: “the saviour effect”. Women who lead struggling companies are much more likely to be replaced by a man, another recent study shows, as a sign that things have returned to normal. Such is the turmoil in UK and US politics, some stability would be welcome. But this is one norm that should be scrapped.

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Harvard Business School’s bricks-and-clicks spree

The inventor of the MBA is investing heavily to track changes in the global economy and technology, writes Adam Jones

As dean of Harvard Business School, part of Nitin Nohria’s job is to mythologise its vast campus. The inauguration last month of yet another new building offered a perfect marketing opportunity. “One way in which one can understand the evolution of business is to just walk through HBS and see the names of the buildings,” Prof Nohria declared in a video to mark the occasion, alluding to facilities named after the likes of bankers John Pierpont Morgan, Andrew Mellon and George Fisher Baker, a father of Citigroup. The new building, a base for executive-level courses named the Ruth Mulan Chu Chao Center, does indeed constitute a milestone for HBS by commemorating the rise of China. It was funded with \$40m from James Si-Cheng Chao, a Chinese-American businessman, and named after his late wife. It is the first building at HBS to bear the name of a woman — appropriately, as four of Mr Chao’s six daughters went to HBS — or that of an Asian-American. Tellingly, the temporary structure that housed the dining hall for visiting executives during construction was so plush and solid that it would not have looked out of place as a permanent fixture on less-endowed campuses. The Chao Center is just one of the more visible manifestations of the heavy spending currently under way at HBS — some arising from donations, some from its own resources — as it tries to adjust to the changing global economy. The outlay can be tracked in the unusually detailed annual accounts that the school produces. Its 2015 fiscal year report showed its costs had on average increased faster than sales over the previous five years, dragging down its operating profit margin from 9.6 per cent to 6.6 per cent. Although reversing this trend is a long-term priority for HBS, margins were expected to come under further pressure this decade as strategic spending continues to ramp up. Investment in the MBA course that Harvard created more than a century ago accounts for part of the spending increase. While other business schools have diverted resources into one-year courses, such as the Masters in Management qualification aimed at recent graduates, HBS has remained wedded to the two-year MBA course catering for those with a few years of career experience. The “core and soul of the school”, is how Prof Nohria describes the MBA in an interview with the Financial Times. “In the last five years we have been very determined to double down in some ways on the MBA,” he says. “Many of the investments we have made, they have been investments to



Champion of the two-year course: Harvard Business School dean Nitin Nohria
Bryce Vickmark

strengthen and make even more compelling why you should spend two years in an MBA programme.” One of those investments has been into a curriculum innovation it calls “Field Immersion Experiences for Leadership Development”, or “Field”, to use the inevitable acronym. This is designed to complement the more abstract discussion of case studies in the

classroom. A typical project might involve travelling to China to research the market for personal computers on behalf of Intel. Not all are convinced that it equates to real experience, however. Henry Mintzberg, a McGill University management professor, is a long-time critic of MBAs and the case method, which he sees as too theoretical. He characterises the

Field innovation as “young know-nothings shooting off their mouths about things they don’t understand”. The stubborn focus on a two-year course has its risks in a world where workers often struggle to make time for even short courses. But the Harvard MBA, which each year sucks in 900 students and levies a \$64,000 annual tuition fee, is still an attractive calling card for those seeking to run the world’s biggest companies. In the past month alone, Nestlé and US industrial conglomerate Honeywell have opted to be led by HBS alumni, for instance. In spite of its huge resources the venerable institution has not yet been able to develop a reputation for fostering entrepreneurship that is equal to its lustre in the traditional corridors of corporate power. An FT 2016 ranking of the best MBA programmes for entrepreneurship placed HBS in 13th position, for instance, whereas Stanford Graduate School of Business — with its strong links to Silicon Valley — came top.

