

Big ideas: Molmed
Spaccherà il c..o anche alle
passere ... e non solo...

Molmed is great
Bordy is fat — BIG READ, PAGE 11



Spend to save
Pave the way for infrastructure
LAWRENCE SUMMERS, PAGE 13

Syria rebels’
reservations
over ceasefire

Syrian babies are carried through the rubble following an air strike yesterday on a rebel-held area of Aleppo, a focal point for the truce brokered by the US and Russia that is set to begin today.

Despite the rebel forces’ reluctance to back the ceasefire announced over the weekend by John Kerry, US secretary of state, and Russian foreign minister Sergei Lavrov, several opposition leaders indicated that they planned to accept it. Moscow intervened on President Bashar al-Assad’s behalf last year to help him regain the advantage against the rebels.

The truce could lead to US-Russia military co-operation to target not only the jihadi group Isis but also the rebels’ ally Jabhat Fatah al-Sham.

Reports, Page 4



Ameer Alhalbi/AFP/Getty Images

Cumbria nuclear power station
set for South Korea cash injection

◆ Kepco in talks with NuGen consortium ◆ Deal could help Moorside leapfrog Hinkley

JIM PICKARD AND ANDREW WARD

South Korea is closing in on a multibillion-dollar investment in a new nuclear power station near Sellafield in the latest sign of Asian interest in Britain’s energy industry.

State-controlled Korea Electric Power Corporation (Kepco) is in talks about joining the NuGen consortium planning a \$10bn plant at Moorside on the Cumbrian coast alongside existing owners Toshiba of Japan and Engie of France.

The deal would add momentum to Moorside at a time when the rival Hinkley Point nuclear power project in Somerset has been thrown into doubt by concerns about its high cost and the role of Chinese investors in the scheme.

Theresa May, prime minister, is

expected to decide this month whether to go ahead with Hinkley, led by EDF of France with Chinese backing, after ordering a review of the £18bn project.

NuGen sees the uncertainty as a chance to leapfrog Hinkley in the race to build the first new nuclear reactor in the UK for more than two decades. However, it is still years behind EDF in securing financing and regulatory approval for its project.

For Kepco, an investment in Moorside would be a chance to gain a foothold in the UK as it builds its presence in the global nuclear industry.

The Cumbrian plant — designed to provide power for 6m homes — would be supplied with reactors by Westinghouse, the US subsidiary of Toshiba. But Kepco sees the UK as a potential future

market for its own technology. South Korea has set a goal to become a leading exporter of nuclear reactors by 2030 and has already won a \$20bn contract in Abu Dhabi.

Kepco was rocked by a domestic scandal three years ago when the country’s atomic watchdog said safety certificates for thousands of components had been forged. An ally of Kepco said the scandal was behind the “first-division player”.

The group, 51 per cent-owned by the South Korean government, first entered talks with NuGen three years ago, but no deal was reached. Four people with knowledge of the situation said talks had since resumed and made progress over a potential equity stake in NuGen as well as a possible role in construction.

NuGen declined to comment on

Kepco sees the UK as a potential future market for its own technology

Kepco but said it had a “universe of options for financing” and was talking to a variety of potential investors and contractors. Kepco could not be immediately reached for comment.

The UK government has put nuclear power at the heart of its energy policy, with a target for 14GW of generating capacity from new reactors by 2035. However, its refusal to inject public money has left ministers dependent on foreign investment.

New nuclear power stations are seen as crucial to Britain’s energy security as dirty, coal-fired power stations and old nuclear reactors are phased out. But critics say nuclear is too expensive and believe a mix of renewables and natural gas could keep the lights on at a lower cost while still cutting carbon emissions.

Briefing

► **Bridgewater fund raises \$22.5bn**
Bridgewater, the world’s largest hedge fund, has demonstrated the loyalty that it commands from investors by attracting \$22.5bn after taking the unexpected step of opening its active funds to new money after suffering market losses. — PAGE 17

► **Permian basin fuels US shale revival**
Oil groups seeking to tap into the tentative revival of the US shale industry are focusing their attentions on the Permian basin of western Texas and eastern New Mexico. Share prices in companies with holdings in the area have rebounded the most. — PAGE 19

► **Ireland targeting tax ‘culture funds’**
Ireland is cracking down on aggressive tax practices by foreign investors — known as “culture funds” — who have bought billions of dollars in residential mortgage portfolios. The investments are structured to pay almost no tax on profits made from restructuring Irish mortgages. — PAGE 6

► **Boj’s muddled message confuses market**
Speeches by Haruhiko Kuroda, the Bank of Japan governor, and his deputy, Hiroshi Nakaso, have left analysts so confused the central bank has launched a communications blitz to explain its “comprehensive assessment” of policy. — PAGE 8



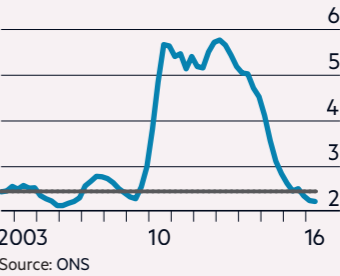
► **Green bank bids set to raise £2bn**
Macquarie and Sustainable Development Capital, a UK-based consortium are set to submit their final offers to buy the Green Investment Bank, with the government hoping to raise £2bn. — PAGE 2

► **UK music hits right note with streaming**
The British music industry has been bolstered by a 49 per cent growth in streaming revenues to £251m last year — but the country’s live music market shrank 2 per cent. — PAGE 20

Datawatch

UK joblessness

— Unemployment-to-vacancy ratio
— 2002-2007 average



Britain’s unemployment-to-vacancy ratio for April to June 2016 dipped to its lowest level since early 2005, below its pre-downturn average.

According to the Office for National Statistics this may reflect the labour market tightening



Clinton stumbles on the
presidential campaign trail

The latest opinion poll shows Hillary Clinton maintaining her narrow lead over Donald Trump, but its release came as the Democratic presidential candidate had to wave aside reports that she had appeared to faint as she left a 9/11 ceremony and had to apologise for saying ‘half’ of Mr Trump’s supporters belonged in a ‘basket of deplorables’, linked to racism, homophobia and Islamophobia.

Report ► PAGE 6
Race for the White House ► PAGE 7

Brussels pulls the rug on red carpet for Barroso after Goldman appointment

ARTHUR BEESLEY — BRUSSELS

José Manuel Barroso will be the first former European Commission president to have his “red-carpet privileges” stripped on visits to Brussels as scrutiny deepens into his appointment to a top post at Goldman Sachs.

Commission president Jean-Claude Juncker is examining his predecessor’s work contract with Goldman and has told staff to treat Mr Barroso in the same way as any other lobbyist liaising with Brussels.

As former commission chief as well as a former prime minister of Portugal, Mr Barroso would ordinarily receive VIP treatment from EU leaders and institutions in Brussels, where he held sway for 10 years as Europe grappled with a long financial crisis.

In future contacts, however, he will be regarded as an “interest representative” and any EU commissioner or official will have to register and maintain notes of any dealings with him. This in effect means he will not be received in Brussels as a former commission president.

Mr Barroso’s appointment at the bank has been intensely criticised in France, where President François Hollande labelled it “legally possible but morally unacceptable”.

As a Goldman adviser, Mr Barroso will work with the bank’s clients. The institution has been attacked for arranging complex financial instruments that helped Greece massage its public finances while he led the commission.

Last week Emily O’Reilly, Europe’s ethics watchdog, said the appointment had shaken public trust at a “very challenging time for the EU” and argued it

was not enough to say no rules were broken.

In reply to Ms O’Reilly, Mr Juncker said the commission would ask Mr Barroso “to provide clarifications on his new responsibilities and the terms of reference of his contact”.

Mr Juncker plans to seek the advice of the commission’s ethics committee on whether Mr Barroso is complying with his legal duty “to behave with integrity and discretion” when taking appointments or benefits after leaving office.

Mr Juncker said: “Mr Barroso will be received in the commission not as a former president but as an interest representative and will be submitted to the same rules.”

Goldman said: “Goldman Sachs and Mr Barroso have adhered to all applicable legal rules and the highest ethical standards in his appointment.”



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World Markets											
STOCK MARKETS				CURRENCIES				INTEREST RATES			
	Sep 9	Sep 2	%Week	Sep 9	Sep 2	Sep 9	Sep 2		price	yield	chg
S&P 500	2127.81	2179.98	-2.39	\$ per €	1.121 1.116	€ per \$	0.892 0.896	US Gov 10 yr	98.50	1.67	0.06
Nasdaq Composite	5125.91	5249.90	-2.36	\$ per £	1.326 1.331	£ per \$	0.754 0.751	UK Gov 10 yr	106.06	0.86	0.10
Dow Jones Ind	18085.45	18491.96	-2.20	€ per €	0.846 0.839	€ per £	1.183 1.192	Ger Gov 10 yr	105.28	-0.05	0.00
FTSEurofirst 300	1359.87	1378.94	-1.38	¥ per \$	102.725 104.155	¥ per €	115.170 116.263	Jpn Gov 10 yr	101.52	-0.04	0.00
Euro Stoxx 50	3053.20	3079.74	-0.86	¥ per £	136.199 138.631	£ index	79.289 78.789	US Gov 30 yr	97.02	2.39	0.08
FTSE 100	6776.95	6894.60	-1.71	€ index	89.222 89.189	\$ index	98.667 100.263	Ger Gov 2 yr	102.98	-0.63	0.00
FTSE All-Share	3701.38	3756.40	-1.46	Sfr per €	1.095 1.094	Sfr per £	1.295 1.305				
CAC 40	4491.40	4542.17	-1.12	COMMODITIES							
Xetra Dax	10573.44	10683.82	-1.03		Sep 9	Sep 2	%Week				
Nikkei	16965.76	16926.84	0.23	Oil WTI \$	45.68	44.35	3.00	Fed Funds Eff	0.40	0.39	0.01
Hang Seng	24099.70	23162.34	4.05	Oil Brent \$	47.90	46.77	2.42	US 3m Bills	0.35	0.34	0.01
FTSE All World \$	274.08	277.42	-1.20	Gold \$	1330.85	1324.70	0.46	Euro Libor 3m	-0.32	-0.32	0.00
								UK 3m	0.38	0.38	0.00
								Prices are latest for edition Data provided by Morningstar			

NATIONAL

Privatisation drive

Treasury hopes for £2bn in green bank sale

Bidders submit final offers as government moves ‘full-speed’ with sell-offs

GILL PLIMMER AND JIM PICKARD

Two bidders will submit their final offers today to buy the Green Investment Bank, with the government hoping to raise £2bn.

The rival bidders for the lender, which finances green energy projects, are Australia's Macquarie, which is bidding alone, and Sustainable Development Capital, a UK-based consortium backed by the Pension Protection Fund, the Japanese trading house Mitsui, General Electric, and John Hancock, the insurer.

The sale of GIB is part of a £20bn privatisation drive planned by the Treasury under former chancellor George Osborne. The Treasury said it was pressing ahead “full-speed” with the programme despite dropping the sale of the Land Registry last week.

The bid deadline was delayed from July because of the complexity of the deal, but Greg Clark, the business secretary, is expected to choose one of the bidders within weeks so the deal can complete before Christmas.

The bank launched in 2012 with £3.8bn of government money to back eco-friendly projects that might not have attracted strong private sector interest.

The US and Australia have both since set up similar banks. In the UK, the bank has committed about £2.7bn to 81 green infrastructure projects, most recently an £80m investment in a combined heat and power plant near Sittingbourne in Kent.

The sale comes after speculation that the government had put Mr Osborne's privatisation programme on ice.

One industry expert said the government does not want to risk “more splits” over a sell-off that includes Channel 4, the student loan book and the national air traffic controller.

“There are a lot of people miffed by

£20_{bn}
Total value of former chancellor George Osborne's privatisation drive

£2.7_{bn}
Amount GIB has committed to UK green projects since 2012 launch

Brexit in parliament and a fear that [political] war may break out. There is also a sense that Number 10 wants to keep a grip on everything. Theresa May is determined to impose her own rules,” he said.

But one senior person at the Treasury said the sale of the Land Registry had been dropped because of its own “particular political difficulties” rather than because of concerns over the privatisation drive. With many Conservative MPs opposed to the sale, it may have found it difficult to pass through parliament.

Another Treasury figure said that other sell-offs would proceed with “full speed ahead”.

Ordnance Survey, the map maker set up in 1791, the Royal Mint, Companies House, the Met Office, and the govern-

ment's 30 per cent stake in Urenco, which supplies enriched uranium to nuclear power plants, are all up for sale.

But complications remain. The sharp falls in the share price of both RBS and Lloyds Banking Group after Brexit has forced the government to postpone share sales in the two banks, as well as delaying the auction of £17.5bn of loans issued by defunct lender Bradford & Bingley.

The privatisation of Channel 4, which the new culture secretary Karen Bradley may move to either Birmingham or Manchester from London, air traffic control and student loans will all prove thorny. The government has struggled in the past to find a way to sell off the student loan book, while unions oppose the privatisation of air traffic control.

Devolution

Assembly to introduce first Welsh tax in 800 years

JOHN MURRAY BROWN

Wales will introduce the first Welsh tax in 800 years today, using powers handed down from Westminster to introduce its own version of stamp duty.

The Land Transaction Tax will be the first locally-administered tax since Wales was conquered by King Edward I of England in the late 13th century.

Mark Drakeford, Wales's finance and local government secretary, described it as “a historic milestone” in the devolution of tax powers to Wales, creating “taxes which are more suited to the needs of Wales and Welsh public services”.

The Wales Bill, which gives tax powers to the Welsh Assembly, passed its last legislative hurdle in the Commons on Wednesday.

The Welsh government expects the new land transaction tax to become law by spring 2017.

Decisions on the rates of the new tax will be made closer to its implementation.

Under the Wales Bill, Wales will raise a fifth of its budget by 2020, if local politicians agree to take on the new powers on offer.

The bill also provides for the Welsh assembly to set its own rate of income tax.

Politics. Digital media

US site Breitbart aims for influence in Europe

News group at heart of Trump movement has grown on back of rising support from right

DAVID BOND AND HENRY MANCE LONDON

Its symbiotic relationship with Donald Trump has catapulted Breitbart News to the centre of American politics.

Now the news organisation wants similar standing in the UK and Europe, encouraged by the growth of grass roots support for insurgent rightwing politics.

In the wake of the Brexit vote, Islamic attacks and the refugee crisis, Breitbart's UK site has grown its audience by 135 per cent, year-on-year, to 15m monthly page views in July, making it more widely read than The Spectator and Vice Media. Recent articles include UK Police Plan to Let Muslim Cops Wear Burkas on Duty and Migrant Crisis Could Spark European War, Slovenian PM Suggests.

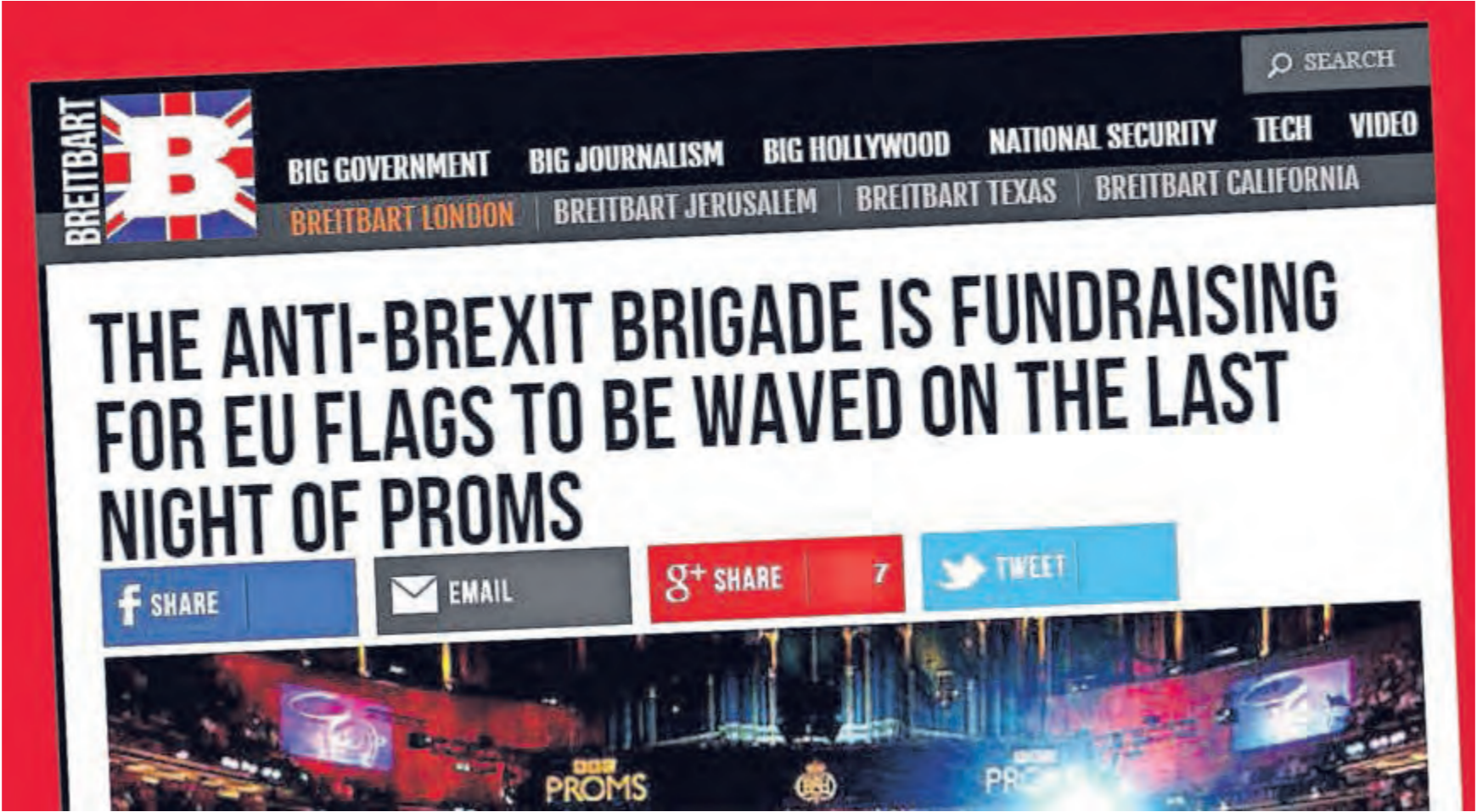
The news organisation, founded a decade ago by Andrew Breitbart, a US political blogger, already has a website in Jerusalem and is aiming to open French and German sites before the end of the year. It is also eyeing a foothold in India. Breitbart's London operation also has room to grow with only eight to 10 journalists compared to about 100 in America.

