

The Black Mirror test

How to avoid a dystopian tech future — ANDREW HILL, PAGE 12

When China sneezes

The global economy is not immune to viral shock — RANA FOROOHAR, PAGE 17



Dress down Monday

Comfortable clothing is a sign of self-confidence — PILITA CLARK, PAGE 18

Sanders' surge Iowa launches Democrat race

US presidential hopeful Bernie Sanders addresses supporters yesterday at a rally in Cedar Rapids, Iowa.

Voting in the Midwestern state today kicks off the Democrats' primary process to choose a contender to take on Donald Trump in November. Polls show Mr Sanders leading a tight race in the state, and rapidly gaining ground nationally on Joe Biden, the former vice-president and longtime frontrunner.

The late surge of support for Mr Sanders has highlighted divisions in the party, with many moderate Democrats fearing the 78-year-old Vermont senator is too leftwing to win nationally, even against an unpopular president.

Biden in spotlight page 2

Stanley Greenberg page 17



Andrew Harni/AP Photo

Beijing deploys emergency cash to shield markets from virus fallout

◆ Trading restarts after extended break ◆ \$173bn liquidity boost ◆ Death toll passes 300

DON WEINLAND — BEIJING

Beijing has unveiled a package of emergency measures to shield the Chinese economy from the effects of the deadly coronavirus outbreak, including pumping extra cash into the financial system.

China's central bank said yesterday it would provide Rmb1.2tn (\$173bn) worth of liquidity to money markets, as trading was set to resume today on the country's stock exchanges following an extended closure.

The move — China's biggest single-day open market operation since 2004, according to Bloomberg data — equates to a cash injection of Rmb150bn because of the large amount of short-term funds set to mature today.

The People's Bank of China said it also

planned to lower lending rates to support companies, while financial regulators have delayed introducing new rules in order to avoid further tightening market liquidity.

The measures come as thousands of new cases were reported over the weekend, pushing the number of confirmed infections in China above 14,000. The number of deaths has surpassed 300, according to health authorities.

The number of infections is already greater than the total during the outbreak of severe acute respiratory syndrome — Sars — in 2002-03, which caused several months of market turbulence in China.

The Philippines reported the first death outside China yesterday, as a number of countries imposed restric-

tions on people travelling from China.

The outbreak of the flu-like illness has led to the quarantine of about 40m people in China's Hubei province, where the disease first appeared in December. It has forced some of the country's biggest cities and manufacturing centres to extend the Lunar New Year holiday.

Some economists in China have predicted that the outbreak could shave more than a percentage point off economic growth in the first quarter.

China's markets have been shut since January 24 after the Lunar New Year holiday was extended. Analysts said the virus — and efforts to contain it — were likely to hurt company performance and hit stocks when trading resumes.

"In contrast to 2003 with Sars, we're now a decade into a bull market and val-



The People's Bank of China said it planned to lower lending rates to support companies. Regulators have also delayed introducing new rules

uations of some financial assets are stretched," said Simon MacAdam, global economist at Capital Economics. "The new virus is a plausible catalyst for a market correction."

China's banking and insurance regulator said over the weekend that it would extend a deadline beyond the end of 2020 for companies to meet new asset management rules, part of a multiyear crackdown on shadow banking that led to a tightening on liquidity.

The regulator also said some insurers would be allowed to surpass the 30 per cent cap on investments in equity markets, in a move intended to support stock prices.

Vaccine race page 4

Insurers in spotlight page 6

Rana Foroohar page 17



Mastercard chief in global payments rallying cry

Interview ► PAGE 7

Austria	€3.90	Malta	€3.70
Bahrain	Dh1.8	Morocco	Dh45
Belgium	€3.90	Netherlands	€3.90
Bulgaria	Lev750	Norway	Nkr440
Croatia	Kn29	Oman	OR1.60
Cyprus	€3.70	Pakistan	Rupee350
Czech Rep	Kc105	Poland	Zl 20
Denmark	Dkr58	Portugal	€3.70
Egypt	E£45	Qatar	QR15
Finland	€4.70	Romania	Ron17
France	€3.90	Russia	€5.00
Germany	€3.90	Serbia	NewD420
Gibraltar	€2.90	Slovak Rep	€3.70
Greece	€3.70	Slovenia	€3.70
Hungary	Ft1200	Spain	€3.70
India	Rup220	Sweden	Sk3.39
Italy	€3.70	Switzerland	Sfr6.20
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Nissan drafts plan to focus on Britain if Brexit throws up EU trade barriers

PETER CAMPBELL — LONDON

KANA INAGAKI — TOKYO

Nissan has drawn up a plan to pull out of mainland Europe if Brexit leads to tariffs on car exports — but double down on the UK, where the company believes it could sell one in five cars.