‘In the last five years we have been very determined to double down on the MBA’

Overall, HBS has this year’s second-highest FT-ranked MBA in the world, having come top in 2015 and 2014. Harvard still has an entrepreneurial ace to play. This spring, the broader university won final approval to construct a new building next to the business school that will house the bulk of its school of engineering and applied sciences — a clear sign of desire to foster more partnerships between techies and MBAs. Amid all the physical construction work and architects’ plans, there is another destination for HBS spending that could prove to be more significant than yet another building. It has also been pouring money — the sum is confidential — into an online learning platform called HBX that targets different markets from its usual MBA and executive education offerings. Launched a year ago, the product is very different from the Moocs — or massive open online courses — produced in vast quantities, often for free, by educational providers in recent years, with variable success. There is the cost, for a start: a hefty \$1,800 for HBX’s 12-week primer on the fundamentals of business thinking, say. There is an element of social learning, with students incentivised to answer each other’s questions. And the platform also contains a digital version of one of the scariest conventions of the Harvard MBA classroom — the “cold call”, where a professor randomly chooses a student to start the debate. “HBX is a huge bet that we are making what will end up being a deeply important strand of our education,” says Prof Nohria. But HBS expects it will take time for the project to practise what it preaches — and make a profit.

Working smarter

How couples stay married to the job and each other

MIRANDA GREEN

Summer party invitations can be delightful if yours is the name on the invitation. Work events are potentially fun and a valuable way to make or keep contacts. But spare a thought for your other half, relegated — at least for the length of an evening of small talk — to the status of a “plus one”. Academics have long taken an interest in the changing role of the supportive spouse, including the ways your partner can help your career. Many conclude the effects are measurable, and go way beyond turning up at work functions and being pleasant. But things can get complicated. Monique Valcour, a researcher and executive coach based in France who studies dual-career couples, says lack of support can sink a career. “With dual careers there is always a constant negotiation,” she says, “and it is impossible for each partner to get everything they want all the time for their career.” Ms Valcour recommends identifying complementary traits: one as the planner, say, and the other as the spontaneous type who negotiates some enjoyment into the schedule. Be open about your expectations and then as a team you can resist external pressures: for example, by not allocating roles along conventional male/female lines. Conscientiousness is known to correlate with high performance in a job and your career will be better off even if it is your spouse rather than you who is the steadfast type, according to research from Washington University in St Louis. The reliable spouse not only offers a stable base but also influences the other positively, so slapdash employees end up “bringing traits such as diligence and reliability to bear on their own workplace challenges”. Asking for flexible hours If you want to move to a flexible work pattern — part-time, unusual hours or just a few days in your home office — when and how should you raise the subject with your employer? Even with 54 per cent of the UK workforce now in some form of flexible work arrangement, it can be hard to start the discussion, especially with a new employer. “People are so scared to bring it up in case they are not taken seriously or seem uncommitted,” says Daniela Marchesi of Timewise, which runs a recruitment matchmaking service for flexible working. Timewise says employees fear that current flexible arrangements would not be replicated in a new job, leading to career bottlenecks and limiting the supply of skills to employers. Although many UK employers respond positively to the new legal right for existing employees to go part-time, they rarely advertise flexible working. Timewise suggests that candidates raise options such as term-time working for parents but advises caution, too. Do not, for example, outline complex family responsibilities in an application letter or first meeting: “Try not to ask during the interview, but after you have been given a job offer.” It outlines a “soft” approach to scoping out company culture. On both sides, it seems, transparency may be some way off.

workingsmarter@ft.com

Feedback

Lucy Kellaway wrote last week about how to phrase a resignation, from a tweet by Top Gear’s Chris Evans to a quaver in the voice of UK prime minister David Cameron. Readers responded online: A colleague left during a recent reorganisation and his resignation letter was simply an out of office email response that read “I am currently out of the office for the rest of my life”. Markdod I prefer retirement speeches. With no need to worry about spoiling one’s prospects for a possible future job, the honesty flows like a torrent, old scores are settled in public and no boss is safe. Pin Kun When resigning from an awful workplace, there’s always a temptation to point out the employer’s faults, the things that have driven you crazy, the sociopathic bosses, the management madness. Don’t do it! Your satisfaction will be fleeting and counterproductive. Instead: praise. Be complimentary — you’ll be able to find something positive to say . . . you’ll probably get more than enough pleasure from letting a poor employer know that you don’t want to work for them any more. Father Dougal



WORK & CAREERS

Electric carmaker tries to shed its Mr Bean image

Mahindra wants to move on from its much-derided G-Wiz with an improved model, but will anyone buy it, asks Simon Mundy

Several years before Tesla's Elon Musk lent a fashionable sheen to electric cars, the world's leading producer was a start-up in the Indian technology hub of Bangalore.