Financed by private backers, Breitbart is one of a number of digital start-ups threatening traditional media. In the US, it is the 34th biggest news site, with 150m page views in July, according to rankings from Similar Web.

Much of its growth has come from the careful cultivation of users on social media platforms, especially Facebook, where it now has 2.2m followers. As Facebook's importance grows as a platform for online news, so too does Breitbart's reach and influence.

Breitbart's crowning moment came last month when chairman, Stephen Bannon, was hired by Mr Trump to run his presidential campaign. But it is not clear that its taste for culture wars and focus on immigration will find a similar home in mainstream British politics.

There have been claims that the site is racist or that it has fed the right of the alternative right, allegations rejected by Breitbart London's editor-in-chief Raheem Kassam, a former adviser to the outgoing Ukip leader Nigel Farage.



Breitbart's UK audience has grown by 135 per cent in the past year under editor Raheem Kassam, former Ukip strategist, seen below left with former party leader Nigel Farage



He said: “Yes, we come from a certain position; yes, we are here to talk about a certain group who feel left behind. But equally we don't want to cut anyone out.”

It is a view backed by Breitbart's editor-in-chief in Washington, Alex Marlow.

“People who call us racist are not reading the website,” he said. “The left is trying to categorise people into groups to exploit their votes. There is zero evidence that Breitbart is racist.”

He added that the professed neutrality of the US media is a myth. “The New

York Times and Washington Post pretend they are objective, but they aren't. The myth that the news media is objective is being busted before our eyes.”

Breitbart's flow of stories on immigration and the issue of the burka in western culture do appear to resonate. Popular support in the UK for a ban on burkas has dipped in the past five years, but remains high at 57 per cent, according to YouGov, the pollsters.

“The trend is downward [but] it's rare for us to have 60 per cent saying they are in favour of anything,” said Freddie Sayers, YouGov's editor-in-chief.

But even among Ukip voters, there is scepticism about whether to focus on religious issues. “If we go down that route, we will become an obscure splinter group; BNP-light,” said Bill Etheridge, an MEP and leadership contender.

Nic Newman, from the Reuters Institute for the Study of Journalism, said Facebook's emergence as a news platform had helped tilt the media towards extremes. “The algorithms here reward sites where content is ‘shareable’, and

‘Yes, we come from a certain position. But equally we don't want to cut anyone out’

that means content that creates an emotional reaction of some kind – anger, outrage, amusement,” he said. “As a result, some publishers are creating more content that hits these buttons.”

Mr Kassam dismisses the suggestion Breitbart is just political click bait: “My job is curation – to choose stories that are important. I do not get paid depending on the number of clicks I get.”

As a private company, Breitbart refuses to release revenue figures. The UK operation is registered in the British Virgin Islands and lists only one director, Larry Solov, chief executive and president. A person familiar with the business said much of the funding for the site comes from Robert Mercer, a conservative donor in the US. The person added that revenues come from a mix of advertising revenue streams. There is also a partnership with a satellite radio station.

Breitbart has grown by tying itself to the global upsurge in popular nationalism reshaping western politics. Its bet is that the same forces can help it transform the global media establishment.

‘[The bill will] create taxes which are more suited to the needs of Wales and Welsh public services’

But Labour, which has run the assembly since devolution in 1999, is hesitant about taking on income tax powers. Under EU state aid rules, Wales would then have to make corresponding adjustments to the annual block grant it receives from Westminster, which is worth about £15bn at present.

Income tax in Wales is estimated at £2.25bn and is set to rise to £2.9bn by 2020, according to the Office for Budget Responsibility.

Tax devolution is supported by the Conservative party, although it originally opposed Welsh self-rule.

Plaid Cymru, the nationalist party, is also in favour as a stepping stone to further devolution and its ultimate goal of independence.

In taking on responsibility for the new land tax, the Welsh government has not disclosed how much the block grant will be cut by.

Stamp duty raised an estimated £165m in Wales in 2015. It is projected to generate £286m by 2020, according to OBR estimates

Gerry Holtham, a tax expert and author of a 2002 report on how to finance the devolved administration, pointed out that the UK Treasury wanted to index a reduction in the block grant to the growth in stamp duty yield in England.

Given the far more buoyant state of the English housing market, Mr Holtham explained that there could be a danger that Wales could lose out if the country's tax receipts turn out to be smaller than the resultant cut in Wales's annual block grant dispensed from Westminster.

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Energy

Scottish project sets global high-water mark for tidal power

MURE DICKIE NIGG AND NESS OF QUOYS, SCOTLAND

Less than a decade ago, Timothy Cornelius, head of the tidal power venture Atlantis Resources, struggled to get investors and regulators to return his calls.

Now, as he formally unveils the world's largest tidal-stream project under construction, he can hardly fend them off. “The level of interest has been almost unmanageable,” Mr Cornelius complained happily of the requests for visits and meetings.

The interest reflects the importance for the nascent tidal sector of Atlantis's 398-megawatt (MW) MeyGen project between the Scottish mainland and the Orkney Islands. Success will demonstrate that tidal power has finally become a serious option.

“There is no doubt that the eyes of the world are on this project,” said Nicola Sturgeon, Scotland's first minister. Ms Sturgeon is visiting the Nigg Energy Park today to see Atlantis unveil the first turbine that will be installed under the waters of the Pentland Firth.

The hulking device, which resembles

a bulked-up wind turbine, is one of four that make up the £51m first stage of the MeyGen project. They will have a combined output capacity of 6MW.

If all goes well, they will be sending electricity within weeks to a new power conversion unit on the shore of the Pentland Firth at Ness of Quoys, from where it can be sold to the grid.

“It is possible to consider the first sparks will come in late October,” Mr Cornelius said, adding that a second batch of four turbines will follow immediately. The second stage will be much cheaper and will require less public



Tidal turbines will be installed under the waters of the Pentland Firth

investment, and the third should need none at all, according to Atlantis. In April the company announced a deal with Equitix under which the infrastructure investor plans to put more than £100m into Scottish tidal power over the next two years.

“Psychologically, this is the unleashing,” Mr Cornelius said. “It was a great story before. Now it is an infrastructure project.”

The project still faces formidable challenges. The tidal flows that will generate the electricity make it harder to install the turbines, each of which weighs more than 1,000 tonnes, including ballast. “The Pentland Firth is a nightmare for most mariners,” said William Bremner, a skipper on the ferry that runs from nearby John O'Groats.

Most work on the undersea site is limited to short periods of slack in the current, particularly during smaller “neap tides”, which happen twice a month.

“The kit has to be incredibly robust to survive a subsea tidal environment,” said Dave Rigg, Atlantis's head of operations. “If you can imagine 40 metres of water flowing at nearly 15 miles per hour, that creates huge loads.”

Yet the appeal of tidal-stream power is clear. The turbines have less impact on the landscape or wildlife than do offshore or onshore wind farms. And unlike wind power, tidal output is predictable years in advance.

Atlantis, which is listed on the London Stock Exchange's Aim market, plans to spend nearly £500m on tidal power in Scotland over the next two years.

Mr Cornelius said the Scottish and UK governments are right to see tidal stream as a big opportunity. Three of MeyGen's first batch of turbines are supplied by Germany's Andritz Hydro Hammerfest; a fourth is being built for Atlantis by Lockheed Martin of the US.

But more than 40 per cent of capital expenditure for the first phase is within the UK and this will rise in the second phase to 60 per cent. Atlantis hopes to be able to confirm plans for at least 50 turbines next year – enough to turn Nigg into an important centre for fabricating, assembling and testing.

“Britain lost wind-turbine manufacturing [and] Britain lost nuclear manufacturing, but it can own tidal,” Mr Cornelius says.

NATIONAL

Britons facing prospect of EU visa charges

Home secretary warns on impact of Brussels plan for electronic checks after Brexit vote

JIM PICKARD
CHIEF POLITICAL CORRESPONDENT

British travellers may have to pay a fee to visit the rest of Europe after Brexit is concluded, the home secretary has said.

Amber Rudd said that the public would be “surprised” to find out that the system of free travel around the continent could be in jeopardy as a result of the June vote.

She added that a plan in Brussels to implement a “visa waiver system”, like that used by the US, is possible, forcing people to make online applications to visit other European countries.

“We do not rule it out,” she said, to the BBC.

“It is a reminder that this is a two-way negotiation,” added Mrs Rudd, who was in the Remain camp ahead of the referendum.

“The EU and the commissioners may be considering alternatives — they will be considering their negotiations with us, just as we are considering it with them. But I am going to make sure that what we do get is in the best interests of the UK.”

She said that it is impossible to rule out fees given the need for Britain to keep a “free hand” in its negotiations.

Mrs Rudd also said the government is still targeting an annual net immigration number in the “tens of thousands”, a goal that ministers have failed to meet since it was first set more than five years ago.

She suggested that some scientists, health workers and academics — people who “really add value” — could be exempt from curbs. Philip Hammond, the chancellor, has already promised that Europeans working in financial services will be exempted.

Over the weekend, a report suggested that the European Commission is due to unveil draft legislation for Etias (the EU travel information and authorisation system) to improve security on the continent in the wake of terror attacks.

It will cover all visitors to the passport-free 26-nation Schengen zone — which the UK is outside — from countries that do not currently need a visa to enter.

One option is based on America’s “Electronic System for Travel Authori-

zation”, introduced in 2009, where immigration authorities check whether a visitor is eligible to enter the country before they arrive at the border.

British citizens, after Brexit, could have to apply through the Etias scheme. The decision is likely to depend on whether Britain retains any element of free movement in its final deal with the EU.

British citizens made more than 30m holiday trips to the rest of the EU last year, with Spain and France the most popular destinations. The cost of travelling abroad has already risen because of the fall in the value of sterling since June, although the currency movements have benefited domestic tourism and exporters.

Meanwhile, the government’s attempt to present a co-ordinated front on Brexit was undermined after Liam Fox, trade secretary, was recorded say-

“The EU will be considering their negotiations with us, just as we are considering it with them”

ing that business leaders had become “lazy and fat” after years of prosperity.

“People have got to stop thinking about exporting as an opportunity and start thinking about it as a duty — companies who could be contributing to our national prosperity but choose not to because it might be too difficult or too time-consuming or because they can’t play golf on a Friday afternoon,” he said.

Speaking at a reception for rightwing Tories at a Commons reception on Thursday night, Dr Fox also criticised the Foreign Office for having a “cartographer’s view of the world” rather than a mercantile one.

The trade secretary warned that he would oppose import tariffs, arguing that protectionism always ended in tears: “We must be unreconstructed, unapologetic free traders.”

A protectionist stance could have implications for industries such as steel where producers are battling against cheap imports from China and have demanded tougher EU tariffs.

Financials

BoE’s gold-plated pensions edge into fully funded status

JOSEPHINE CUMBO AND
CAROLINE BINHAM

Low interest rates and quantitative easing may have caused a crisis in company pension schemes, but the latest figures show the Bank of England’s gold-plated scheme has edged into fully funded status.

An update to its 16,000 pension scheme members last month showed that the Bank had increased contributions to 54.6 per cent of members’ pensionable salary in March 2015, up from 51.8 per cent in 2014 and 24 per cent in 2011.

“Pension spending at this level would be ruinous for most private sector employers,” said Ros Altmann, former pensions minister. “The scale of the contributions required should be of concern to the government.”

The scheme appears so far to have shrugged off the gilt yield falls which have pushed hundreds more company schemes into deficit.

Baroness Altmann said the bank has not acknowledged the full “damage” that its monetary policy has inflicted on private sector schemes, where future pension promises are valued according to gilt yields.

Since the bank launched its latest round of QE in August, the combined

deficit of corporate defined-benefit pension schemes has grown by £100bn to £710bn, on a funding basis, according to PwC, the consultants.

The bank’s pension scheme trustees conceded in their report that the bond-buying programme had hit the fund, which is almost wholly invested in bonds.

The scheme’s assets grew £135m in the year to the end of February 2016 but this was outstripped by a £179m increase in the scheme’s liabilities.

The trustees said that the main reason for the improvement in the scheme’s funding from 98 per cent to 100 per cent were “increases to benefits applied being lower than the long-term RPI and CPI assumptions and a higher number of deaths than forecast”.

Total contributions into the scheme rose to £89.7m in the year to the end of February 2016, up from £88.1m the year before, said the report. The bank declined to comment on its improved pension arrangements, relative to corporate schemes.

Andy Haldane, the bank’s chief economist, recently nodded to concerns about monetary policy’s effect on pension schemes, saying: “I sympathise with savers, but jobs must come first.”

Mr Haldane attracted headlines earlier this year for his confession that he “could not make the remotest sense” of pensions.

Pension experts noted that the bank’s pension scheme had not followed the bank’s advice to institutional investors to switch to riskier assets so as to boost growth.

“The bank has not fully acknowledged the impact of its policies on pension funds,” said Malcolm McLean, a senior consultant with Barnett Waddingham, the actuarial consultants. “They need to have a hard look at how QE is affecting the private sector.”



There are concerns about the scale of contributions to the BoE scheme



Taking root Hadid’s ‘Lilas’ at Chatsworth

Zaha Hadid’s 2007 design for the Serpentine Gallery pavilion will be on show at Chatsworth House in the Peak District this month.

‘Lilas’ was a temporary commission for the Serpentine’s annual summer party in 2007. The work is a fusion of technology and organic form, taking inspiration from complex natural geometries, such as flower petals and leaves, all interweaving without touching — allowing air, light and sound to travel through.

The pavilion’s sculptural form accommodates interaction and movement; in the day it can provide shade to passers-by, while at night it becomes a source of illumination.

The late architect’s structure will be on show until October 16 as part of Sotheby’s *Beyond Limits* outdoor sculpture exhibition.

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Coca-Cola Great Britain
Taking action on sugar

INTERNATIONAL

Military strategy

‘Dire’ warning to Syrian opposition forces

Washington and Moscow to join forces in air strikes against extremist groups

Geoff Dyer — Washington

The US has warned Syria's opposition forces they face "dire consequences" if they continue to fight alongside terrorist groups as Washington takes the first step to secure a rare military deal with Russia.

A ceasefire in Syria is expected to begin this evening following an agreement announced by the US and Russia at the weekend, which will allow aid to be delivered to the war-torn country's most ravaged areas such as Aleppo.

As part of the deal, Washington and Moscow will join forces on a campaign of air strikes against extremist groups in Syria, including Isis and the group formerly known as Jabhat al-Nusra, al-Qaeda's Syrian affiliate that has been one of the most effective groups fighting the Assad regime.

The agreement, which was deeply controversial within the Obama administration, represents a rare moment of co-operation between the US and Russia at a time of high tension between the two countries.

Washington has accused Moscow of trying to influence the US election by hacking emails from the Democratic National Committee.

Amid scepticism that the new ceasefire will become a repeat of a failed Feb-

ruary agreement, US secretary of state John Kerry said "no one is basing this on trust . . . but on oversight and compliance."

‘No one is basing this on trust . . . but on oversight and compliance’

Fighting continued over the weekend with more than 70 civilians killed as both Syrian president Bashar al-Assad and the rebels seeking to oust him aimed to gain the best position ahead of a truce.

The bargain between the US and Russia is that Washington will push

the more moderate opposition groups to separate themselves from Nusra, something Russia has long urged, while Moscow will persuade the Syrian air force to stop bombing the rebels. However, many of the opposition believe it will be difficult to isolate Nusra.

In a letter to the armed opposition groups, many of which are backed by the US and its allies, Michael Ratney, the US special envoy for Syria, urged them to support the agreement, saying continued co-operation with the former Nusra would have "dire consequences".

He added that the groups would have the right to self-defence if they were attacked by either Syrian or Russian forces.

Several opposition leaders have indicated they plan to accept the ceasefire.

One of the new deal's biggest risks for the US is that it drives a wedge between Washington and the section of the opposition it still supports — which some in the administration fear is Russia's objective.

Robert Ford, former US ambassador to Syria, said a "long-term bombing campaign" was likely, warning that the opposition "strongly mistrusts the US and is not willing to just follow".

One opposition figure who took part in rebel talks over the ceasefire deal said: "The Americans can't afford to weaken the Nusra areas too much or they will lose their whole card of the north against the Russians."

Middle East

Libyan rebels upset Tripoli oil revenue by seizing export bases

Heba Saleh — Cairo

Forces under the command of General Khalifa Haftar, a renegade military leader in eastern Libya, say they have seized control of vital oil-export facilities, dealing a blow to the UN-backed government of national accord, based in Tripoli in western Libya.

Reports from Libya quote Ahmed al-Masmari, a spokesman for Gen Haftar's self-styled Libyan National Army, saying that the group had commandeered the port of Es Sider, together with the terminals of Ras Lanuf and Brega, but was facing resistance at the port of Zueitina and around the nearby town of Ajdabiya.

The capture of oil facilities roughly in the centre of Libya's coastline deprives the Tripoli government of an important source of revenue. It had hoped to exploit this after reaching an agreement in July with the Petroleum Facilities Guard, the militia that controlled the installations, to resume exports from the ports and terminals.

The UN had hoped that the Tripoli government, headed by Fayez al-Sarraj, would unify the country. But its attempts have been rebuffed by a rival government and a parliament in the east of the country.

Divisions focus on the future role of

‘The fall of the oil facilities is a setback and one should expect a reaction from the forces of Misurata’

Gen Haftar. His opponents in the east consider him a dictator in the making. He has vowed to rid Libya of Islamists of all hues, whether moderate or extreme.

The attack yesterday has sparked fears, experts say, that the conflict in Libya will widen, with east and west fighting openly over the resources of the oil-rich, but fragmented, country.

Mattia Toaldo, senior Libya analyst at the European Council on Foreign Relations, said a confrontation between the two halves of the country over oil was expected after the heavy defeats suffered by Isis in the central city of Sirte at the hands of militias. These forces, mainly from the city of Misurata, claim loyalty to the Tripoli government and have benefited from the backing of US air strikes.

After more than three months of fighting, Isis's presence in the country has been reduced to one neighbourhood in Sirte, and the terrorist group is no longer an obstacle in the way of Misuratan forces heading east to fight the forces of Gen Haftar.

"The fall of the oil facilities is a setback and one should expect a reaction from the forces of Misurata," said Mr Toaldo.

"Es Sider is not so far from Sirte. I shouldn't be surprised if some of the forces from Misurata now go east [after Haftar's forces]."

Libya's oil production has dwindled from a peak of 1.6m barrels a day in 2011 to less than 300,000 a day.