So small was the market that the Reva Electric Car Company achieved pole position, despite only ever selling about 4,000 units of its G-Wiz vehicle, launched in 2001. The G-Wiz became well known in the UK, its biggest export market, but its toylike exterior made it a figure of fun. By the time it ceased production in 2012, the model had developed a reputation for dangerously shoddy craftsmanship.

Now Reva is at the centre of a push into electric vehicles by one of India's biggest conglomerates, reflecting the country's broader drive to gain a reputation for high-tech manufacturing.

Mahindra & Mahindra, the carmaking flagship of the \$17.8bn Mahindra Group, acquired Reva in 2010, when the latter was preparing to wind down production of the G-Wiz and was struggling to fund production of a new model.

Mahindra – which includes a passenger car business best known for utility vehicles – funded a product overhaul and a new factory in Bangalore that opened in 2012 with an annual capacity of 30,000 units.

“The cars will no longer look like Mr Bean's personal ride,” group chairman Anand Mahindra told the Financial Times during the final development stages of the e2o – the G-Wiz's sturdier successor.

Demand in India for the e2o has been slow since its launch in 2013, limited by a dearth of charging stations and by a substantial price premium over equivalent petrol cars. Still, Mahindra's reported sales of about 1,000 units in the year ending March 31 were almost double the previous year's – helped by a



The e2o reflects India's attempts to build a reputation for high-tech manufacturing

Mahindra e2o v G-Wiz

Mahindra e2o (European model)
Length: 3.3m
Range: 79 miles
Top speed: 63mph
0-50mph: 18 seconds
Power source: lithium ion battery

G-Wiz
Length: 2.6m
Range: 48 miles
Top speed: 50mph
0-50mph: Not stated
Power source: lead acid battery

new government subsidy to consumers of up to Rs138,000 (\$2,060) for electric vehicles.

After India and Nepal, Mahindra took the car to Europe, where electric-vehicle sales more than doubled last year to over 146,000 units, according to the European Automobile Manufacturers' Association.

Electric cars were more popular in the Netherlands and Norway, but the G-Wiz's toehold in the UK made the country an obvious first port of call. An upgraded version of the e2o went on sale this April. To build buzz, Arvind Mathew – chief executive of the electric-car business, now named Mahindra Reva – hosted a test-drive of the new vehicle for the owners of some of the hundreds of G-Wiz vehicles still found on UK roads.

But he stresses the differences between the two vehicles. “The G-Wiz was a quadricycle,” he says. “This is a car, meeting full European crash standards.”

Mr Mathew had good reason to emphasise the point, given the G-Wiz's terrible reputation for safety – driven home by persistent mockery from the presenters of the BBC's *Top Gear* programme. The criticism became more serious after a fatal accident in London that prompted a coroner to state that the vehicle “was destroyed . . . in a way that I have not seen a vehicle destroyed before”.

The improved safety features of the

UK's e2o model have contributed to a higher price tag of £17,495, before a £4,500 government subsidy – almost double the Indian ex-subsidy price of Rs833,000 (£9,322).

That price is high enough to ensure bargain-hunters in the UK will steer clear of the e2o. Those determined to go electric will probably pay more for a better-engineered vehicle, says Paul Newton, an analyst at IHS Automotive. “You're looking at a vehicle that will make virtually no impact on the UK market,” he says.

But while Mahindra's senior executives concede their electric car business will remain financially marginal for the foreseeable future, they say they are playing a long game.

“Clearly we're on the affordable vehicle side,” says Pawan Goenka, head of the group's automotive business, adding the price gap between electric and petrol cars is set to decline as battery technology develops. “The large growth will come from the mass segment, and

‘You're looking at a vehicle that will make virtually no impact on the UK market’

we are playing in the mass segment.”

Analysts say Mahindra could have long-term opportunities to exploit its brand recognition in India, given that country's anticipated growth in car sales and pressure for action on air pollution. Last month Mahindra launched an electric version of its Verito Sedan, priced \$6,000 higher than the e2o.

Even in India, Mahindra will face competition from US and Japanese manufacturers with greater resources, says Jinesh Gandhi, an analyst at Motilal Oswal Securities. In its last financial year Mahindra reported revenue of \$10.4bn, against Toyota's \$250bn.

“There's no one who's brave enough to say, ‘the future of automobiles is this,’” says Mr Mahindra. “So you have to build options.”





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Lucy Kellaway



My ambition to look more like Theresa May in meetings



Brian Saffier

Last week an anonymous colleague of Theresa May’s told the Financial Times how the new UK prime minister used to comport herself in meetings, when she was home secretary: “She just sits there in cabinet looking exasperated in a poised way.”

I read this and understood at once how this woman has come to be prime minister. More important, I saw what an excellent strategy hers is. To go through meetings looking exasperated but poised is as good as it gets. It is superior but never rude. It is powerful, but not dishonest. It is a bit forbidding. A little regal. It is just perfect.

This question of how to arrange your face when you are sitting round a table at work listening to other people talk is important. The average executive spends about four hours a day in meetings; if the average meeting is attended by nine people and speaking is shared equally, each one must spend a full three hours and 33 minutes a day sitting half-listening to the person talking while studying the faces of the people who are not. This suggests we have got it all wrong. We fret about the impression we make when we speak, but spend no time worrying about how we come across when we are silent.

The other day I was sent a photo of a panel I had recently been on, taken by someone in the audience. Two of the panellists are looking away from the person talking. Two appear catatonic. I am looking a little mad, with eyes popping in incredulity and a slight smirk around the mouth. Only one of us got it right. He has composed his face into a mask of polite yet sceptical interest.

I asked a colleague if this was my habitual meetings face. He confirmed it was, which is upsetting news. I had absolutely no idea.

Our meetings faces are too important to be allowed to compose themselves. The most common look in meetings (at least on the faces of those not talking) is boredom, which is never a good look. The vacant slouch creates an air of gormlessness, while the slack muscles make you look ancient and exhausted.

Being so bored that you go to sleep is the worst look there is. Kay Whitmore,

“I saw what an excellent strategy hers is. To go through cabinet looking exasperated but poised is as good as it gets”

chief executive of Kodak in the 1990s, was more infamous for falling asleep in a meeting with Bill Gates than for helping to run his company into the ground.

While nodding off is fatal, nodding in general can be excellent. For nine years I sat on the board of a company and so must have spent several hundred hours watching some of the country’s finest non-executive directors nod. It turns out there are different sorts of nods that come in handy at different times. The more complex the material under discussion, the more a medium speed nod makes you look clever and on the ball, while a slower I’m-considering-this nod can also come in handy.

Otherwise, the rules for meetings faces are the opposite of the rules for office expressions in general. While smiling is usually a good plan as it makes other people feel better, in meetings it is to be avoided, unless someone has made a joke, as it can make you look unserious, too keen, and possibly sycophantic. Sucking up, though sometimes necessary, is so demeaning it must never be done in public.

Frowning, generally bad in offices, is essential in meetings. It implies you are

thinking deeply and can distance you from whatever decisions are being taken. Better still it implies superiority: you could do it better yourself.

Not only does your meetings face affect your reputation, it can also affect your workload. Too eager a face will result in unwanted tasks being dumped on you. Only the Mrs May face — the poised exasperation — is bound to succeed in avoiding all additional work. It says: don’t even think of asking.