Resuming work once the oil facilities had been repaired was expected to add up to 500,000 bpd to the country's exports. Some of the installations suffered serious damage when they came under attack by Isis at the beginning of the year.

Civil war. US-Russia truce

Low expectations on the ground over peace deal

Terms of ceasefire require moderate rebels to distance themselves from hardliners

Erika Solomon — Beirut

Syria's rebel forces appear to have reluctantly accepted the new US-Russia brokered truce that is set to come into force today. But they are expecting to ride out yet another ceasefire they believe is doomed to fail.

Although no official statement has yet been released, several opposition leaders indicated they planned to accept the planned ceasefire, announced on Friday by John Kerry, US secretary of state, and Russian foreign minister Sergei Lavrov.

"We have a lot of fears and reservations," said Yasser al-Youssef, spokesman for the Nour al-Din al Zinkin brigade. "Despite that, we have reacted positively with the plan, on the principle that we would work on anything that might alleviate the shelling and starvation caused by Russia and the regime."

Opposition groups have struggled over how to react to the deal agreed between their reluctant backers in Washington and Moscow, which intervened militarily on Bashar al-Assad's behalf last year to help the Syrian leader regain the advantage against the rebels.

The new truce involves several stages, leading up to the potential for US-Russian military co-operation to target not only the jihadi group Isis, which is at war with Mr Assad and the rebels, but the opposition's ally Jabhat Fatah al-Sham.

JFS is the rebranding of Syria's former al-Qaeda affiliate, Jabhat al-Nusra, after the group disavowed ties to the global terror group. Both the US and Russia dismiss the change as cosmetic. Part of their deal for targeting jihadist groups would require rebels from ideologically moderate groups to distance themselves from JFS and any of its hardline allies.

"This is a real quagmire because all of the rebels' military positions are mixed in with each other," said Hisham Skaff, political representative for Fastaqem Kama Umirt, a Syrian rebel group which receives US backing. "And the second issue is that these [jihadis] played a big role in breaking the siege on Aleppo."

Aleppo, which is divided between the rebels and Mr Assad, has seen some of the fiercest fighting in the war since another US-Russian brokered truce collapsed earlier this year. Rebels led by JFS



A man carries a bicycle through the rubble of destroyed buildings following an air strike on the rebel-held Salihin neighbourhood of Aleppo yesterday — Ameer Alhalbi/AFP/Getty

briefly broke the government siege last month, before regime forces reimposed the blockade with the help of Russian air strikes and Shia militias from Iraq and Iran. Because of that, the hardline groups' popularity surged among the city's residents.

"It's an irrational and immoral requirement," Abdu Khudur, a local leader in the rebel-held part of Aleppo, said of the US demands to isolate the hardliners. "It's turned the street against international policy — or more specifically, American policy."

He was sceptical that the ceasefire would hold, pointing to previous truce attempts this year that crumbled. "This [deal] is just to say they got a few cartons of aid in, nothing more. That's the truth."

Aleppo is one of the focal points for the ceasefire set to start for an initial 48 hours before potential extensions. A document sent to the rebels by US officials said American-Russian co-operation would start only if a truce could be

held for seven days consecutively. Opposition members believe Russia and the regime will continue to shell their areas and claim they were targeting jihadis.

Aleppo and neighbouring Idlib province were pounded with air strikes over the weekend that killed more than 70 civilians across northern Syria. One of the strikes hit a marketplace in Idlib where shoppers were buying food for the Eid holiday. Activists posted photographs of bloodied children trapped in rubble or laid out on stretchers.

Syria's five-year civil war has killed more than 300,000, triggering unrest across the region that has sent hundreds of thousands of refugees fleeing to Europe. Foreign powers are keen to bring an end to the violence and focus on fighting Isis as well as factions affiliated with al-Qaeda.

Politicians close to the Assad regime, which accepted the ceasefire plan, welcomed the deal as a sign that Washington had given up on the rebels.

‘America is announcing the end of its war on the regime’

Interview. Hoshiyar Zebari

Iraq's finance minister faces a fight on two fronts

Erika Solomon — Baghdad

Hoshiyar Zebari should have been preparing for crucial loan negotiations that could save his country from economic collapse. Instead, Iraq's finance minister sat in his office waving a file of papers he claims prove that billions of dollars of state money was embezzled by rival politicians.

In the cauldron of Iraqi politics, Mr Zebari is battling on two fronts — one to plug a gaping hole in the government's finances; the other to cling on to his job.

While his aides headed to Jordan last week to hold talks with the IMF on the release of the first tranche of a \$5.4bn bailout, Mr Zebari was delayed in Baghdad, pushing back against the latest in a string of dramatic parliamentary inquiries into corruption. Some lawmakers accuse him of misusing tens of millions of dinar. A televised parliamentary inquiry last week saw the finance minister struggling to justify much of the expenditure.

Mr Zebari is fighting back with documents he claims reveal the true extent of corruption in an escalating drama that has rattled the political elite and cost the defence minister his job last month.

"I've started my campaign — the counterattack," he says. "I didn't want to galvanise it. But now I'm talking about it, because they [rival politicians] have been playing very dirty."

The toxic political struggles risk destabilising a country fighting two existential battles — to regain territory from Isis and to reverse the fortunes of its ailing economy.

"It's distracting — they don't know how much damage they are causing," says Mr Zebari, who denies the allegations against him. "The country is in a war. It has no defence minister . . . And if it will not have a finance minister tomorrow — it means the country is paralysed basically."

Economically, Iraq is at a critical juncture. The slump in crude prices, coupled with instability that has deterred invest-

ment, triggered a fiscal crisis in Opec's second-largest oil producer.

Baghdad turned to the IMF late last year as it sought help to narrow a budget deficit the fund forecasts could reach \$17bn this year — equivalent to 12 per cent of Iraq's gross domestic product.

The IMF agreement meant Baghdad was able to unlock another \$18bn in international loans and aid, mostly for the war against Isis and reconstruction. But Mr Zebari's warns the deficit could balloon to \$28.5bn next year.

"The country is not only facing the war on Daesh [Isis] but an economic war," Mr Zebari says. "Everything will . . . be in a state of chaos if this economy fails."

If the outlook does not improve, Mr Zebari may attempt to issue Iraq's first eurobond at the end of this year. A similar attempt failed in 2015, but he says Baghdad has a better chance of succeeding because the US has promised \$1bn in loan guarantees.

Under the IMF programme, the government is supposed to impose new cus-

toms and income taxes and cut its huge salary bill and pensions schemes. Yet with the economy in turmoil, trimming a civil service that has between 4m and 7m people on its payroll would be politically sensitive and deeply unpopular. Lawmakers facing widespread frustration and protests are, however, scrambling to prove they are doing something about one critical issue plaguing the economy — the graft that is so rampant most leaders freely acknowledge it.



Hoshiyar Zebari is battling to cling on to his job amid graft allegations

"It used to be — you cover me, I cover you," jokes Amer al-Fayez, an MP. "Now it's you expose me, I expose you."

Prime minister Haidar al-Abadi led the charge with revelations last year that thousands of non-existent soldiers were getting salaries.

Noura al-Bajari, the deputy head of parliament's economy and investment committee, told the FT that she and the finance ministry uncovered a scheme that revealed public sector workers were registering for salaries with three different state companies. But some observers worry the anti-corruption drive is a sideshow that will never reach the most powerful politicians.

"You have a class of untouchable politicians," says Renad Mansour, an analyst at the Carnegie Endowment think-tank.

Most emblematic of that class is Nouri al-Maliki, the former prime minister who is backed by Iran and powerful militias, many Iraqis say.

Mr Zebari accuses Mr Maliki of spark-

ing the current chaos, claiming he is bitter about losing power in 2014.

The files he showed the FT appeared to be part of an earlier probe by the parliamentary finance committee and purported to show how an individual close to the previous government used currency auctions to siphon off \$6.4bn from the state.

Mr Maliki's office said Mr Zebari's allegations were "untrue and unrealistic", saying he was trying to politicise the current parliament's inquiries.

"We challenge Mr Zebari to prove there is any connection between us and that person. Making accusations without any evidence shows this is nothing more than a miserable attempt to get out of the bottleneck he has fallen into."

Mr Zebari says that in 2012 and 2013 the Maliki government had billions of dollars in surpluses, but when he took office in 2015 there was "only \$694m in the government coffers"

Where did the money go? "Exactly," he replies.



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INTERNATIONAL

US elections 2016

Presidential poll leader holds narrow edge

Clinton dogged by health questions and criticism of opposition supporters

DAVID J LYNCH — WASHINGTON

Hillary Clinton is entering the final two months of the US presidential race clinging to a narrow lead in the polls while battling twin controversies over her health and her criticism of Donald Trump supporters.

On Sunday, the former secretary of state unexpectedly left a New York ceremony commemorating the 15th anniversary of the September 11, 2001 terrorist attacks after feeling “overheated”, her campaign said. While awaiting her

motorcade, Mrs Clinton reportedly “stumbled off the curb and appeared to faint”, according to an unidentified law enforcement source quoted by Fox News.

As she was helped into her van she lost a shoe, which was retrieved by an aide, Fox reported. Mrs Clinton, 68, was driven to her daughter Chelsea’s nearby apartment where campaign spokesman Nick Merrill later said she was feeling “much better”.

Shortly before midday she appeared on television, walking from the building unassisted. “I’m feeling great, it’s a beautiful day in New York,” Mrs Clinton said as she emerged on the pavement, before entering her vehicle.

The episode comes after weeks of Republican claims that Mrs Clinton’s

repeated coughing fits, which she blames on seasonal allergies, were evidence of undisclosed health issues.

She had arrived at the ceremony shortly after 8am with the temperatures in the mid-20s and left 90 minutes later.

The incident, at least temporarily, eclipsed fallout from her comments at a fundraiser last week that “half” of Mr Trump’s supporters belonged in a “basket of deplorables”, linked to racism, homophobia and Islamophobic.

On Saturday, she quickly apologised for saying “half”, though she repeated her indictment of her rival’s extremism.

Mrs Clinton enjoys a 5-point lead over Mr Trump in an ABC News/Washington Post poll released on Sunday. By a 46-41 margin, she leads among likely voters in

a four-way ballot that includes Libertarian and Green party candidates, but the unpredictable contest is far from over.

“There’s a consensus among the two campaigns right now,” said Bloomberg Politics’ John Heilemann. “She is ahead. The race is tightening. He has a very, very narrow path to 270 electoral votes. She has a lot of different paths.”

Republicans take solace from the electorate’s thirst for change and say Mrs Clinton’s broadside about racism and extremism among Trump supporters will further motivate their voters.

“Hillary Clinton’s low opinion of the people that support this campaign should be denounced in the strongest possible terms,” said Mike Pence, the governor of Indiana and Mr Trump’s

running mate, speaking at the Values Voter Summit in Washington.

Mr Trump, a New York businessman who has never run for political office, regularly says things that some consider insulting, racist or off-colour. On Friday night, he told supporters in Pensacola, Florida, that Mrs Clinton could shoot someone and not be prosecuted.

The weekend’s developments only raise the stakes for the September 26 presidential debate. Roughly three-quarters of those surveyed plan to watch the contest, according to ABC News. And 23 per cent say it could have a “major impact” on their decision.

By Jeff Mason and Steve Holland in New York with additional reporting by Luciana Lopez

Spain

Catalans keep up pressure as independence referendum is demanded

IAN MOUNT — MADRID

Hundreds of thousands of people gathered in cities across Spain’s northeastern region of Catalonia on Sunday to celebrate the Catalan national day even as political stagnation in Madrid and regional infighting have brought the independence movement to a difficult crossroads.

The event, known as the Diada, kicked off at 17.14pm to symbolise the year 1714, when, on September 11, Catalan forces in Barcelona were defeated by King Philip V during the War of Spanish Succession.

Rallies took place in five cities, with representatives in each reading part of a manifesto describing a future independent Catalonia.

“We are convinced that this will be the last national Diada in Catalonia before the independence of our country,” Oriol Junqueras, the region’s vice-president and economy minister, said ahead of the celebrations.

Carles Puigdemont, Catalan president, attended one of the pro-independence rallies, the first time a sitting Catalan president has done so.

In an address beforehand he said that later this month he would call on the national government to permit an independence referendum and that if that did not happen the region planned to hold “constituent elections” after the 2017 Diada.

However, despite a pledge by the Catalan government, led by a coalition of pro-secession parties, that independence will be achieved at some point during 2017, some analysts have suggested that the movement is losing steam.

The number of people registered for the pro-independence events fell to 370,000 this year, down from some 450,000 in 2015, according to Diada organisers.

The government in Madrid remains strongly opposed to a referendum on Catalan independence, and a deadlock in the Spanish capital has left the country without a proper national government for almost nine months, making negotiation impossible.

In Catalonia, Mr Puigdemont’s coalition is a heterogeneous mix that runs from the centre-right to the far left, unified almost exclusively by Catalan independence. The coalition won a majority of seats but not of votes in last year’s regional elections, and polls suggest that if new elections were held the pro-secession parties would lose their majority.

But on Sunday Mr Puigdemont said: “I do not see a tired independence movement; it has put itself together with one voice and has filled the streets of Catalonia. This mobilisation was necessary and was felt throughout Spain and the world.”

The run-up to Sunday’s ceremonies was marked by sniping between Catalan politicians and representatives of Spanish prime minister Mariano Rajoy’s centre-right caretaker government. José García-Margallo, foreign minister, said that an economic crisis or terror attack could be overcome but that the dissolution of Spain would be irreversible, which prompted Ada Colau, the mayor of Barcelona, to demand his resignation for comparing the call for an independence referendum with terrorism.

Europe. Bratislava summit

EU heads contend with challenges of a post-Brexit bloc

Organisers aim to heal wounds and avoid divisive issues such as treaty change and migration

ALEX BARKER — BRUSSELS

European leaders will on Friday try to chart a new course for the EU without Britain as they gather for a summit aimed at unity but beset by divisions over the Brexit vote, migration and financial crisis.

Built around the theme of “security” — from borders and terrorism to the economy — the EU27 meeting in Bratislava, the Slovak capital, is billed as the start of a six-month process in which the bloc will regain its political bearings after one of the rockiest periods in its history.

But more revealing than the agenda are the topics organisers hope to avoid, lest tempers flare. With Germany putting a premium on unity, they are hoping divisive issues such as treaty change, eurozone integration, migrant quotas and Brexit strategy will be given a wide berth.

“We are searching for the lowest common denominator to show we are not divided,” said one of the most senior negotiators involved. “And we are struggling to even agree on that.”

Time-worn political faultlines are widening, criss-crossing the continent from north to south on the economy and austerity and to east to west on migration and integration. In the search for common ground, some politicians have turned to mini-conclaves with like-minded countries keen to generate political traction. Matteo Renzi, Italian prime minister, told reporters on his return from Friday’s gathering of anti-austerity southern leaders in Athens: “Now we are many, we can be a nuisance.”

In Bratislava, simply containing harmful clashes will be seen as a victory. “From every crisis over the past 30 years we’ve emerged stronger,” said a senior veteran of the eurozone’s debt crisis. “Now, for the first time, it feels like the best we can do is damage limitation.”

The summit’s modest aim of demon-

strating a sense of unity belies the high stakes. “The EU was doing what many many empires had done, which is to become too big and to become ungovernable,” said another senior EU diplomat at the heart of summit preparations. “And that is the question. Will this go into reverse?”

Mindful of the bloc’s fraying cohesion, Angela Merkel of Germany wants to focus on bread-and-butter policy, from the digital economy to youth schemes, rather than grand visions or divisive issues. She sees Brexit as a “deep break” in EU history that requires a “careful” answer; for now she wants to avoid raising false hopes or looking like Germany is dictating terms.

By contrast, Mr Renzi is leading the cry for greater ambition, a “different Europe” that is more than “technocracy, finance and austerity”. He hopes this time he has the support of France’s François Hollande, who took part in the Athens summit. Behind the scenes this is reopening old eurozone battles over issues such as common deposit insurance.

Hungary and Poland have pledged a “cultural counter-revolution” to seize back power from Brussels institutions with a new treaty — just as Jean-Claude Juncker, European Commission president, prepares to unveil his ideas for reinvigoration in his state of the union speech this week, which will include more common projects on investment, security and defence co-operation.

Meanwhile, others are trading barbs. Greek prime minister Alexis Tsipras, convener of the Athens meeting, called on fellow leaders to “collectively agree if we are a European union or a German union”. Wolfgang Schäuble, the German finance minister, shot back that “nothing intelligent” usually comes from gatherings of leftwingers.

Attempting to bridge the divisions is Donald Tusk, Polish president of the European Council, who will chair the gathering. His priority is to steer the debate to match the public’s two top concerns: migration and terrorism.

Noting the message of the Brexit campaign, he has argued that if EU leaders do not “take back full control” of the



German Chancellor Angela Merkel with French President François Hollande, right, and Matteo Renzi, Italian prime minister

Guido Bergmann/Reuters

bloc’s security and borders, anti-EU populists will do it for them.

The meeting is not intended to produce formal conclusions. But if all goes to plan, it will set out themes for a series of summits ahead of a March 2017 finale in Rome, coinciding with the 60th anniversary of the bloc’s founding treaty.

This timing is one of the few areas of agreement. The show of unity would aim to orientate the bloc as new leaders emerge from elections in 2017, including in France, Germany and the Netherlands.

Few leaders imagine any serious work on radical reform is possible before German federal elections next year. Poland, for example, is aiming for a proposal on

‘It’s a negative environment – populists – everybody is under pressure’

a new treaty in the second half of 2017 at the earliest, according to officials.

Meanwhile, expectations of this week’s gathering are not high. “I don’t think the atmosphere will be particularly good in Bratislava. It’s a negative environment — populists — everybody is under pressure.”

“The leaders are all in trouble, except in the east,” said one senior aide to a northern European premier. “Of course, critics will say it’s business as usual [and ask], ‘is that all you are going to say to the Brits who are leaving?’”

Additional reporting: Stefan Wagstyl in Berlin, Richard Milne in Copenhagen, Henry Foy in Warsaw
Wolfgang Münchau page 13

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Foreign investment

Ireland moves to tame ‘vulture funds’ in tax crackdown

VINCENT BOLAND — DUBLIN

Still reeling from Brussels’ recent ruling against its tax arrangements with Apple, the Irish government is confronting another tax loophole that is threatening to create a political storm at home.

Michael Noonan, the finance minister leading the fightback in the Apple case, moved last week to eliminate “aggressive tax practices” by some foreign investors who have spent billions of dollars buying portfolios of mortgages attached to the homes of thousands of Irish families all over the country.