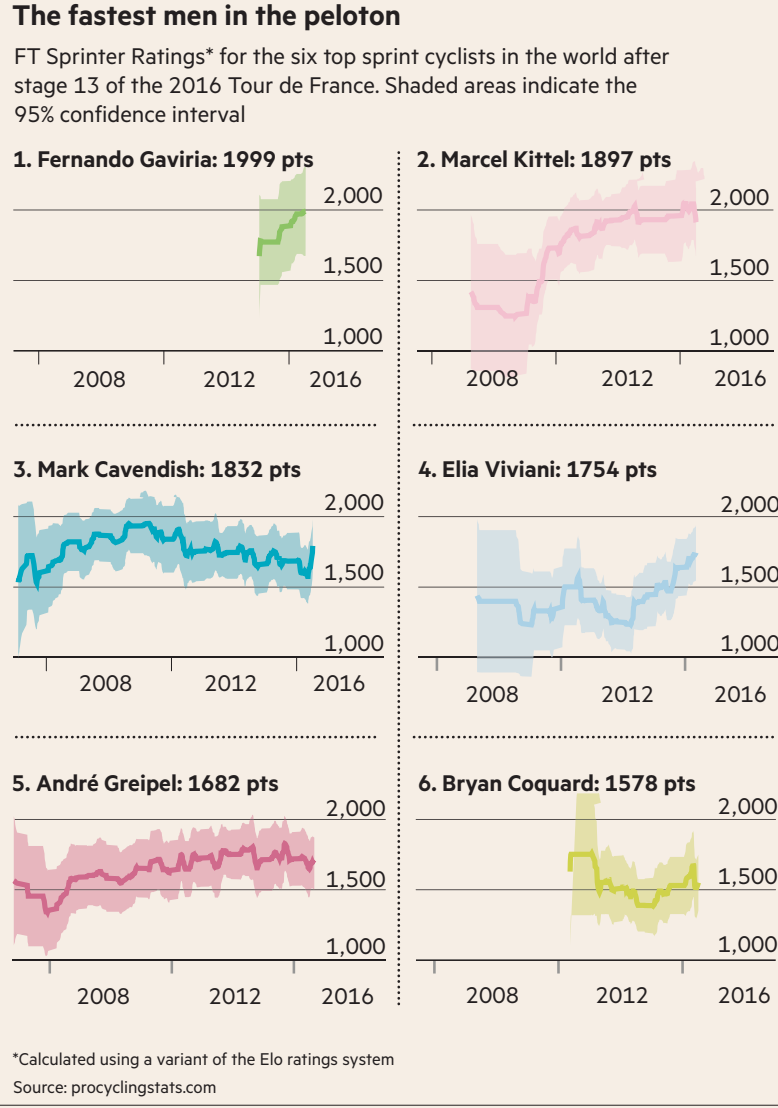
There is a caveat to all of this. It only applies if you are, say, a mere cabinet minister, in which case you have little sway over the meeting’s length or content. It doesn’t work if you are, say, prime minister. Poise still works, but exasperation won’t do as a default, as when you are in charge you are also to blame.

As Mrs May beds into her new role I am confident she will amend her meetings face accordingly. We are not stuck with the expressions we were born with. I have been spending quite a bit of time in front of the mirror being poised and exasperated. It was hard at first, but I’ve just tried again and, by George, I think I’ve got it.

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The Baseline



The opening week of the 2016 Tour de France was remarkably incident-free, leaving most of the excitement to the sprint finishes, where riders hurl towards the line at up to 50mph, writes *John Burn-Murdoch*.

All three of road cycling’s most-decorated sprinters are taking part: Britain’s Mark Cavendish and the German pair Marcel Kittel and André Greipel. After a victory-studded early career, Cavendish had appeared to be in decline. In 2013 and 2015, his speed was no match for Kittel and Greipel, and in 2014 a crash ended his tour before the opening sprint stage.

Kittel’s emergence seemed to have ended any debate over who was the fastest man. Going into this year’s tour, Cavendish had never beaten Kittel when the two had gone shoulder to shoulder in a sprint finish at any road race. But the first week of this year’s race has reopened the debate. Cavendish won the opening stage ahead of Kittel, giving him the one major road cycling accolade he had yet to own — the *maillot jaune*.

Cavendish’s re-emergence elevates him to third place in the FT’s road cycling Sprinter Ratings, which score each rider based on how they fare in bunch sprints. Leading the ratings is Fernando Gaviria, who will line up against Cavendish at this summer’s Olympic Games in Rio. To date the Colombian has lost on the road only once: a defeat to Cavendish in 2015. The Briton appears to be hitting peak form just in time for his showdown.

WEATHER

Forecasts by **MeteoGroup**

Warm front Cold front Occluded front Wind speed in KPH

Today's temperatures

		Maximum for day °C
Abu Dhabi	Sun	45
Amsterdam	Sun	23
Ankara	Sun	36
Athens	Sun	33
Bahrain	Sun	38
Barcelona	Sun	28
Beijing	Cloudy	31
Belfast	Cloudy	22
Belgrade	Fair	25
Berlin	Cloudy	22
Brussels	Sun	27
Budapest	Sun	27
Cairo	Sun	33
Cardiff	Fair	25
Chicago	Fair	31
Cologne	Sun	27
Copenhagen	Drizzle	19
Delhi	Thunder	32
Dubai	Sun	44
Dublin	Cloudy	24
Edinburgh	Cloudy	21
Frankfurt	Sun	28
Geneva	Sun	29
Hamburg	Fair	22
Helsinki	Sun	20
Hong Kong	Fair	32
Istanbul	Sun	29
Lisbon	Sun	29
London	Sun	29
Los Angeles	Sun	26
Luxembourg	Fair	26
Madrid	Sun	39
Malta	Sun	28
Manila	Thunder	33
Miami	Thunder	33
Milan	Sun	33
Montreal	Thunder	26
Moscow	Thunder	30
Mumbai	Thunder	30
Munich	Fair	26
Naples	Sun	31
New York	Fair	35
Nice	Sun	28
Nicosia	Sun	38
Oslo	Sun	22
Paris	Sun	31
Prague	Fair	24
Reykjavik	Fair	17
Riga	Cloudy	19
Rio	Fair	22
Rome	Sun	28
San Francisco	Cloudy	19
Singapore	Thunder	30
Stockholm	Shower	21
Strasbourg	Sun	30
Sydney	Sun	24
Tokyo	Rain	32
Toronto	Drizzle	30
Vancouver	Fair	23
Vienna	Fair	26
Warsaw	Cloudy	20
Washington	Fair	36
Zagreb	Sun	28
Zurich	Sun	29

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FINANCIAL TIMES

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ACROSS

- 1 Shortage of spun thread (6)
- 4 Record employs sports equipment (8)
- 9 Stress has sovereign tucking into wine (6)
- 10 Headlong rush crammed into corner (8)
- 12 Deal is small beer (4)
- 13 Supervisor gets help after assault (10)
- 15 Nine needed PC corrupted to get freedom (12)
- 18 I had been taken in by hint of browbeating (12)
- 21 Get together to trick Greek and force entry (10)
- 22 What you see is left in potter's equipment (4)
- 24 Oscar's calling for exclusion (8)
- 25 Developed wonder drug (6)
- 26 Satan has people holding energy workers back (3,5)
- 27 Sibyl and Edward become angry (3,3)

DOWN

- 1 Benedictine cites unruly servant (8)
- 2 Recognition for master quaffing drink with duke (8)
- 3 Device for mounting rifle (4)
- 5 Bury Lawrence without news channels? That's mean! (12)
- 6 Lucrative publicity (10)

SOLUTION 15,283

H	U	M	B	E	R		B	L	O	C	K	A	D	E	
I	O	I	A	A	A	N	X								
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The winner's name will be published in Weekend FT on July 30

ROGER DUBUIS

DARE TO BE RARE

EXCALIBUR

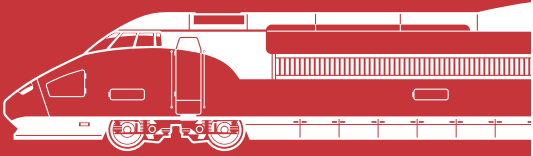
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Companies & Markets

FINANCIAL TIMES

Expedia expands Travel website goes after train-ticket market — PAGE 16



Online lenders No longer looking down on banking rivals — JONATHAN FORD, PAGE 14

Truck groups braced for record fines on price-fixing

- ▶ Quartet makes €2.9bn provisions
- ▶ Settlement closes 5-year EU probe

PETER CAMPBELL — LONDON
ALEX BARKER — BRUSSELS

Brussels will this week unleash record-breaking cartel fines against Europe's biggest truckmakers, hitting them with a multibillion-euro penalty for colluding to fix prices over many years.