The flood of speculative money into Irish residential property assets has turned these investors — mainly US hedge funds and private equity groups — into some of Ireland’s biggest landlords. The central bank says they own about 5 per cent of the €100bn of outstanding Irish mortgages, or just over 47,000 mortgages. Officially, they are known as non-bank entities; the Irish refer to them as “vulture funds”.

Their investments are structured so that they are likely to pay almost no tax on profits they make from restructuring

their Irish mortgages — a process that could involve repossession and selling homes under the feet of their occupiers, whether owners or tenants.

“Vulture funds are not interested in keeping you in your home,” says David Hall, chief executive of the Irish Mortgage Holders Organisation, which advocates for homeowners.

Pearse Doherty, an MP for the leftwing Sinn Féin party which has led the political revolt against the investors’ tax breaks and unregulated status, says: “We cannot have a situation where actual vulture funds who own mortgages continue to be unregulated.”

With Ireland in the midst of a crippling housing crisis, the government risked being seen to tolerate foreign investors making tax free gains from an asset that has impoverished many Irish people since the country’s economic crash in 2008. Many of the people whose mortgages were sold by Irish banks to the vulture funds are struggling to service their outsized boom-time borrowings.

Mr Noonan’s move means the investors will no longer be able to deduct all interest payments before computing

their funds’ tax liability. While closing the loophole may soothe the public, it raises more uncomfortable questions for the government about the wisdom — and unintended consequences — of using tax incentives to court foreign investment, both from hedge funds and multinational companies like Apple.

As Maeve Bateman, director of the Debt and Development Coalition Ireland, a tax justice campaign group, says:



“The Irish government courted and promoted the entry of vulture funds to the property market, and their tax treatment incentivised and facilitated their engagement.”

The closure of tax breaks was prompted by the use of special purpose vehicles to buy the Irish mortgage portfolios. These SPVs are governed by Section 110 of the Irish tax code relating to securitisation, which effectively guar-

antees little or no tax on certain types of investment activity. The vehicles are structured so that they send almost all their profit to their outside investors before any tax is levied.

There is nothing illegal about this activity. Gary Palmer, chief executive of the Irish Debt Securities Association, which represents the Irish SPV industry, says the tax regime governing Irish SPVs is “an internationally recognised tax framework for the purchase and securitisation of assets and for tax planning”. He says that investors who own SPVs face tax bills in other jurisdictions and the Irish tax structure is a means of avoiding double taxation.

When it was introduced in 1997, Section 110 was aimed at luring the global investment fund industry to Dublin. Today, the sector has some €1.8 trillion of assets based in Ireland.

Paul Wyse, managing director of the financial advisory firm Smith & Williamson, says: “Years ago, when we had a thriving black economy, the culture was to avoid tax at all costs. But the moral aspect of tax is changing. I don’t think anyone in Ireland has a problem with closing the Section 110 loophole.”

INTERNATIONAL

Clinton’s vast network helps and hinders race for White House

Nominee can get bogged down keeping web of donors, friends and advisers happy

COURTNEY WEAVER — WASHINGTON

It was the heady night of the California primary. Hillary Clinton had just declared herself the first woman to head a major US party’s presidential ticket, and at a New York rally her vast network of high-end donors and advisers were cheering her win over Democratic primary opponent Bernie Sanders.

“We beat him!” a top Clinton donor exclaimed. “The imperial we.”

In the world of US politics, few networks are as broad and cast as long a shadow as the Clintons’ — an amorphous, shape-shifting web that has grown over the couple’s 35 years in public office.

According to those inside the juggernaut, it is both her strongest asset and biggest vulnerability. It provides her with a ready-made network of donors and bundlers who can help her raise seven-digit sums in a matter of hours and round up some of the best minds on foreign policy and the economy. But it also prevents her from being a more agile candidate.

“There were friends of Bill’s — FOBs — then there were friends of Hillary’s — FOHs — and now there are sometimes friends of [their daughter] Chelsea. It’s a large, unwieldy group that’s only getting larger as the years go by,” said Jim Manley, a former aide to senators Harry Reid and Ted Kennedy.

The resulting amalgamation is akin to “concentric circles that keep on expanding”, he jokes. “Many politicians at some point try to shrink that circle, but [the Clintons] aren’t willing to do it. So they keep getting larger and larger . . . The dynamic is you’ve got a lot of different information coming in from outside the campaign and sometimes the campaign gets paralysed by that.”

Over the past 18 months, the Clinton campaign has tried to avoid the pitfalls of the candidate’s 2008 election bid. That effort cycled through two campaign managers and was riddled with

leaks from unhappy friends, donors and advisers that generated headlines about infighting and chaos.

By all accounts, the 2016 rodeo has been smoother, in large part thanks to efforts to make friends who are not directly involved feel more included.

“I think that it’s much more clearly understood that advice is welcomed and will be considered, but needs to be shared in a way that’s consistent with a well-ordered and well-organised campaign,” said Geoff Garin, a pollster for Mrs Clinton in 2008 who now advises Priorities USA, her super PAC.

Despite some “challenging moments”, there is not “the same kind of second-guessing from people who are supposed to be your friend”, Mr Garin added. “Often in campaigns, friends or so-called friends share their advice in a more public way if they don’t feel they are being heard otherwise.”

Those involved in the campaign say Mrs Clinton and her closest aides have learnt to perfect the art known around her Brooklyn headquarters as “the illusion of inclusion”.

Mrs Clinton’s senior aide Huma Abedin helps manage access to donors, friends and advisers, now with the help of her own aide. Mrs Clinton, meanwhile, makes a point to remember enough personal details of those in her orbit — be it a spouse’s name, a forth-



coming special occasion, or where they attended college — that gives even those in the outer circle the feeling that they are closer to the centre than they might think.

There is an effort to make sure everyone from a top donor to an occasional adviser or Democratic fellow traveller feels “listened to and taken care of”, said one longtime aide to Mrs Clinton.

Another aide, who worked both in Bill Clinton’s White House and on Mrs Clinton’s 2008 campaign, described it as a dance. “When you have to do all those dinners in the Hamptons, everyone always thinks they’re giving advice. The illusion is there . . . But [the campaign] is going to do what they want to do no matter what.”

The vast network at Mrs Clinton’s disposal can work to her advantage and disadvantage, people close to her say. At times its bogs her down with so much information and issues she needs to touch on in stump speeches that it makes her a worse political candidate, they argue.

It also presents a striking contrast to the world inhabited by Donald Trump, who has made some of the biggest decisions of his campaign at times relying almost exclusively on the advice of his

Circle of trust: Hillary Clinton campaigns in Kansas City, Missouri; and below left, her aide, Huma Abedin — Brendan Smialowski/ AFP/ Getty/Mark Makela Getty

three eldest children and son-in-law Jared Kushner. Barack Obama’s 2008 circle was also relatively small compared to the Clintons, with many establishment Democrats sticking with Mrs Clinton for much of the campaign.

The Clintons’ world, meanwhile, is populated with friends who date back to Mrs Clinton’s Chicago childhood and Wellesley College days, from former President Clinton’s time at Oxford, and their extended time in the governor’s mansion in Little Rock.

New acolytes have been picked up in more recent years — some who hope to travel with a second President Clinton to the White House.

“People want to be engaged, a lot of people want to get a job in the government so they’re motivated that way, but what they can contribute is not useful to

‘People want to be engaged, but what they can contribute is not useful to winning the election’

winning the election,” says one foreign policy expert who has helped advise the campaign.

“You’ve got to keep people busy because otherwise they start to complain about the campaign not listening to their issues.”

A longstanding friend of the Clintons argues that the couple has struck the right balance this time, especially given the number of donors and supporters they have to deal with. Besides, he argued, with Mr Trump as the Republican nominee, even members of the Clintons’ outer circle will be reluctant to trash the campaign, no matter how snubbed or slighted they feel.

“Even if you’re a Democrat in the 15th concentric circle [or] someone who got burnt,” he posited, “you still want her to win.”

Presidential campaign

Trade union leader aims to break Trump’s hold on working class votes

SHAWN DONNAN — WASHINGTON

The largest US labour federation is mounting a counter-attack against Republican presidential nominee Donald Trump and his play for working class votes, sending thousands of activists and union members into working class neighbourhoods in battleground states ahead of November’s election.

Richard Trumka, president of the 12.5m-member AFL-CIO, called Mr Trump’s rise this year the result of 30-plus years of failed economic policy and damage wrought by globalisation. But he also dubbed the tycoon a “snake-oil salesman” with a history of sending jobs overseas and declaring US wages “too high” for it to compete internationally.

“Trump is Trump . . . He’s a racist, a bigot, xenophobic and a misogynist. But most of all, he’s anti-worker. He’s always been anti-worker,” Mr Trumka said.

The push by the AFL-CIO, an umbrella group which represents the majority of the US’s 16.4m registered union members, reflects the anxiety among Democratic power-brokers about the support that Mr Trump, who has repeatedly denied charges of racism and bigotry, is finding with white working class voters in swing states such as Ohio and Pennsylvania.

Mr Trump has wooed those voters with a message that unapologetically laces together anti-immigrant policies with protectionist economics and a dose of what Mr Trump has called “America first” nationalism. Polls show he is succeeding in some key states. A Quinnipiac poll on Friday found him tied with Hillary Clinton, his Democratic rival, in Ohio. His strongest support there was among white men and voters without a university degree, who backed him 58:33 per cent over Mrs Clinton.

Unions have long been an important ally for Democratic presidential candidates. In 2012 one in five voters lived in union households and they voted 58:40

for President Barack Obama compared with 49:48 in non-union households, according to exit polls.

The union vote is seen by Democrats as a vital bulwark against Mr Trump’s play for working class support, and Mr Trumka is the conductor in charge.

A stocky, third-generation Pennsylvania coal miner, Mr Trumka rose via the ranks of the United Mine Workers of America. From his Washington office overlooking the White House, where deer hunting pictures sit alongside family snaps, he oversees a complex operation that he has turned from a pop-up affair in campaign years into a full-time professional endeavour.

While Mr Trump’s position on trade and his opposition to the Trans-Pacific Partnership, a 12-country pact signed this year by the Obama administration, is aimed at union voters who have long been sceptical of such deals, Mr Trumka argued it can be easily countered. Trump companies have long outsourced product manufacture overseas, he pointed out, and Mr Trump has celebrated outsourcing as a business tool.

However, Mr Trumka said, it is hindered by Mr Obama’s decision to continue pushing the TPP through Congress this year despite the opposition to the deal from both Mrs Clinton and Mr



Richard Trumka is mobilising a campaign targeting swing states

Trump. “That trade deal will cost America jobs. It’s a corporate giveaway that needs to die,” Mr Trumka said. “For [Mr Obama] to be talking about it, it does hurt Hillary.”

He also bristles at the New York businessman’s play for support from beleaguered coal miners in places such as Pennsylvania. But he concedes that Mr Trump may find some success in communities that are struggling to survive the closure of the mines.

“He has never lifted a finger to help coal miners. He doesn’t have a clue what to do to help . . . He doesn’t offer anything in job development, doesn’t offer anything in manufacturing or infrastructure; all things that could create jobs and help miners transition from the industry to a good middle-class living.”

Mr Trumka dismissed recent polls showing Mrs Clinton’s lead narrowing and remained confident that Mr Trump can be overcome by a bigger and smarter Democratic “ground game”.

The AFL-CIO is focusing on battleground states Florida, Missouri, Pennsylvania, Ohio and Wisconsin and making “literally millions” of phone calls. It is also sending union members and paid canvassers out into working class neighbourhoods there “in a way and size that we’ve not had before,” Mr Trumka said.

Some early internal polling showed Mr Trump outperforming past Republican candidates, but Mr Trumka pointed to recent polls of AFL-CIO members which show Trump garnering 36 per cent support among its members in key states, down from 41 per cent in June.

But some experts question whether unions can blunt Mr Trump’s appeal and what for a Republican is a unique pitch to working class voters. Union membership has shrunk steadily, Nelson Lichtenstein, labour historian at the University of California, Santa Barbara said: “As the movement shrinks . . . the capacity of the union to affect working class voting patterns lessens.”



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INTERNATIONAL

Japan

BoJ’s muddled messages leave markets puzzled

Crisis of credibility as bank repeatedly misses its 2 per cent inflation target

ROBIN HARDING — TOKYO

The Bank of Japan has launched an unusual communications blitz to explain its “comprehensive assessment” of policy, but a string of speeches last week left markets more confused than ever.

Haruhiko Kuroda, the BoJ governor, and his deputy Hiroshi Nakaso flagged up two goals for the review: to explain why Japan is still on track for 2 per cent inflation, and to set out how they will handle negative interest rates in future.

But the speeches split analysts, with some hearing hints that the BoJ will back away from negative interest rates, while others found signals that the BoJ intends to cut rates even lower than the current minus 0.1 per cent.

The confusion highlights a crisis of credibility for the BoJ after 18 months in which its monetary actions have seemed disconnected from the economic data and its own promises, repeatedly missed, to hit 2 per cent inflation in “about two years”.

It suggests trading in the yen and Japanese government bonds will be volatile in the run-up to publication of the BoJ’s assessment, due at a crucial monetary policy meeting on September 21.

“Some people in the market still seem to believe the BoJ could reduce the amount of asset purchases or back off easing,” says Masaaki Kanno, chief economist at JPMorgan in Tokyo. “I don’t think that’s the BoJ’s message at all. It’s quite likely the BoJ will ease before the end of the year.”

The background to Mr Kuroda’s review is a slide in public expectations of future inflation that began more than a year ago. Those expectations are crucial, Mr Kuroda has said repeatedly, because they are basically self-fulfilling. Raising them to 2 per cent has been

the main goal of BoJ policy. Yet as the inflation picture weakened in the second half of 2015, the BoJ did nothing, raising concerns about its credibility.

Then in January this year it lurched into action, cutting interest rates to minus 0.1 per cent just days after promising it would not. That triggered a backlash from Japan’s banks.

By this summer, with a stronger yen pushing down prices and exports, the BoJ was under pressure to ease again.

With his policy and communications tangled, Mr Kuroda played for time, promising a comprehensive review in

‘I think they are unlikely to abandon the negative interest rate policy’

Kiichi Murashima, Citi

September. The BoJ’s big challenge is to convince markets that it can still drive inflation to 2 per cent and will act consistently to do so. That means either allaying concerns about negative interest rates, or else setting out a new monetary tool to stimulate Japan’s economy.

In his speech last week, Mr Kuroda talked for the first time about the downside of negative interest rates, such as lower profits for banks and pressure on pension funds. He said the BoJ would have to weigh costs against benefits and



Speeches by Haruhiko Kuroda, BoJ governor, have split analysts

that “the impact can vary depending on the duration of the policy”.

His remarks led some traders to think the BoJ is turning against negative rates and wants higher bond yields so banks can make money. But there is another way to read Mr Kuroda’s comments: if the negative impact depends on how long interest rates stay negative, then it makes sense to cut them further, in order to drive up inflation faster.

Markets want a clear message one way or the other but Kiichi Murashima at Citi in Tokyo thinks the BoJ will struggle to send one. “I think they are unlikely to abandon the negative interest rate policy, but also unlikely to cut rates again straight away,” he says. Mr Murashima forecasts a rate cut to minus 0.2 per cent, but not until January.

Mr Kuroda’s alternative to deeper negative rates is some fresh monetary magic. He said that “other new ideas should not be off the table”.

Analysts have floated several possibilities. Koichi Hamada, an adviser to prime minister Shinzo Abe, suggests the BoJ could buy foreign bonds. That would weaken the yen, but prompt allegations of currency wars, making it an unlikely choice.

Another option would be to recast the BoJ’s asset purchases of ¥80tn a year, setting caps on bond yields instead by offering to buy unlimited quantities of bonds at the capped rate. That would address market fears that the BoJ could run out of bonds to buy. But it could also backfire if the BoJ seemed to be retreating from the clear ¥80tn figure.

A third idea is forward guidance similar to that used by the US Federal Reserve in 2011: setting a calendar date before which the BoJ promises not to raise interest rates. Unless such a date was far in the future, however, it would do little to ease policy.

Mr Kuroda vowed his “utmost efforts” to reach 2 per cent inflation “at the earliest possible time”. Now he has to convince markets he is serious.

Asia. Retailers



Causeway Bay, Hong Kong, where retailers are adjusting to a huge drop in customer spending — Xaume Olleros/Bloomberg

Hong Kong loses its status as the great mall of China

Anti-graft crackdown, changing tastes and testy relationship with mainland have hit trade

BEN BLAND — HONG KONG

Kingdom Jewellery is trying to stand out among the eerily quiet luxury stores in Hong Kong’s Causeway Bay, once the world’s most expensive shopping district in terms of rents.

But while it has hung signs promoting a “crazy sale” and payment by instalments in the window, the buyers are still few and far between.

“Our customer flow has dropped 60-70 per cent” since the peak of Chinese luxury spending in 2013, says manager Jacky Sze. “I don’t have much hope for the rest of this year, or next.”

Before demand was hit by President Xi Jinping’s corruption crackdown and the economic slowdown, Chinese tourists were happy to spend up to HK\$100,000 (\$12,890) on a single purchase at Kingdom. Now many are reluctant to spend more than HK\$1,000 at a time, according to Mr Sze.

The jewellery shop next door has closed after decades of thriving business, as have many other luxury goods stores across Hong Kong, which is losing its status as the great mall of China.

Retail sales in the territory fell by 10 per cent in the first seven months of the year, compared with the same period in 2015, with purchases of jewellery and watches declining by 22 per cent.

Ahead of Hong Kong’s annual watch fair which ended last week, the Chinese territory was overtaken by the US as the world’s biggest market for Swiss

watches after eight years in the top spot.

Part of the problem for Hong Kong, which relies on the retail sector as a key economic driver, is its increasingly testy relationship with mainland China. That has deterred many Chinese visitors, with numbers falling by 9 per cent year-on-year to 24m in the year to July.

But there is a bigger structural problem for the global luxury goods sector, which has grown to rely on demand from China’s growing ranks of nouveaux riches.

Analysts at UBS estimate that Swatch, the Swiss watch group, made 47 per cent of its sales to Chinese customers last year, while it was 38 per cent for Richemont, the Swiss luxury goods company

‘We are looking to diversify to the Middle East; places like Iran have great potential, too’

that owns Cartier, Jaeger-LeCoultre and Montblanc.

Edward Oliver, chief executive of Britannia Elevation, which promotes British luxury brands abroad, says too many companies took a “combine harvester” approach to selling in China and are now paying the price for overexpansion.