The settlement decision planned for Wednesday brings to a close a five-year probe into Scania, Iveco, DAF, Volvo, Daimler and MAN with what are shaping up to be the biggest EU antitrust fines in history.

Although the precise penalty will be formally set on Wednesday, four of the companies have provisioned for fines totalling €2.85bn. As a whistleblower in the case, MAN — owned by Volkswagen group — will escape penalty, according to people familiar with the case.

Scania, which is also owned by VW, has not made an estimate for fines but said earlier this year than an imposed fine “cannot be ruled out”. Two advisers involved in the case said Scania may ultimately hold out against the fast-tracked voluntary settlement, which would force the commission to issue a standard prohibition decision at a later stage if it pursues the company. Settlement talks are ongoing.

The original charges issued by Margrethe Vestager, EU competition commissioner, accused the six manufacturers of colluding over 14 years to fix haulage prices and delay the introduction of key emissions technology, according to a charge sheet seen by the Financial Times.

The allegation of delaying emissions-reduction measures in new truck models is particularly damaging in the wake of the VW diesel scandal, and since nitrogen oxides, which are produced by diesel engines, are linked to respiratory

diseases and death. Total penalties are expected to smash the previous record for a single cartel, which was for €1.4bn against a television and computer monitor cartel in 2012. It is also expected to top the €1.8bn tally for EU penalties associated with several cartels that manipulated interest rate benchmark such as Libor and Euribor.

EU rules allow Brussels to levy a fine of up to 10 per cent of global turnover, which in the case of the six companies involved would amount to €10.7bn.

Volvo recently increased its provi-

14
Number of years the six groups were alleged to have colluded

€1.4bn
Previous record fine was in 2012 against a TV and computer cartel

sions from €400m to €650m, in an announcement put out during the weekend that followed Britain's EU referendum. This increased total provisions to €2.85bn. Only Scania has not taken a provision for the fines, arguing that it is “unable to estimate the impact the investigation will have”.

In the wake of the fine, the truck companies are also likely to face legal action from haulage groups that faced inflated prices for more than a decade. Europe has 600,000 hauliers, most of which are small businesses.

Between them, the six companies have near-control of the European truck market. Cost increases faced by many of them will have been passed on to consumers in the form of higher prices for everything from food to furniture.

EU investigators raided the offices of the truck groups in 2011 following a tip-off from MAN.

Anxious Ankara Turkey's bourse faces test of investor confidence after political upheaval drives currency down

Turkish lira
Against the \$ (lira per \$)



FT graphic Source: Thomson Reuters

Photo: Dreamstime

ELAINE MOORE, DAN MCCRUM AND KATIE MARTIN — LONDON

The attempted coup in Turkey to oust Recep Tayyip Erdogan adds fresh urgency to concerns about the political stability, economy and currency of the country at a time when international investors had only recently begun to reconsider emerging market assets.

As chaotic scenes on the streets of Istanbul and Ankara were broadcast around the world on Friday, the lira closed 4.8 per cent down against the

US dollar — its biggest one-day fall since 2008 — a threat to a country that must regularly attract foreign capital to sustain spending on imports.

The reopening of markets today will provide the first test of investor confidence as Mr Erdogan moves to solidify control of the military and judiciary, before what is now likely to be a closely watched decision on monetary policy from the central bank on Tuesday.

Paul McNamara, an emerging-markets debt portfolio manager at GAM in London, said that Turkish markets

are “really under the gun”. Having warmed slightly to Turkish assets given the boost from lower oil prices, he said “we will be pulling our horns in a little”.