“There was a tremendous period of people making money very quickly in China and a lot of Italian and French brands thought there’s a lot of corn to be harvested,” he explains.

Sarah Quinlan, the head of market insights for the analytics division of MasterCard, the credit card company, says that consumer spending patterns are changing in China, with a greater

focus on experiences rather than expensive products.

“There’s a debate as to whether what we call traditional luxury — handbags or watches — will come back to the same extent that we saw before as there’s been a huge behavioural shift,” she says.

“We still see the Chinese travelling extensively but spending on goods has moderated and spending on hotels, restaurants and entertainment has gone up.”

Hong Kong needs a “permanent restructuring” because it cannot wait for demand from high-spending Chinese tourists to come back, according to Ramesh Tainwala, the chief executive of Samsonite, the luggage maker.

His company has been changing tack, promoting less expensive products in the Chinese market as it tries to emphasise the practical advantages of its suitcases rather than their luxury appeal.

Other companies are being forced to trade down, selling simpler, cheaper products to customers who are growing more interested in specifications and value rather than mere status symbols.

Timothy Kao, vice-president of the Hong Kong Watch Manufacturers Association, says that previously Chinese buyers were simply attracted by the most expensive products.

“But now practical watches with a realistic price sell better,” he says.

Liz Lee, assistant marketing manager at Doxa, a Swiss diving watch maker, says that another response to the slump is to seek out new markets.

“The greater China market is saturated,” she says. “We are looking to diversify to the Middle East; places like Iran have great potential, too.”

Additional reporting by Gloria Cheung in Hong Kong and Christian Shepherd in Beijing

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ARTS

Vivid portrait of power and decay

THEATRE

The Emperor
Young Vic, London
★★★★★

Sarah Hemming

The emperor himself never appears in this riveting account of the demise of Haile Selassie’s reign. Instead it is 12 of his former entourage who take the stage in Colin Teevan’s adaptation of Ryszard Kapuściński’s book, each of them precisely evoked in Kathryn Hunter’s mesmerising performance. Through their memories, a vivid portrait of the Ethiopian ruler emerges.

In 1975, after Haile Selassie had been ousted, the Polish writer Kapuściński travelled to Ethiopia to interview members of his retinue. It’s these elderly men whom Hunter portrays in a tour de force of storytelling. In a grizzled wig and military dress coat, she uses the minimum of props to switch character — a pair of glasses here, a silk handkerchief there — and deftly fills the empty stage with a whole, vanished world.

Hunter has previously played King Lear and here, with grace, she conveys the individual pride and dignity of these sometimes fragile old men, even as their memories evoke the eye-wateringly lavish and hierarchical life at the palace. There’s the man whose sole task was to wipe the urine from the shoes of visiting dignitaries after the emperor’s lapdog had relieved itself on them; the pillow-bearer, a master in the art of slipping a cushion beneath the diminutive ruler’s feet whenever he sat down so that they never dangled like a child’s; the timekeeper, whose job was to bow to signify the next appointment in the emperor’s day.

At first, it is just an astounding and eloquently detailed account of daily



routine. But gradually, as change starts to rumble, it becomes darker and deeper: a skilled depiction of the way absolute authority corrupts and cocoons, the way the elaborate edifice of power can skew the vision of everyone involved and a reminder of the horrors that can accompany revolution. It offers, naturally, only a partial account of Haile Selassie’s long and complex rule, but it works potently as a parable about the insidious dangers of power.

Hunter is joined in Walter Meierjohann’s staging by skilled musician Temesgen Zeleke, who punctuates proceedings with bursts on the krar (a lyre-like instrument), but who also comes to embody the angry youth and populace, as famine grips the poor and the emperor responds with new infrastructure projects. We are left with a stunning image of crumbling power as the valet describes his master sitting in an empty

ornate palace with defunct telephones and wads of hundred-dollar bills stashed beneath the carpet.

To September 24, youngvic.org; tours also to Home, Manchester, homemcr.org and Luxembourg, theatres.lu

POP

Petite Meller
ICA, London
★★★★★

Ludovic Hunter-Tilney

Petite Meller, a 21-year-old Frenchwoman newly signed to Island Records, a division of the world’s largest record company Universal Music, is gathering comparisons to Lady Gaga.

But the vision of kitsch at the Institute of Contemporary Arts brought to mind a different transgressor. If in some gaudy alternative universe the transvestite potter Grayson Perry’s female alter ego Claire were to defy advice by putting her daughter on the stage, then here she was — in blonde pigtails, pantomime-style make-up and scanty hallucinogenic clothing, looking like Little Bo Peep doing Eurovision.

The London-based Meller, a former Sorbonne philosophy student, brings theoretical ballast to her act: she talks of unconscious libidinal urges and multiple realities. Her debut album *Lil Empire* is influenced by African music, orientalist imagery, Eurodance and *Lolita*, a provocative assembly that somehow translates into irresistibly catchy pop songs. But, like the red-ribboned flat bonnet she wore at the ICA, which kept slipping off her head and requiring remedial attention between songs, the whole package proved harder to secure on stage.

With her pale white skin offset by excessively applied rouge, she was backed by three black musicians in African garb. A map of the world and a mock-up of a canopied tent stood behind them, out of which female Asian dancers in traditional bathing suits or Mongolian outfits emerged from time to time. “I welcome you all to my little empire,” Petite Meller said brightly of the surreal scene.

Her singing voice was rawer than on record, where she sounds pointedly girlish, high breathy tones glinting with something sharper. The staging was also rather raggedy. Whenever Meller seemed to have lit the touchpaper — during “Baby Love”’s hi-nrg disco, say, or the Afropop-tinged dance-pop of “The Flute” — she would prove incapable of maintaining the tempo. The failing was summed up by her frustrating habit of disappearing into the wings between songs, as though engaged in a self-sabotaging act of audience alienation.

Like Grayson Perry, it is unclear whether Petite Meller is validating kitsch or ironising it. The ambiguity works in her recorded music and videos, but live it was more muddled. Her ambitions, and indeed the quality of her music, stretch further than how she came across, namely as the kind of exotic curiosity you might stumble upon late at night in a fringe cabaret venue.

petitemeller.com



THEATRE

Fiorello!
East 13th St. Theater, New York
★★★★★

Max McGuinness

Fiorello La Guardia was New York’s greatest mayor who rooted out corruption, fought the mob and rebuilt the city during the 1930s and ’40s. He was also a war hero and an early opponent of fascism. For his troubles, La Guardia lent his name to one of the world’s worst airports. His early political career also became the subject of a hit 1959 Broadway musical, which now feels like a museum piece.

Sheldon Harnick and Jerry Bock’s songs resemble explanatory captions aimed at un-precocious 10-year-olds. Each number makes a single plitudinous point and then repeats it incessantly: Fiorello is “on the side of the angels”; all other politicians are corrupt gamblers. Here, backed only by two keyboards and a violin, whatever theatrical power these tunes might once have had is lost. Only when the lyrics turn to Fiorello’s raffish Tammany-Hall rival, “Gentleman” Jimmy Walker, do we begin to feel a bit of old-style zip.

Alas, Walker, a politician so corrupt he would have gladly paid for the pleasure of selling himself, never shows up on stage. Instead, under Bob Moss’s ponderous direction, Austin Scott Lombardi’s relentlessly earnest Fiorello speechifies and charges about the stage for more than two hours. The real La Guardia was a mercurial, scrappy and charming figure. None of that comes across here and Lombardi also struggles with the songs.

Among a lacklustre ensemble, Rylan Morsbach and Chelsea Cree Groen impress as Fiorello’s long-suffering political fixer and a feisty striking garment worker. But there’s nothing they can do about Jerome Weidman and George Abbott’s dated book, whose characterisation is as thin as the cardboard cut-out skyline of Carl Sprague’s set.

Ten blocks south of the theatre stands Jo Davidson’s bronze statue of La Guardia with head thrown back and arms spread out as if about to embrace the entire city. There is more life in that sculpture than in the whole of *Fiorello!*

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Interviews that became a talking point

PODCASTS

Fiona Sturges

Has the interview, that most basic of formats in which one person tries to discover what makes another tick, had its day? You might think so, given the paltry offerings on mainstream radio and television in which celebrities offer up slivers of their personal lives in return for giving their latest masterwork the hard sell.

In the world of podcasting, however, the interview is flourishing. Not only are there scores of programmes dedicated to proper, in-depth conversations, they generally come without usual the promotional quid pro quo.

Among the best of the bunch is Marc Maron’s twice-weekly *WTF*. Maron is already well known in the US owing to a successful career in stand-up, though his podcast, which he began seven years ago in his garage in Los Angeles, has taken his career up a notch.

Such is his easy-going yet curious interviewing style that famous people line up to appear on his show. Standout episodes have featured the late Robin

Williams, who left aside his usually jolly persona to tell Maron about his struggles with depression, while a chat with the comic Louis CK saw the pair of them dissecting their friendship, with Maron coming over as more than a little insecure.

Then there was Maron’s tête-à-tête with Barack Obama, US president, last year, an episode that was downloaded 1.7m times. It’s worth noting that it was the White House that approached Maron, not the other way around. His latest show is with Billy Crystal. Over the



Marc Maron in his Los Angeles garage with Barack Obama — Pete Souza

course of two hours, Maron guides the actor and comic through his life from his childhood as a son of a jazz promoter to his early twenties as a substitute teacher who, by night, was cutting his teeth on the stand-up circuit (“I did a piece about natural childbirth in 1974!”) and, much later, co-starring with Robert De Niro in *Analyze This*.

Maron doesn’t have to work hard here — Crystal is a natural talker and can recall the details of his early career as if they happened yesterday. But the fact that comedy is Maron’s greatest love brings a particular warmth to their exchange. He is a hugely engaging host and his joy at being in a room with Crystal is palpable.

If *WTF* has a British equivalent, it’s *The Adam Buxton Podcast*, in which the presenter and comedian hosts hour-long chats with musicians, actors, writers and fellow comics. His latest is with Michael Palin and it’s a lovely, open-hearted show that reveals almost as much about Buxton as it does his subject.

Distraction Pieces is another long-form interview podcast in which host Scroobius Pip, who is also a rapper and musician, isn’t afraid to ask the difficult questions. There are times when closer editing wouldn’t go amiss, and I’d like to see him interview more women. Even so, it’s a great podcast that digs reassuringly deep.

THIS EVENING’S TELEVISION

TELEVISION

British sitcoms make a nifty guide to our changing socio-political attitudes over the years. **British Sitcom: 60 Years of Laughing at Ourselves** (BBC4 9pm) is so crammed with riches — and some dross — that you forgive its refusal to define sitcom, its use of meaningless blanket terms: do *Terry and June* inhabit the same “middle class” as *The Good Life*?

Amid the excerpts, Michael Grade is authoritative, Jack Dee, Josh Widdicombe and Steve Coogan intelligent, Richard Curtis pretentious — he compares *Steptoe*, now reeking of artifice from the accents onwards, with Coward and Pinter. Some comedies are ghastly: *Gimme, Gimme, Gimme*, noted for gay content, was crassly unfunny. Others are almost Chekhovian in their



Class comedy: Felicity Kendal and Richard Briers in ‘The Good Life’

delicate observation (*Gavin & Stacey* — again posing the question of defining sitcom). Some catch the spirit of the age (entrepreneurial *Del Boy Trotter*). And some resonate with hollow laughter, like *One Foot in the Grave*, which changes hue from bright to sombre as the viewer ages: “We die in earnest, that’s no jest.”

FILM

It caused understandable fury in Turkey and scriptwriter Oliver Stone later apologised, but **Midnight Express** (Movie Mix 10.45pm) shows director Alan Parker’s characteristic sleek, unstoppable narrative grip. The story of a young American (Brad Davies) jailed for drug offences is brutally compulsive and uncomfortably well acted.

Martin Hoyle

FT BIG READ. TURKEY

Long before they were accused of a coup attempt, members of the secretive Gulenist movement were suspected of sabotaging careers and ruining lives. But even critics fear the crackdown is going too far.

By Laura Pitel

It is hard to imagine a more unlikely pimp than Professor Tayfun Uzbay. The silver-haired scientist has a quiet manner and speaks in sentences as neat as the rows of certificates that line his office wall. But in 2012, the pharmacologist was arrested and accused of using prostitutes to extract secrets from military officers.

The allegations were fiction, he says. He insists he had never met the women and knew few of the officers he had allegedly targeted. He spent a lonely nine months in prison before being released in February 2013. Three years later, he and all 356 others ensnared in what became known as the Izmir espionage case were acquitted.

Prof Uzbay, a colonel who before his arrest headed his department at Gulhane Military Medical Academy in Ankara, is cautious about leaping to conclusions about his ordeal. “I try to speak about this as a scientist,” he says. “I talk based on evidence and fact.”

Yet his story, and those of other military doctors in Turkey with similar experiences, suggest the hand of the secretive religious movement led by Fethullah Gulen, an ageing Islamic cleric exiled in Pennsylvania. Mr Gulen stands accused of encouraging his followers to infiltrate the Turkish state over several decades. And, while he vigorously denies it, Recep Tayyip Erdogan, Turkish president, accuses the former imam of masterminding July’s audacious coup attempt that left more than 240 people dead.

The concept of a shadowy religious network weaving its tentacles into a state may sound like the plot of a Dan Brown novel. But, as the columnist Asli Aydintasbas wrote in an opposition newspaper recently: “What sounds like fantasy to westerners is our reality.”

In Turkey, the Gulen movement is often depicted as a wealthy quasi-religious cult with a thirst for power. Its supporters are accused by the government and the secularist opposition of infiltrating the state and using wiretapping, blackmail and fraud to eliminate rivals and promote supporters.

‘If a person wants to be a soldier or a pilot, he or she must be fully healthy. The military hospitals have a big role in shaping the army’

But Mr Erdogan has had difficulty convincing the rest of the world of Mr Gulen’s role in a coup attempt that came close to claiming his life. He is hampered partly by his image in the west as an increasingly paranoid authoritarian. And over the years the movement has successfully cultivated a reputation for promoting quality education, interfaith dialogue and a tolerant vision of Islam.

“Now it’s a lobbying war,” says Ezgi Basaran, a former editor of the newspaper Radikal who has investigated the movement. “In Washington and in London I know that Gulenists have been working for years [to gain good PR]. They are making their case much more easily than the authoritarian Erdogan.”

The story of Prof Uzbay, and those of others like him who have worked at military hospitals, helps explain why many in Turkey detest the movement – and why they believe it could be willing to launch an attempted putsch.

Claims of infiltration

Since the coup attempt, the Turkish government has overseen a vast purge that has raised alarms in the west. More than 100,000 people have been dismissed or suspended from their jobs in the military, police, judiciary, civil service and schools. At least 40,000 have been detained. The crackdown has prompted comparisons with Stalin’s Russia and McCarthy-era America.

Among the most eye-catching details was the issuing of arrest warrants for 98 staff at Prof Uzbay’s former hospital in Ankara. Gulenists cited it as proof of a witch-hunt. What kind of state accuses doctors of trying to launch a coup?



‘I am against this being a witch hunt’

But, on top of the case of Prof Uzbay, four current and former staff told the Financial Times that they believe Gulenists had in fact infiltrated Turkey’s network of military hospitals. They echoed claims by a senior Turkish official that the institutions were “crucial” to the movement’s efforts to permeate the wider armed forces.

“If a person wants to be a soldier or a pilot, he or she must be fully healthy,” says Nurettin Yiyit, a thoracic surgeon who holds the rank of major at Istanbul’s Haydarpasa military hospital. “The military hospitals have a very big role in shaping the army.”

The doctors painted a picture of unfair promotions, harassment and tampering with test results that became common from the mid-2000s as the movement’s foothold grew stronger.

Ilhan Asya Tanju, a paediatrician, is one of two doctors who said that they left their jobs after facing a sustained Gulenist campaign. He claims that, from around 2006, he and colleagues at Haydarpasa hospital were harassed by anonymous Twitter accounts. He saw confidential medical information about opponents of the movement appear in the Gulenist press.

In 2014, he says he learnt via a colleague that he had no chance of a promotion despite plentiful experience. The same year, he was told that he and his family must relocate to a far-flung eastern province – an attempt, he believes, by Gulenists to make his life difficult. He resigned.

The doctor, who held the rank of major, claims the Gulenists saw him as an obstacle to their plans to gain control

of the institution’s levers of power.

Dr Yiyit became convinced in about 2012 that Gulenists were seeking to manipulate the system after noticing evidence of tampering on doctors’ performance grades and with test results for young military recruits. He says he faced pressure to leave but resisted and began warning army superiors, politicians and intelligence officers about the Gulen movement.

The FT confirmed that he complained to at least one senior figure in Mr Erdogan’s Justice and Development party (AKP) in 2014 and has seen a letter from the chief legal adviser to the head of the armed forces acknowledging receipt of a complaint the same year.

While aspects of the doctors’ accounts can be verified, it remains almost impossible to prove that the allegations were a Gulenist scheme rather than the result of personal grievances or a broader culture of bullying. As Dr Yiyit himself admits, one of the biggest problems is that it is rarely possible to be sure whether someone is or is not a Gulenist.

Since its inception in the late 1960s, the movement has placed great importance on secrecy. Even before the coup attempt, supporters seldom admitted to following Mr Gulen. In the military, Gulenist officers are said to drink alcohol – forbidden by Islam – as a way to mask their faith. Mr Gulen’s followers say such tactics were essential in a country where state secularism had led to past persecution. Critics say the secrecy fuels suspicions of an ulterior motive.

Either way, the movement’s clandestine nature means that those convinced of its darker side base their conclusions

Above: Prof Tayfun Uzbay. Below right: an Istanbul rally after the failed coup in late July. Below: police officers conducting road checks hold lists of soldiers suspected of involvement in the July 15 coup

Bradley Secker; Petros Karadjias/AP Photo; Othman Cicek/Anadolu Agency/Getty



on circumstantial evidence such as similarities in the modus operandi of Gulenist police and prosecutors, campaigns by Gulenist-affiliated media and the swift retribution doled out to those who dared to criticise the movement.

Prof Uzbay’s arrest fitted a pattern seen in similar cases, including an anonymous tip off that led to the “discovery” of a hard disc containing the “evidence” against him. Before he had even appeared in court, his detention made the front page of Zaman – the Gulen movement’s flagship title until it was seized by the state in March.

Now, dozens involved in bringing the Izmir case to court are themselves accused of being Gulenists and are facing trial on charges of forging evidence.

A partnership falters

For years the Gulen movement was bound in a marriage of convenience with Mr Erdogan’s AKP, which has dominated Turkish politics since 2002. The AKP harnessed Gulenist manpower in the police, prosecution service and judiciary to counter the threat posed to a party rooted in political Islam from the staunchly secularist establishment.

The danger was real. In 2007, the military tried to stop AKP co-founder Abdullah Gul from assuming the role of president. The ruling party fought back. Over the years, hundreds of military officers were jailed on accusations of plotting a coup after two major trials, known as Ergenekon and Sledgehammer, which were largely orchestrated by Gulenists. But many of the cases eventually crumbled when much of the evidence was exposed as fabricated. Convictions were later overturned.

From 2009, a party official says the AKP-Gulenist relationship grew strained until, in 2013, it imploded. Leaked recordings of telephone conversations, allegedly obtained by Gulenists in the police intelligence unit, seemed to show brazen corruption in Mr Erdogan’s inner circle. He responded by accusing the movement of building a “parallel structure” within the state and by launching a crackdown on its activities.

Since the July coup attempt, senior AKP figures have sought to cast the party as a naive but sincere victim of what turned out to be a calculating cult. Mr Erdogan has asked for forgiveness from God for the error. Given the history, this has left Mr Erdogan’s opponents distinctly unimpressed.

Speed read

Accused Turkey says followers of the cleric Fethullah Gulen were behind the July coup attempt that left 240 dead

Staying put The US has refused to extradite Mr Gulen, who lives in Pennsylvania and denies involvement

Big sweep Turkey has purged 100,000 from the police, military and other sectors, raising alarms in the west

The belief that the Gulenists directed unfair trials and sabotaged careers helps explain the hatred many Turks feel toward them. But even if it could be proved that Gulenists were behind the imprisonment of Prof Uzbay or the manipulation described by other military doctors, it does not necessarily follow that they led the coup attempt.

In the tumult since July, even some of the movement’s harshest critics are urging caution. “I am questioning all the evidence coming from the government side,” says Ms Basaran, the former Radikal editor. “I know it can be faked.”

Turkey is adamant that the putsch was ordered by Mr Gulen. He has protested his innocence, though he has left open the prospect that some sympathisers could have betrayed his ideals.

In support of their case, Turkish officials hold up Hulusi Akar, the Turkish armed forces chief held hostage on the night of the coup attempt, who reportedly told prosecutors that one of his captors offered to help him contact Mr Gulen. They also point to confessions of alleged plotters. But such testimonies have been overshadowed by accusations that detainees have been subjected to beatings and torture.

Turkey has yet to provide sufficient evidence for the US to agree to its demand for the extradition of Mr Gulen, straining ties between the Nato allies.

Gareth Jenkins, an Istanbul-based analyst and expert on the Gulen movement, says the Turkish government’s insistence that the plot was purely a Gulenist affair is “problematic” given the scale and scope of the plan. More than 40 per cent of admirals and generals have been accused of being involved. “They clearly haven’t yet got a smoking



gun,” Mr Jenkins says. “If they had, we would have heard of it.”

Some of those who took part in the coup attempt were headline secularists or “just hated Erdogan”, he believes.

That view was echoed by two of the doctors interviewed, who said they were certain some of their arrested colleagues were not Gulenists. Several balked at the overhaul of the armed forces announced after the failed putsch – including a decision to bring all military hospitals under civilian control.

The speed and breadth of the crackdown have caused alarm among human rights groups and opposition parties. Turkish officials say authorities are working from lists of suspects prepared before the coup attempt. But the criteria appear sweeping. Mr Erdogan has encouraged citizens to inform on one another. Government critics with no apparent links to the Gulen movement have been detained. People who simply admire Mr Gulen’s teachings are terrified of being unjustly accused.

Turkey’s prime minister, Binali Yildirim, insists that all suspects will be given a fair trial. But, having fallen out with almost everyone in Turkey, the Gulenists have few friends.

Moderates are calling for restraint to avoid destructive cycles of recrimination such as those that Gulenists themselves were accused of spearheading.

Despite his ordeal, Prof Uzbay, who is now at Uskudar University in Istanbul, is one of them. “I am against this being a witch-hunt,” he says. “Many innocent people may be labelled guilty. I’ve been through this. It was hard. I do not want others to go through the same thing.”

Timeline

A movement with former ties to the state apparatus

- **Late 1960s** Fethullah Gulen, right, an Islamic cleric from northeastern Turkey working in Izmir, begins gaining popularity and starts to attract a community of followers
- **1971** Gulen is arrested after a coup for allegedly leading an illegal religious community. Spends seven months in jail and, after his release, is barred briefly from public speaking
- **1982** First Gulen-inspired schools established in Turkey. The movement continues to grow



- **1990s** Movement expands into post-Soviet Central Asia, marking the start of a global expansion of networks of schools and businesses
- **2000** Gulen, now living in exile in the US, is charged with seeking to infiltrate the Turkish armed forces. He is acquitted eight years later
- **2002** Recep Tayyip Erdogan’s Justice and Development party (AKP) wins power. As an Islamist-rooted party in a secular administration, it leans on the cadre of educated Gulenists in the civil service, in business and overseas for support
- **2007** After military attempts to block Abdullah Gul, the founder of the AKP, from becoming president, a series of

- trials — allegedly spearheaded by Gulenist officers — puts hundreds of military officers behind bars. The evidence against them is later shown to be flimsy or fake and the convictions are overturned
- **December 2013** After growing tensions between the AKP and Gulenists, the pairing implodes with release of tapes alleging corruption at the heart of Erdogan’s inner circle. He brands them a “parallel state” and a crackdown on the movement begins
- **July 2016** Coup attempt rocks Turkey, killing more than 240 people. Erdogan blames Gulen and unleashes a vast purge of the armed forces, judiciary and other sectors

‘I am questioning all the evidence coming from the government side. I know it can be faked’



Investment threats in a changing climate

Global warming is a business issue that cannot be ignored any longer

Earlier this month, presidents Barack Obama of the US and Xi Jinping of China made an important symbolic gesture when they committed their countries, the two largest greenhouse gas emitters, to the Paris climate agreement. It was the clearest signal yet to investors worldwide that they need to think about the implications of global warming for their portfolios.

On Friday afternoon there was an example of what that might mean when Mr Obama’s administration issued an order temporarily blocking construction on a section of the Dakota Access oil pipeline. The move was a response to local concerns raised by the Standing Rock Sioux Tribe about potential damage to historic sites and the threat of oil spills. But it is the global issue of climate change that has raised the profile of Dakota Access, making it into a cause célèbre for US environmental campaigners. Bill McKibben of 350.org, which played a key role in the successful effort to stop the Keystone XL pipeline from Canada, has suggested that Mr Obama could block Dakota Access permanently, on the grounds that it would exacerbate the threat of climate change.

Last month, the White House’s Council on Environmental Quality issued new guidance for federal agencies, making clear that their decisions should take into account “the potential effects of a proposed action on climate change”, and quantify their consequences for greenhouse gas emissions. Dakota Access is intended to carry crude oil 1,172 miles from North Dakota, a centre of the US shale revolution, to Illinois, en route to refineries around America. The case that it would add to global greenhouse gas emissions will be harder to make than for Keystone XL, which would have brought crude from the high-emitting oil sands of western Canada,

but the campaigners are certain to try. If Dakota Access is stopped, it will have a significant impact not just on Energy Transfer Partners, the company leading the project, but on all North Dakota oil producers and their customers, who will be forced to use more expensive rail transport. Climate change is now an unavoidable business issue. In an excellent paper last week, BlackRock, the world’s largest fund manager, set out some of the ways that investors can reduce their exposure to the risks and benefit from the opportunities that it creates. The paper is a landmark in the rising awareness of the issue among mainstream investors. It is one thing when a philanthropic fund with assets of a few hundred million takes a stand on climate issues, quite another when the warnings come from a company with about \$4.9tn under management.

As BlackRock points out, investors’ personal views on climate science are irrelevant. Enough governments and businesses are convinced by the scientific consensus that the threat is real, and are driving regulatory and technological changes that are reshaping the investment landscape. You may not be interested in the climate, but you can be sure the climate is interested in you.

If the world is to reduce the risk of catastrophic global warming to acceptable levels, there will have to be a huge reallocation of capital away from fossil fuels and towards low-emissions energy sources. That shift has begun, but it needs to go much further. The transition is not straightforward: for as long as oil is the lifeblood of the world’s transport, pipelines will be needed. But when investors and boards make decisions about projects like Dakota Access, they will have to consider their impact on greenhouse gas emissions. The financial consequences of climate change can no longer be ignored.

Apple ruling could drive US corporate tax reform

The case presses Washington to act swiftly on an outdated system

The European Commission’s ruling that Apple should pay Ireland more than €13bn in back taxes has prompted yells of outrage in the US. The US Treasury accused Brussels of “overriding national tax authority”, while the White House press secretary has fumed at the “unfairness” of the move.

Americans could usefully channel some of their outrage at the state of their own corporate tax system. At 35 per cent, its headline rate is among the highest in the developed world, and 13 percentage points above that of the EU average. Some companies pay full whack. Others — generally those large and wealthy enough to support networks of overseas subsidiaries — pay lower rates than the norm. The glaring loophole is that worldwide income is only taxed on repatriation. This leads to an absurd situation where some \$2tn in US corporate profits is warehoused offshore. Apple alone accounts for a startling \$200bn of this sum — much of it siphoned through the now compromised Irish conduit.

A rational reform would either tax worldwide income wherever it is generated, or else shift to the territorial system used by most of the other developed economies. Ideally it would be the former, as this would avoid beggar-thy-neighbour competition between countries while not favouring foreign over domestically generated income — and vice versa. Either way, the present mish-mash of the two shortchanges the taxpayer and gives companies perverse incentives to stash away the profits they earn abroad. The only real beneficiaries are accountants and lawyers.

The best solution would be for an OECD agreement in which countries agree to carve up the tax base so it better reflects where economic activity happens. Some of the recent work on base shifting and profit erosion has moved towards that goal. But Washing-

ton cannot simply wait on some overarching international compact. Grand reform may still be beyond a bitterly divided Congress. But the legislature should at least act to resolve the unhelpful distinction between repatriated and unrepatriated foreign income. The headline rate needs to be brought down too. A good starting point would be the 28 per cent President Barack Obama has proposed.

Neither candidate in the presidential election has offered much of a firm prospectus. While the Republican candidate Donald Trump has fizzed with bold ideas — suggesting, for instance, a 15 per cent corporate tax rate, just 2.5 percentage points above Ireland — his thinking reportedly remains fluid. His Democratic rival, Hillary Clinton, is circumspect. She has dismissed Mr Trump’s proposals as offering help mainly to millionaires such as himself.

With so much corporate cash piling up overseas and companies continuing to shift domicile abroad through so-called “inversions”, reform cannot wait forever. The Apple case ought to spur things forward. The company’s boss, Tim Cook, has rightly observed that the EU ruling is not about how much Apple pays in taxes, but about who collects them. It is a reminder that the US taxman does not necessarily have first dibs on the income parked offshore by American companies. Not only has €13bn in tax been allocated to a reluctant Ireland by the commission; a number of other EU states are also considering slotting in their own claims.

It is in Washington’s interest to clear up these ambiguities. The first step should be to close loopholes that encourage avoidance, thus reducing the incentive for US multinationals to play off different jurisdictions. Alone among nations, the US has the heft to drive the global tax debate. For this to be felt, it needs deeds as well as words.

Sir, Your report, “G20 urged to ‘civilise capitalism’ to counter populists” (September 6), highlights the growing consensus that more must be done to assuage public concerns about the impacts of globalisation.

But the feature — much like the G20’s conclusions — is short on specifics on what can be done to ensure that more people can benefit from global trade integration.

The answer may be closer at hand than many think. The internet is already making the face of world trade more inclusive by enabling small businesses to access global markets like never before. Studies show that small-

and medium-sized enterprises that use online platforms are about five times more likely to export than those in the traditional economy. Entrepreneurs in developing economies are already at the forefront of this emerging trend.

So the drive to civilise capitalism must start with a concerted push to address remaining barriers to internet-enabled commerce. Today’s trade rules — which largely reflect 20th-century patterns of trade — are not always well-suited to supporting the growth of SME ecommerce.

What’s more, fragmented national rules on issues such as data and consumer protection can significantly

push up costs for SMEs seeking to enter global markets.

New thinking is needed on how to tackle these issues on a global basis. One option would be for G20 governments to spearhead talks on a new ecommerce agreement under the World Trade Organisation’s auspices.

Global rules for digital trade could go a long way towards unleashing a new era of genuinely inclusive growth: one in which all companies can benefit from equal access to world markets.

John Danilovich
Secretary-General, International Chamber of Commerce, Paris, France

Harmony required to cure ‘sick’ capital cities

Sir, Modern capitals abound with awful architecture (“Sick buildings”, September 1) but perhaps few exceed London as the capital of eclecticism.

Unlike the City’s assortment of office blocks in the guise of household utensils, peculiar domestic high-rises are wedged in between terraced houses, making the perfect accompaniment to counterparts such as the “Cheesegrater”.

Councils around the capital have jumped on the bandwagon of selling off prime land and even, in some cases, their own town halls, to property developers: flats, flats and more flats.

Apart from the logistic nightmare of housing complexes taking over what could be used as communal spaces, services, perhaps the odd patch of green, there is an overriding aesthetic principle which seems to elude urban planners: harmony.

New buildings should complement older structures, not suffocate them with disparately disproportionate heights and clashing materials: “Cities are sick with the plague . . . They are sick because poetry has left the heart of their crafts long ago. Architecture and architects have fallen to the lowest depths.”

Thus wrote Le Corbusier in his *Poésie sur Alger* in 1942. As well as being a man of many talents and skills, Le Corbusier was armed with a vision to modernise the decrepit French colonial *cit  nouvelle* and preserve the Algerian kasbah.

A genuine admirer of “Arab” architecture, as he called it, his ideas of urban planning were as radical and visionary as they were ruthless.

From the individual apartment, fully equipped with “bespoke” functional furniture to the clearance of slums to give way to parks, every detail carried its own Corbusian signature.

His ego would thus have been inscribed in the redesign of Algiers had it not been for the authorities’ rejection of the architect’s proposals. All that is left of his grand idea are his sketches and this little book recently translated into English.

What the world’s capital cities are in need of now is the kind of vision to cure their sickness and restore and invent, where it is lacking, a kind of aesthetically pleasing, sustainable vitality.

Dr Cleo Cantone
London SW2, UK



Private tuition: big market fails to mask flaws in educational system

Big oil companies must be challenged on climate risk

Sir, It’s quite a surprise to see BlackRock, the world’s largest fund management company, lecturing investors on climate risk (“BlackRock issues climate change warning”, September 6). BlackRock voted against climate risk disclosure resolutions at ExxonMobil and Chevron earlier this year, despite supporting similar resolutions at BP and Shell, and is thus one of the #Missing60 — the roughly 60 per cent of asset managers who appear concerned about disclosure at some companies but not others.

If Larry Fink, chief executive of BlackRock, really believes that the world can meet the Paris targets without challenging the management view of US oil majors, his grasp of climate risk seems tenuous. Nevertheless, given the quality of intellectual capital that lies behind BlackRock’s research, we can surely hope that appropriate action will follow, in terms of backing AGM resolutions calling for companies to show how they will transition to a low-carbon world. If this can happen in the 2017 AGM round, and involve other members of #Missing60 as well, so much the better.

Howard Covington and Carolyn Hayman
London NW5, UK

The single market and questions of identity

Sir, Your letter writer Yugo Kovach imagines teleologically that a single market must lead inevitably to a US of Europe, no matter how many opt-outs (“The single market and a United States of Europe”, September 8).

And he holds up the US erroneously as exemplar. Britain’s exclusion from Schengen and its retention of sterling were significant breaks on the trend of “ever closer union”. David Cameron had obtained concessions on welfare benefits to migrants that would have slowed immigration flows had Britain voted for Remain — establishing a four-year qualifying interval before becoming eligible to receive benefits and for established migrants, receiving benefit at the rate provided by their country of origin. Here the principle of free movement would have been upheld but with important limitations.

Similarly, the North American Free Trade Agreement, in addition to embracing the free movement of goods and capital, might have also adopted the principle of the free movement of labour, albeit with protections for Americans threatened by the movement of capital out of the country, and with limitations on the inflow of Mexican labour, through a regulated guest worker programme.

None of this would have led to political union in the long term. And had it been done, moreover, there would not now be an immigration crisis, nor a Northeastern rust belt.

One might observe, too, that the US achieved political union before it became a single market. That is what the US civil war was partially about. And it did so on the basis of a common language and a cultural melting pot in which immigrants sought to assimilate.

This would not happen in Europe. Migrants would retain their national identities while simultaneously coming to regard themselves as Europeans. They would embrace dual identities and do so indefinitely.

Albion Urdank
Los Angeles, CA, US

Tackle teaching standards and help raise aspirations

Sir, Helen Warrell’s report, “Pressure to pass exams turns private tuition into £2bn market” (September 8), points to severe shortcomings in the education system with the increased use of tutoring by many anxious parents. These flaws are worsened by the Sutton Trust’s Sir Peter Lampl’s staggering suggestion that the government provides vouchers for the less well-off to take advantage of tutoring. Surely the Sutton Trust should be pressing for educational improvements in the existing system — tackling teaching standards and raising aspirations.

Karen Roberts
London SW6, UK

Ethanol mandates leave food industry vulnerable

Sir, Gregory Meyer’s article “US food versus fuel: a debate losing its rage” (September 6) suggests that higher yields and “beneficial weather” have enabled the market to absorb the increased demand for corn brought about by US ethanol mandates. In other words, the impact of mandates on the food industry is negligible.

I beg to differ. Such mandates leave the food industry and feedstock vulnerable to a range of factors that can cause prices to fluctuate. When beneficial weather gives way to drought or flood, and government mandates remain, competition for shrinking corn supplies will make prices volatile, an effect that will reverberate across the food supply chain — not for consumers alone. Price volatility is actually most challenging for companies that purchase corn for animal feed.

Mr Meyer also fails to mention that expanded US plantings of biofuel feedstock come at the expense of diverse food crops. Since the US’s ethanol mandates were first enacted in 2005, the area planted with corn and soy (also a common biofuel feedstock) has expanded by 16.8m acres, while the total acreage of all other crops — a radical transformation of agriculture with trade and pricing implications for a range of commodities.