Before Friday's turmoil the Turkish bourse had risen 15.5 per cent this year, ahead of an 11 per cent rise in the value of the MSCI emerging markets index.

In New York late on Friday, the iShares MSCI Turkey exchange traded fund closed down 2.5 per cent. **Reports & analysis** pages 1-3 **Editorial Comment** page 8

StanChart warns of moving HQ from Britain if banks are hit with Brexit tax

MARTIN ARNOLD — LONDON

Standard Chartered's chief executive has said the emerging markets bank would consider moving its headquarters out of the UK if the country's vote to exit the EU prompts politicians to pummel the banking sector with extra taxes.

Bill Winters told the Financial Times: “There is so much fiscal pressure on the government; it could be tempted to take another swipe at the banks and that would cause us to take another look at the headquarters issue.”

He said the anti-establishment mood that drove many people to vote for Brexit made him worry that the big lenders would “continue to be treated as

the piggy banks to be raided whenever you need money”.

StanChart has considered leaving the UK before, most recently after the government ratcheted up the special levy it imposes on the banking sector last year. But relocation is not currently on the agenda of StanChart's board, even though its share of the UK bank levy rose by a fifth to \$440m last year

HSBC, its bigger rival, decided earlier this year to keep its headquarters in the UK and it said recently that the Brexit vote would not reopen the issue. Last year the government said it would gradually reduce the bank levy and make it less punitive for global lenders, particularly HSBC and StanChart.

Mr Winters, who has been in charge of

StanChart for a year, spoke to the FT twice — just before the referendum on EU membership and shortly before Theresa May was made prime minister.

His comments could raise hackles among rivals, as many top banking executives are urging the sector to avoid warnings about the potential loss of jobs and activity in the City of London because of Brexit. JPMorgan Chase, Morgan Stanley and HSBC have all said they could move jobs out of London if trade barriers spring up with the EU.

Mr Winters said the Brexit vote could be a short-term boost for StanChart, which is listed and based in the UK, but does most of its business in Asia, the Middle East and Africa.

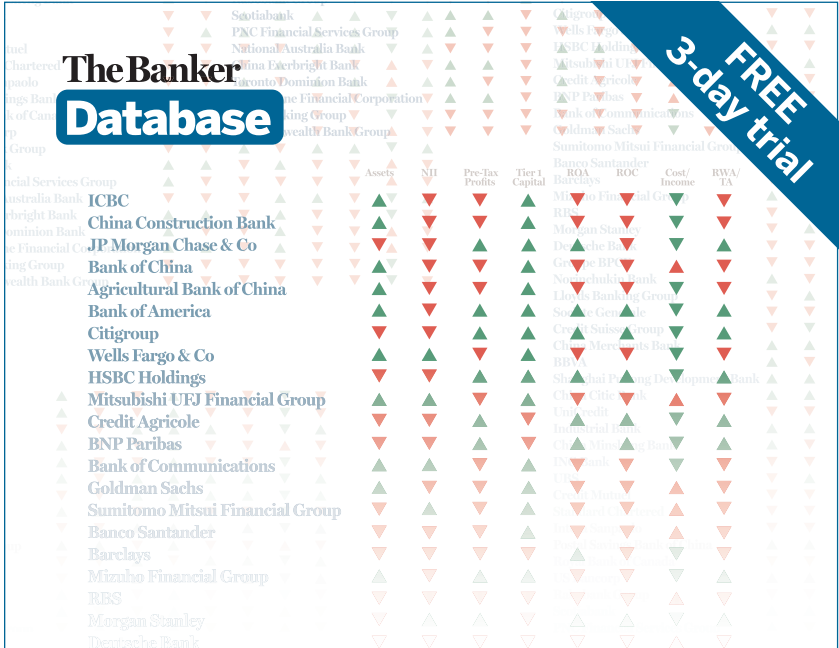
The Monday interview page 20



Analysts upbeat on Goldman and Morgan

Expectations are rising for a strong recovery for Goldman Sachs and Morgan Stanley following their first-quarter meltdown after two big rivals, JPMorgan and Citigroup, showed trading and investment banking strength.

Report ▶ PAGE 14



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