Mr Meyer also excludes the other costs of a flawed mandate. As farmers dedicate more acreage to fertiliser-intensive corn for biofuels, farmland runoff is leading to high levels of nitrogen in waterways.

In Iowa — the heart of the US corn and ethanol industries — removing high levels of nitrates from drinking water costs Des Moines Water Works, the capital city’s utility, \$1.5m to ensure safe drinking in 2015. Those nitrates flow downstream from farms exempt from federal water regulations.

Further downstream, in the Gulf of Mexico, the nitrogen from farmland runoff creates a colossal “dead zone” unable to support marine life that is costing the US seafood and tourism industries an estimated \$82m a year.

The impacts of US ethanol mandates on the food supply chain are extremely complex, and must be acknowledged as such. Congress should advance solutions that prioritise market realities and put an end to the unintended, under-reported consequences of ethanol mandates.

Nan Swift
Federal Affairs Manager, National Taxpayers Union, Washington, DC, US

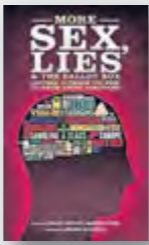
Talk on future ties implicit in Article 50

Sir, I hesitate to take issue with the former director-general of the Council of the Europe’s Legal Service (“Article 50 is not forever”, September 2) when he writes that triggering Article 50 sets in train negotiations “only on the terms of the divorce; not on post-Brexit relations”. Paragraph 2 of Article 50 states that such negotiations must take account of “the framework for its future relationship with the union”. While the wording of Jean-Claude Piris’s article may lack clarity, the reference to a future relationship must be given some weight and encompass negotiations about post-Brexit relations.

David Lang
Dorchester, Dorset, UK

A layperson’s guide to the polling industry

Book review
Kate Allen



More Sex, Lies & The Ballot Box: Another 50 Things You Need To Know About Elections
By Philip Cowley & Robert Ford (Biteback, £14.99)

Rarely has public interest in politics and polling been keener. In the past couple of years, a series of wrong calls has brought the industry’s methods under scrutiny from people who have rarely ever given it a second thought. Attention is now focused on how the psephologists will fare in a US presidential race that many deem too close for comfort.

So it is handy that a group of academics has produced this volume — a follow-up to the 2014 original — in which they bust yet more political myths in language so simple that everyone — even Westminster political correspondents — can understand it. The 51 essays include crowd-pleasers (politics and sexual satisfaction, romance across party lines), technical points (unpicking the methodological causes of last year’s UK general election polling failure), and global topics such as gender in Japanese politics, Poland’s electoral geography and the French radical right.

Editors Philip Cowley and Robert Ford, two of Britain’s most media-savvy political academics, freely admit to taking a headline-grabbing approach that at times may grate on serious-minded polling aficionados. But, given that their deeper mission is to bring academic work to a wider audience in a bid to enhance the quality of political discourse, a bit of grandstanding can be forgiven.

The book tempers many of the media’s favourite electoral tropes. A few examples: target groups such as Mondeo Man, thought to have helped

put Tony Blair in Downing Street in 1997, do not really swing elections. But attempts by lobby groups and politicians to pander to them distort policymaking. Millennials, meanwhile, are not disillusioned by politics but simply apathetic. Winning political parties deliver the vast majority of their manifesto promises.

There are also eye-openers: Muslim candidates suffer far more from discrimination by white voters than other minority ethnic candidates do. The biggest boost to party membership is electoral failure. Although the two-party system has fragmented at national level, 83 per cent of English councils are controlled by one of the two biggest parties — the highest level since the 1970s.

There are some fun facts to share with dinner party companions, too. People who volunteer for the Scouts are 22 percentage points more likely to vote than those who do not. Nearly 1 in 4 Americans believe Santa Claus votes Democrat. People who classify their political beliefs as very rightwing are the most sexually satisfied.

More Sex, Lies & The Ballot Box is “written by people who love elections, and for whom the electoral cycle is part of the natural rhythm of their lives”, Cowley and Ford say. Given how poorly electoral pollsters have performed recently some might consider it odd to produce an entire book of pronouncements based on similar research methods. But Cowley and Ford note that in their most recent test, the EU referendum,

pollsters did better than the betting markets. “The answer to poor polling is not no polling but better polling,” they write.

Reviewing the tumultuous past couple of years in British politics, they say with some understatement: “Whatever else you think about all of this, you can’t say it’s not interesting.” Politics — and particularly elections — are fascinating because voters are irrational, emotional creatures who are not necessarily honest about their views. Just one example: voters claim to hate negative campaigning but are in fact easily influenced by it.

Cowley and Ford’s rules for their specialist writers are admirable: 1,000 words maximum, no jargon, only one chart and only then if a layperson can understand it — and no footnotes. Academic communication, they say, is undergoing a revolution thanks to social media, which have helped train political scientists to explain their work to a broader audience. Those experts who masked their findings in esoteric niceties to shore up their elite status “tend to be older and will soon be dead”, they cheerily observe.

One contributor to volume one characterises the authors’ approach: “We are the sort of people who like to say: ‘It’s a bit more complicated than that.’” Anyone who reads this second volume is likely to find that phrase crosses their lips often — and British politics will be the better for it.

The writer is an FT political correspondent

Comment

The urgent need for infrastructure spending



There is a consensus that the US should substantially raise its level of infrastructure investment. Economists and politicians of all persuasions recognise that this can create quality jobs and provide economic stimulus without posing the risks of easy-money policies in the short run. They also see that such investment can expand the economy's capacity in the medium term and mitigate the huge maintenance burden we would otherwise pass on to the next generation.

The case for infrastructure investment has been strong for a long time, but it gets stronger with each passing year, as government borrowing costs decline and ongoing neglect raises the return on incremental spending

increases. As it becomes clearer that growth will not return to pre-financial-crisis levels on its own, the urgency of policy action rises. Just as the infrastructure failure at Chernobyl was a sign of malaise in the Soviet Union's last years, profound questions about America's future are raised by collapsing bridges, children losing IQ points because of lead in water and an air traffic control system that does not use GPS technology.

The issue now is not whether the US should invest more in infrastructure but what the policy framework should be. There are five key questions.

How much more do we need to invest? For the foreseeable future, there is no danger that the US will overinvest in infrastructure. An increase in investment of 1 per cent of gross domestic product over a decade would total \$2.2tn and permit substantial steps both to catch up on deferred maintenance and embark on new projects.

What is the highest priority? The fastest, highest and safest returns are likely to be found where maintenance has been deferred. Maintenance outlays do not require extensive planning or regu-

latory approvals, so they can take place quickly. And they tend naturally to take place in areas where infrastructure is most heavily used.

How should investment be financed? There is a compelling case that infrastructure investments pay for themselves by expanding the economy and increasing the tax base. The McKinsey Global Institute has estimated a 20 per cent rate of return on such investments. If the return is only 6 per cent and the government collects about 25 cents on every dollar of GDP, it will earn 1.5 per cent on investments. This far exceeds the real cost of borrowing even over a horizon of 30 years. Debt financing of new infrastructure investment would be entirely reasonable. And if there is a desire to generate revenue to finance

infrastructure investments, the best approaches would involve user fees. Thus, increased landing fees could help finance airports; tolls or taxes on miles driven could fund road improvements.

What about the private sector? Some infrastructure priorities, such as replacing coal-fired power plants with renewables, expanding broadband networks or building pipelines, are clearly the responsibility of the private sector. Policy frameworks that streamline regulatory decision-making and reduce uncertainty could spur investment in these sectors. There is a case for experimenting with mobilising private capital for use on infrastructure that has been a public-sector preserve, such as airports and roads. But, the reality that government borrowing costs are much lower than the returns demanded by private-sector infrastructure investors should lead to caution. It would be unfortunate if, in an effort to avoid deficits, large subsidies were given to private financial operators. Only when private-sector performance in building and operating infrastructure is likely to be better than what the public sector can do is there a

compelling argument for privatisation.

How can we be sure investment is carried out efficiently? There is legitimate scepticism about this, and there is no silver bullet for this problem. Transparency of the type adopted for the Obama administration's fiscal stimulus should become the norm. Additionally, progressive advocates of more investment should compromise with conservative sceptics and, in the context of increased spending, accept regulatory streamlining, as well as requirements that projects undergo cost-benefit analysis. Minimising cost should be the objective of infrastructure procurement.

Every year that we allow our infrastructure to decay raises the burden that our generation places on the next. We will not always be able to borrow for the long term at a near zero interest rate. However the election turns out, a major infrastructure investment programme should be adopted by the president and Congress in the spring of 2017.

The writer is Charles W Eliot university professor at Harvard and a former US Treasury secretary

It does not pay for advertisers to narrow their targets too much

OPINION
Ian Leslie

Procter & Gamble, the world's biggest marketer, recently announced a change in the way it buys advertising on Facebook. It is cutting its spend on highly targeted ads and is increasing spend on ads that address much larger swaths of the potential audiences for its brands, which include Tide, Pampers and Gillette. Explaining this shift of emphasis, P&G's global brand building officer, Marc Pritchard, said: "We targeted too much, and went too narrow."

It suited both parties to play down this change of tack. But Facebook's astonishing revenue growth has been predicated, in part, on its ability to deliver micro-audiences to advertisers, and P&G was in effect admitting that it had wasted millions of dollars in the misguided pursuit of efficiency. In truth, this is just the latest evidence that the ad industry has been bamboozled by the rise of digital media, because it had such a tenuous grasp of how advertising worked in the first place.

Facebook had an irresistible pitch to advertisers. Instead of spraying your message to millions in a television ad, why not use our data to reach only those you need to reach? If you want to sell diapers to 25-34 year old women, we can help you reach them when they are pregnant; if you are a deodorant brand, we know some hormonal adolescent boys waiting to hear from you. Of course, we will charge you a premium for this service, but you will still make savings because you will not be wasting

By reaching large numbers of consumers at the same time, TV ads turned brands into cultural icons

money talking to consumers outside your target. And you no longer need to employ highly paid "creatives", since if consumers are given the right messages at the right time, there is no necessity to seduce them with pretty stories. Indeed, the whole transaction can be conducted without human intervention. Algorithms do not throw a stroop when you ask them to tweak the endline.

But as you may have noticed, making perfectly targeted ads appears to be much harder than it sounds. Most digital ads are clumsy and annoying, and easily ignorable. Information about consumers is not the same as insight into human beings.

The more fundamental problem with micro-targeting is that for big brands, advertising has never really been about messages, even if brand owners never quite realised it. It is about the creation of shared memories, triggered at the point of purchase. Think about some of the great brands: Nike, Apple, and yes, Pampers. If you buy them it is because you know millions of others do, and because they seem to stand for something that, far from being unique to you, is common to all of us: achievement, creativity, nurturing. The broader these brands go, the better they do.

There is a reason for that. Byron Sharp, a professor of marketing science at the Ehrenburg-Bass Institute, has shown how brands such as Gillette or Apple depend heavily on "light buyers" – people who buy them relatively rarely and substitute them for others if they are more easily available or cheaper.

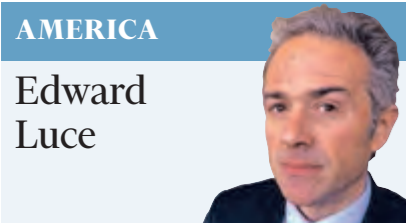
When a consumer instinctively grabs for something on the shelf, they usually reach for the familiar. To achieve that status, a brand needs to have done something that lots of people regularly see, notice and enjoy. Perhaps those creatives might come in useful after all.

What seemed to be the wastefulness of TV was in fact its secret sauce. By reaching large numbers of people at the same time, TV ads had the power to turn brands into cultural icons, which took up residence in consumers' minds.

In its conversations with advertisers, Facebook now talks less about targeting, preferring to emphasise the sheer numbers of consumers that it can help brands to reach. It is investing in video capabilities and is encouraging its clients to make short films. After years of telling clients TV is wasteful, it is now doing a good job of imitating it.

The writer, an advertising strategist, is the author of 'Curious: The Desire to Know and Why Your Future Depends on It'

Putin messes with American heads



There is no textbook on what to do. The US has a history of meddling in other countries' politics during the cold war – and since. But Russia's thinly-disguised intrusions into the 2016 election is the first time the US has clearly been the object of such attention. Moreover, the Russian bear is pushing at an open door. All Vladimir Putin needs to do to cause trouble is to sow doubt about the integrity of the US electoral process. Large numbers of Americans already suspect the November result will be rigged. So does Donald Trump, who is the first US presidential nominee to invite a foreign power to leak material that would damage his opponent. If ever US democracy was vulnerable to skulduggery that time would be now.

What chance does it have of succeeding? To some extent it already has. In a Bloomberg interview last week, Mr Putin offered a blatant non-denial denial that Russia carried out the recent hacking episodes. "To do that you need to have a finger on the pulse and understand the specifics of domestic political life in the US," he said with a knowing smile. "I'm not sure that even our for-

eign ministry experts are sensitive enough." The Russian president might as well have winked at the camera. Nobody, from the cyber security firms looking into the hacking of US political outfits, to the FBI, which is investigating them, doubts Russian intelligence agencies were behind the breaches.

Nor is there much question about motive. The email trove hacked from the Democratic headquarters showing insider bias for Hillary Clinton over Bernie Sanders, was leaked on the eve of Mrs Clinton's convention in July. It inflamed Mr Sanders' supporters, many of whom already thought Mrs Clinton had rigged the primaries. Last week Julian Assange, the holed up founder of WikiLeaks, which released that first batch of emails, promised there would be more to come before November. "It is not a question of whether Russia leaks more data but when," says Dmitri Alperovitch, co-founder of CrowdStrike, one of the largest US cyber security companies. Mr Assange, who is Russia's preferred data dump, promises "teasers" in the next few days.

It would be easy – but probably wrong – to assume Mr Trump is working directly with Mr Putin to build mistrust in the November outcome. The prima facie case looks strong. In his July acceptance speech, Mr Trump said: "Big business, elite media and major donors are lining up behind the campaign of my opponent because they know she will keep our rigged system in place." That same week Trump officials purged language from the Republican platform



which had urged support for the Ukrainian government against Russia. It came four years after Mitt Romney, the then Republican nominee, had described Russia as America's "number one geopolitical foe".

Nothing better captures Mr Trump's hostile takeover of the Republican party than its 180-degree turn on Russia. Every hacking – most recently last week's "exfiltration" of electoral rolls in Arizona and Illinois – appears to benefit Mr Trump. Anything that could implant doubt about Mrs Clinton's likely victory in November is grist to his mill. Only he seems to question Russia's role in the leaks. "I think it's probably unlikely. Maybe the Democrats are putting that out," Mr Trump last week told Russian television (yes, you read that correctly).

The Russian president knows that propaganda works best when there is a receptive audience

He also told the state-owned broadcaster that Mr Putin was far more of a leader than President Barack Obama. As I say, the surface evidence for Trump-Putin connivance looks plain.

Yet Mr Putin is a far wlier operator than Mr Trump. In his early career he trained in the "active measures" wing of the KGB, which specialised in political warfare. Its goal was to generate disinformation that would disrupt other countries' politics. Mr Trump has given the Russian leader a golden chance to tarnish the US democratic model with the far more sophisticated tools now available. Mr Trump's victory would not necessarily be in Mr Putin's interests. Damaging the world's faith in the US system is. Mr Putin is also a savvy tactician than Mrs Clinton. When Mr Obama came to power in 2009, he and Mrs Clinton tried to create a split between Mr Putin and Dmitry Medvedev, Russia's then president. It failed. In 2011 Mrs Clinton backed Moscow demonstrators against Mr Putin's allegedly rigged presidential election. This also backfired. Washington gave

critical help to those supporting the 2014 overthrow of the pro-Russian government in Ukraine. Mr Putin responded by annexing Crimea. What sweeter revenge than to meddle in a US election?

The bar is not that high. No vote rigging need occur – assuming it was even possible. All Mr Putin needs to do is contaminate the results in people's minds. Mr Trump and his media backers would do the rest. Sound improbable? It should not. Mr Putin is a past master at setting cats among democratic pigeons. He knows well that propaganda works best when there is a receptive audience. Forget America's global reputation. Look at how it sees itself. With some justification, many Americans believe their political system has been captured by the rich and powerful. It explains why so many are taking a desperate gamble on Mr Trump. Their horse will probably be beaten. Mr Putin, on the other hand, is enjoying a lucrative day at the races.

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Prepare for a power shift after Germany's general election



The Brexit vote was the ultimate electoral upset this year. The US elections and the Italian constitutional referendum may be next, followed by the Dutch and French elections next year. What about Germany, where elections are due in the autumn of 2017? Is an electoral upset there possible as well?

Yes and no. The interesting question is not who will win. The answer is: very likely Chancellor Angela Merkel if she decides to run. It is quite possible that the same "grand coalition" government will emerge, less grand perhaps, but with mostly the same ministers. What makes this election so interesting and important for the rest of Europe is a likely power shift within the Bundestag.

We caught a whiff of the pending power shift at last week's elections in Ms Merkel's home state of Mecklenburg-Vorpommern, north-east Germany. The chancellor's Christian Democrats suffered one of their worst results in the party's history, ending up with less than 20 per cent of the vote. It came third behind the Alternative for Germany (AfD), which started life as an anti-euro party and has now morphed into a nationalist anti-immigrant party.

The AfD is not represented in the Bundestag. Nor are the liberal Free Democrats. Right now, the grand coalition parties – the CDU, its Bavarian sister party, CSU, and the Social Democrats – hold 80 per cent of the seats. The Greens and the Left party hold the rest.

All this will change next year. The latest opinion poll by Insa puts the AfD at 15 per cent of the vote nationwide. The FDP has recovered from its defeat in 2013 and is on course to clear the 5 per cent threshold required for entry to the Bundestag. That alone will ensure that the majority of the grand coalition parties will shrink as Germany adjusts to a seven-party parliament. In addition,

both the CDU/CSU and the SPD have lost support since the last election. The CDU is down by 10 percentage points. The polls put the two coalition partners at barely over 50 per cent.

One of the reasons any change in the composition of parliament matters is the internal division between the CDU and the CSU on Europe and immigration. Ms Merkel has no problem organising majorities at present. But if the polls are borne out at the ballot box next year, the Bundestag will be able to constrain her on matters ranging from Brexit to the debate on the future of the EU and the eurozone. Today the executive is strong and the legislature is weak. This is going to reverse.

One area where this could be reflected in policy is Germany's approach

towards Greece. I cannot see how a Bundestag composed as foreshadowed in the current polls could agree to a Greek debt restructuring. During negotiations on the Greek programme this year, Wolfgang Schäuble, German finance minister, persuaded Brussels and Washington that there is no political room for manoeuvre in Germany in favour of a Greek debt writedown before the 2017 elections. He failed to mention that there will be even less room afterwards.

Previously, Ms Merkel was able to agree to eurozone rescue operations as well as bailout programmes for Greece, Ireland, Portugal and Spain because there was no effective opposition. That will change from 2017 because the government's majority is likely to shrink, and the opposition will be hostile.

What about Brexit? Of all political parties in Europe, the CDU is among the least concerned about the precise form a British departure will take, and would probably accept some trade-off between immigration control and single market access. But after next year, the CDU's ability to press for a soft Brexit will be diminished. The SPD does not want it.

Nor do the Greens. The AfD will be hostile, not least because the British Conservatives expelled them from their grouping in the European Parliament. The Left party can be relied on to be against, and if the FDP is in opposition, they might also reject it.

Then there are the implications of a changed composition of the Bundestag for Germany's contribution to the debate on the future of Europe. EU leaders are scheduled to meet this Friday for a summit in Bratislava, Slovakia, to brainstorm ideas for a post-Brexit Europe. Nothing much will come of this meeting, but a discussion about the future of Europe will have to start in earnest after next year's round of elections. With the AfD as the main opposition party, flanked by the FDP, and a divided CDU/CSU, I cannot see any serious progress towards further integration.

Germany's elections thus matter a great deal. And, to paraphrase Mario Draghi, president of the European Central Bank, the risks are firmly tilted to the downside.

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WORK & CAREERS

When the stakes are high, dissent is a sign of success



Andrew Hill
On management

In his book *Into Thin Air*, the harrowing account of the ill-fated 1996 expeditions to Mount Everest, mountaineer Jon Krakauer recalls his sense of foreboding as he helicoptered into the Himalayas with an ad hoc team of amateurs.

“I attributed my growing unease to the fact that I’d never climbed as a member of such a large group — a group of complete strangers, no less,” he writes. “One climber’s actions can affect the welfare of the entire team. The consequences of a poorly tied knot, a stumble, a dislodged rock, or some other careless deed are as likely to be felt by the perpetrator’s colleagues as the perpetrator . . . I suspected that each of my team mates hoped as fervently as I that [Rob] Hall [their professional guide] had been careful to weed out clients of dubious ability, and would have the means to protect each of us from one another’s shortcomings.”

In fact, eight climbers died in one day — including Hall — when storms closed in on the many groups, from first-timers and “tourists” to hardened professionals, who were trying to make it to the summit and back.

Confusion and controversy shrouded what happened in the “death zone” above 8,000m in 1996, but Krakauer’s

concern that the individual actions of one team member could doom the others should have been overlaid by another worry. Collective dedication to a goal can itself be dangerous if it covers up important individual differences, according to a new study, with fascinating implications for how lower-altitude teams are built, motivated and run.

Jennifer Chatman from UC Berkeley’s Haas School of Business and her co-authors studied records of more than 60 years of expeditions to the Nepalese Himalayas. It is a rich bank of information — about 40,000 climbers from some 80 countries. Unlike workplace teams, these groups had a clear goal: to reach their summit. They shared one objective and unambiguous measure of failure: the death of a team member.

By parsing this sometimes grim data set and combining it with teamwork experiments, the researchers found that a collective mindset helped diverse teams ignore differences, such as nationality, that were not relevant to their task. But when the collective spirit overrode vital individual differences of, say, experience, the result could be fatal. For example, teams that got into trouble at altitude and assumed that all members had the

same expertise as their most knowledgeable climbers sometimes took risks that put lives in jeopardy.

Lessons from extreme situations may seem irrelevant to staffers discussing projects in air-conditioned corporate conference rooms. But Prof Chatman says the research suggests perhaps “the whole team-building fad has overshot the mark”, by placing too much emphasis on cohesion. Lives may not be on the line, but teams that do not value and recognise their differences could be less effective.

There are few more pressing management challenges than how to run diverse teams. Big companies are experimenting with ways to go beyond traditional recruitment in order to widen the pool of staff in which they fish. Deutsche Bank, for instance, is exploring behavioural profiling and testing in its hiring. In her book *What Works* — shortlisted for this year’s Financial Times Business Book of the Year — Iris Bohnet focuses on the difficulties of achieving, then reaping the advantages of, gender balance in the workplace. “Getting it right is not easy,” she writes of the task of designing appropriately balanced, creative and productive teams.

In the first place, managers need to assess diversity correctly. They then

Cohesion and co-operation may look like virtues, but they could be symptoms of groupthink

need to set out a clear, collective mission. But they must also identify which of the differences between the team members — nationality, gender, race — have little bearing on the task in hand, and which, such as specific skills and experience, are highly relevant. Cohesion and co-operation may look like virtues, but they could be symptoms of groupthink. The greater the collective will of the team — and the higher the stakes — the less likely people are to dissent, because, in Prof Chatman’s words, “speaking up about risks is like saying you have no confidence in the group”.

In the workplace, these findings place even more burden on the team leader, for whom dissent and friction are unlikely signals of success. But as Prof Chatman says: “Maybe we need to live with a little more discomfort and difference to get these valuable outcomes.”

Emphasising the ways in which team members are not the same could increase tension within the team. It could mean the group takes longer to reach its goal. But those would be small prices to pay to improve the overall performance — and avoid disaster.

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Univision’s play for a wider audience with Gawker buy

Isaac Lee tells Matthew Garrahan about plan to entice bankrupt group’s digital followers into TV

When Gawker Media Group was snapped up in a bankruptcy auction recently, the identity of its buyer surprised those following the sale. Univision Communications is the leading Spanish language television company in the US, the home of the journalist Jorge Ramos and the broadcaster of telenovelas such as *El Color de la Pasión*. What could it possibly want with a website owner that had been taken to the mat by the wrestler Hulk Hogan?

Quite a lot, as it turns out. Isaac Lee, who masterminded the \$135m deal with Univision’s chief executive Randy Falco, says Gawker’s portfolio of websites will help the company reach a generation of Americans that is tech-savvy and ethnically diverse. Mr Lee, Univision’s chief news, entertainment and digital officer (“it’s a horrible title”, he says) is certainly not lacking in ambition. “We’re going to be the number one digital media company in America.”

Gawker operated seven websites before its Chapter 11 filing and Univision is buying six of them: technology-focused Gizmodo; Jezebel, aimed at women; Deadspin, which covers sports; the gamer site Kotaku; car-focused Jalopnik and Lifehacker, which bills itself as a self-help blog. Gawker’s eponymous flagship site was not included in the deal and has been closed, deemed too risky after Hogan’s successful legal action, which was triggered by Gawker publishing an excerpt from a sex video in which the wrestler featured. With financing from the Silicon Valley billionaire Peter Thiel, who was outed as gay by Gawker nine years ago, Hogan — real name Terry Bollea — outfought Gawker in court. Unable to afford the \$140m in damages it was ordered to pay, the company filed for bankruptcy protection.

Its brands — minus Gawker — will live on at Univision, which is slotting them into a portfolio that includes other recent acquisitions, such as The Onion comedy site and The Root, a site aimed at African Americans. The integration has already hit a complication, however, after Univision controversially removed several posts from Gizmodo, Jezebel and Deadspin in recent days (see box).

The broadening of Univision’s focus beyond its core Spanish-speaking audience is deliberate, says Mr Lee. “By 2020, 50 per cent of people aged 18 and under in America will be non-white or diverse. Very soon, half of the country is going to be non-white.”

Media companies have paid little heed to this group, he argues, saying the Gawker deal will help Univision reach it: its sites are distinctive, have a loyal, young audience and make money. “We decided to focus on finding properties that would have a unique voice, a very strong brand and that were profitable.”

Mr Lee’s background — he is Colombian, Jewish and now lives in Miami —



Isaac Lee has taken steps to generate content for television from journalistic material

Michael Nagle/Bloomberg

makes him typical of the diverse audience he is trying to reach. He joined Univision six years ago to run its news business, where he created a documentary division and began developing Fusion, an English language cable television network and website that Univision eventually launched with Walt Disney’s ABC in 2015.

Univision, which bought Disney out of the venture this year, is pitching Fusion at the diverse, millennial Americans identified by Mr Lee. His plan is for the cable network to act as the “spine” for its digital brands. “It will host the linear extension of all these brands,” he says.

“So you can expect Fusion to have a show from Gizmodo, a sports show from Deadspin, one from The Root and comedy from The Onion.”

This move is part of a trend that is sweeping the media world. In the past year some of the biggest digital companies have rushed into television: Vice Media launched a channel, backed by A&E Networks; BuzzFeed and Vox Media are developing their own TV shows, after last year receiving invest-

ment from NBCUniversal; and so is Mashable, which is developing content for Time Warner’s Turner Broadcasting.

There are clear reasons behind this shift. Despite winning eyeballs and

‘In the past year, some of the biggest digital companies have rushed into television’

attention, advertising spending on websites is not growing quickly enough. Digital is set to eclipse television as the main source of spending by brands but most of that is flowing to Google and Facebook, which together are winning most new online advertising dollars.

For publishers and content owners, the real money is still in television: cable and satellite companies pay fees to distribute channels and brands buy advertising to reach their audiences. Mr Lee’s

But in his own memo to staff, Isaac Lee said the posts had been deleted because Univision had bought Gawker on the understanding that it “would not inherit any risk of liability for pending cases”.

“Should there be threats in the future . . . we will defend them as vigorously as we would defend stories published by Univision News, Fusion, The Root, or any of our other properties.”

The decision to delete the posts was “unique to the bankruptcy acquisition where assets, not litigation liabilities were purchased,” he wrote. “It is not a precedent for the future.”

bet is that the digital audiences will follow Univision’s brands to television, where they can be promoted to Fusion’s viewers on cable as well as the millions of people who watch Univision’s broadcast network or its local TV stations.

He has taken steps to generate new money from the journalism the company produces, pointing to Fusion’s coverage of the Mexican drug kingpin Joaquín “El Chapo” Guzmán. Univision created Story House, a Los Angeles-based subsidiary to develop ideas for television series using IP and features produced by its journalists.

It is co-producing a scripted, bilingual series on El Chapo with Netflix and has sold two projects to HBO, including a documentary featuring Mr Ramos — “our community’s Walter Cronkite”, according to Mr Lee. Mr Ramos was thrown out of a Donald Trump press conference last year when he tried to ask about the candidate’s plans to deport 11m undocumented workers.

The private equity investors that own Univision, including the Israeli billionaire Haim Saban, will be watching closely to see if Mr Lee succeeds. The investors had been pursuing an initial public offering but in a tough market those plans have not progressed.

Mr Lee will not comment on the IPO but says the focus on young, diverse Americans will pay off, despite this year’s bitter presidential campaign. “The real divide in America is not black and white, wealthy and poor or gay and straight,” he says. “It is between people that are comfortable sitting in a room with people that are different to them, and people that are not. Our bet is on the people that are comfortable with those who are different. I love that bet and I really believe in it.”

The Commuter

Books about disaster, dance music and no-distraction apps

AS TOLD TO HELEN BARRETT



Dax Dasilva
Founder and CEO, Lightspeed
Commute: 20 minutes

Montreal has two seasons: an apocalyptic winter, during which I drive a small Mercedes SUV, and summer, for which I have a black Dodge Challenger, a classic American muscle car like the Batmobile. Driving is the most useful time, and with Bluetooth I can have conversations I don’t get to have in the day.

The city is very condensed — from any given point you can reach any other within 20 minutes. But it’s also international: Europe is a six-hour flight away, New York is close. I commute longer distances several times a week, and spend days flying back and forth to Toronto and New York.

The book

I’m a voracious reader. I still buy paper books, but if I want highlights, iBooks is the tool. You can start a book on the iPhone, continue where you left off on the laptop and save all the highlights. I’m reading *Half Earth: Our Planet’s Fight for Life* by Edward O Wilson. It offers a radical idea: what if our goal was to preserve half the planet for wilderness?

The audiobook

I listen to audiobooks on Audible when driving or on planes — currently *Moral Tribes* by Joshua Greene. It’s another big-idea book: how does humanity find common ground? It’s a question that relates to my non-profit project, Never Apart, a 12,000 sq ft gallery space, music room and vinyl archive that we set up this year. I guess I launched it because I wasn’t busy enough. Montreal is a vibrant city for technology and culture, and I wanted to do both.

The business book

My favourite is Ben Horowitz’s *The Hard Thing About Hard Things*. It’s written by the co-founder of

one of the top venture capital firms. All the triumphs and disasters that happen in the technology world are here.

I’ve been working like crazy on Lightspeed for 11 years — we launched in 2005. By the tech industry’s standards, we were an early business, offering ecommerce tools to retailers. Now we have eight offices: four in Europe, two in the US and two in Canada. There were moments when we realised that if we didn’t reinvent ourselves we would be irrelevant, which is why I like books about triumphs and disasters. You may fail many times before you have the right idea and team.

The app

I have a separate laptop for writing and I use an app called *Ulysses* — it’s a no-distraction zone, just you and the text tool that pops up, allowing you to step backwards. I find it quite amazing. I keep



it on a 12-inch laptop and sneak that on to planes next to my regular laptop — no emails, calendar reminders — all the things that take you somewhere else.

I add articles to my Safari web browser on a Mac laptop for offline reading. You can scan, save and clip. I catch up on technology, politics, on social justice and environmental news. Within the madness, it’s important to get intelligent commentary. I like Politico.

The music

I really like a Los Angeles dance group collective called Far Away (above). They put out a SoundCloud series that I never miss.

The television series

I devour the National Geographic television series *Cosmos: A Spacetime Odyssey*, which should be required viewing. It deals with where we are in the universe.

Find Dax Dasilva’s reading list on FT.com/work-careers



Deletions prompt ire of editor

Univision’s acquisition of Gawker Media Group has been completed but the company ran into trouble this weekend when it deleted six of its articles because of concerns about pending litigation. The posts were deleted after a vote by Univision executives on Friday — hours before the \$135m purchase was finalised.

John Cook, Gawker Media’s executive editor, criticised the removal in a memo to employees, saying he had told Univision that it was “an affront to the very editorial ethos that has made us successful enough to be worth acquiring”.

WORK & CAREERS

Leeson’s lessons for traders come with a warning

Thomas Hale takes an online course presented by the man who years ago ruined Barings Bank almost single-handedly

There’s a risk warning that we must give at the beginning of this webinar,” my instructor declares. White text appears on the screen against a red background, pointing out that trading in financial markets can result in large potential gains but also losses. “I’ll read that out to you but I think my name comes with a risk warning anyway.”

My instructor’s name is Nick Leeson, and his losses as a trader more than two decades ago totalled £827m. In the mid-1990s, while working in Singapore, he almost single-handedly brought down Barings Bank, a venerable icon of the British financial establishment for more than two centuries.

Mr Leeson, a peculiar choice of educator, has carved out a niche as a confessional insider. He plans to bring “to the fore” his negative trading experiences, like a reformed alcoholic evangelising against addiction without denying the joys of moderate consumption.

This online seminar, entitled “The Truth”, is the first of six instalments on trading financial markets. Bizinttra, a global e-learning company that promises “high-profile individuals”, produces the free course. I begins with Mr Leeson, at the edge of the screen, outlining objectives and basic definitions (what and who are financial markets? Who’s affected? Everyone).

Mr Leeson, who has gone from a prison in Singapore to the after-dinner speaker circuit, takes a moment to spell out the risks. “It’s about competing with other people,” he says. “Not everybody can win. Anybody who tells you everybody can benefit from financial markets is clearly telling a lie.”

A chatbox question comes in from Brian, asking how long Mr Leeson, 49, has been trading. Mr Leeson left school at 18 and started to trade before he



Nick Leeson: carving out a niche as a professional insider — Press Association

Life story

Nick Leeson was born in 1967 in Watford, a London commuter town. He worked for Coutts, then Morgan Stanley and in 1989 joined Barings Securities, moving to Singapore in the early 1990s.

While there he used an “error account” to hide trading losses, rising to £827m. The bank was declared insolvent in 1995.

Mr Leeson was imprisoned in Singapore, but released in 1999 following a cancer diagnosis.

left London for Singapore, he replies.

The course content is dominated by definitions: three types of market analysis – fundamental, sentiment and technical; two types of traders – retail and institutional. There is trend trading, contrarian trading, range trading, scalping and rebate trading. More explanation follows on the costs.

These seminars have an unusual quirk in the figure of Mr Leeson, subtly self-deprecating and amiable, but they also reflect a subculture that has sprung up around online trading, often in synthetic shares and contracts. Online spread betting companies, such as IG Group, allow ordinary people to pursue the kind of glory previously reserved for professional traders, providing access to

hitherto exclusive markets at the click of a mouse. And while financial markets may seem to have mystical qualities, thankfully, a high priesthood of experts is offering educational insights.

Those hoping for insider secrets are often disappointed. The process typically involves – as here – explaining the terminology. And it relies on interspersing truisms, such as “those who know the least, lose the most”, alongside complicated-looking charts.

I type in a more searching question: Why do you trade? What motivates you? Mr Leeson’s eyes light up: “Trading is a modern day amphitheatre where you are pitting your wits against other people. That’s the way that I’m wired. I like to take a challenge and to prove myself.

As negative as my experiences were many years ago, I use those to my advantage now.”

Another swift reply is given to my follow-up: Won’t computers take over, if they haven’t already?

“Computers have taken over to a certain degree,” he says. “The days of open outcry [traders shouting their trades aloud in a pit] are long gone. Everybody is using computer screens. It increases the transparency, increases the information . . . You just need to work out how you use those to your advantage.”

When a graduate asks how he can get a job as a trainee trader, Mr Leeson uses similar language: “Some of the career paths through the back office and middle office that I would have used to my advantage during my time in the City are clearly not open now.”

The course is at its most educational when it touches on history, especially the “Big Bang” deregulation of the City in 1986. In line with his career advice, Mr Leeson acknowledges that there

‘Trading is a modern day amphitheatre where you pit your wits against others’

may be less “opportunity” in professional markets than in the 1980s, which may explain the rise in retail trading.

Other than the former traders who use them, retail trading platforms have a limited relationship to the world Mr Leeson once occupied, in which brokers and traders acted on behalf of a suddenly global client base. His advice to modern day retail traders is laced with anachronism, almost absurd, like a cowboy writing the manual for self-driving cars. But he convincingly captures what that world was like.

“Singapore . . . was an open outcry market. It wasn’t on screens,” he says. “We were looking at what everyone was doing on a daily basis and watching it, so you could see the people that were in pain, the people that weren’t in pain.”

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