Two people involved in the discussions said the contingency plan, drawn up late last year, would see Nissan close its struggling Barcelona van facility and stop manufacturing in France.

Under the scenario, the Sunderland plant in north-east England would be maintained in an audacious bid to grow market share.

If carmakers that import to Britain such as Ford and Volkswagen face tariffs that make their cars more expensive, Nissan's UK-made models would have a competitive edge, allowing the com-

pany to grow from 4 per cent of the market currently to as high as 20 per cent, according to the two people.

The scenario is one of several the carmaker developed to plan for post-Brexit tariffs. People familiar with the discussions cautioned that it was drawn up before Makoto Uchida was installed as chief executive in December.

Both the EU and the UK are expected to lay out tough negotiating positions today ahead of talks next month over a future trade deal. Brussels will insist that Britain's market access be directly linked to its willingness to align with the bloc's rules when it unveils its proposals. The UK will reject the idea of accepting EU rules.

Nissan's public position is that the UK plant would be threatened along with its European business if the UK fails to maintain tariff-free access to the EU.

World Markets												
STOCK MARKETS				CURRENCIES				INTEREST RATES				
	Jan 31	Jan 24	%Week		Jan 31	Jan 24			Jan 31	Jan 24		
S&P 500	3225.52	3295.47	-2.12	\$ per €	1.108	1.103	£ per \$	0.759	0.765	US Gov 10 yr	price	yield chg
Nasdaq Composite	9150.94	9314.91	-1.76	\$ per £	1.318	1.307	€ per €	1.190	1.185	UK Gov 10 yr	1.54	-0.01
Dow Jones Ind	28256.03	28989.73	-2.53	¥ per €	0.841	0.844	¥ per €	120.113	120.652	Ger Gov 10 yr	0.55	-0.02
FTSEurofirst 300	1604.59	1656.50	-3.13	¥ per \$	108.385	109.435	£ index	80.941	80.893	Jpn Gov 10 yr	-0.44	-0.03
Euro Stoxx 50	3640.91	3779.16	-3.66	¥ per £	142.873	143.009	Sfr per £	1.271	1.269	US Gov 30 yr	-0.07	-0.01
FTSE 100	7286.01	7585.98	-3.95	Sfr per €	1.069	1.070				US Gov 2 yr	115.18	2.02 -0.01
FTSE All-Share	4057.47	4213.14	-3.69	€ per \$	0.902	0.907				Ger Gov 2 yr	105.92	-0.67 -0.01
CAC 40	5806.34	6024.26	-3.62									
Xetra Dax	12981.97	13576.68	-4.38									
Nikkei	23205.18	23795.44	-2.48									
Hang Seng	26312.63	27909.12	-5.72									
MSCI World \$	2372.01	-										
MSCI EM \$	1072.79	-										
MSCI ACWI \$	565.50	-										



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INTERNATIONAL

Impeachment trial

Republicans seek to turn spotlight on Biden

Pressure grows on former vice-president as Trump faces probable acquittal

KADHIM SHUBBER — WASHINGTON

Donald Trump is set for acquittal in his impeachment trial on Wednesday as Republicans look to turn the case against the president into political fodder against Joe Biden, one of his Democratic political rivals.

Mr Trump faced allegations that he abused his power by trying to pressure Ukraine’s president into announcing an investigation into Mr Biden and his son, who held a board position at a Ukrainian company linked to corruption.

Now, after rejecting witnesses at Mr Trump’s impeachment trial, Republi-

cans are looking to associate Mr Biden with corruption in Ukraine as the 2020 election kicks into gear.

“The information about the Bidens is out there,” said Joni Ernst, the Republican senator from Iowa who voted against calling witnesses and has said she would acquit Mr Trump.

“It is up to the American people to decide, you know, was that a good choice for Hunter Biden to be on that board,” she told CNN’s *State of the Union* programme yesterday.

The Senate is set to vote on Wednesday to acquit him along partisan lines, just a day after Mr Trump gives his State of the Union address.

Mr Trump’s impeachment trial has delivered mixed results for the Democrats. Though a majority of the American public was convinced that he acted

as alleged in the impeachment case, the country is divided on whether Mr Trump’s removal from office is warranted. And despite the damaging revelations about the president’s conduct, his approval numbers are little changed

Potential collateral damage to Biden’s election prospects has been a risk for Democrats

from where they were before the impeachment probe began. An NBC/WSJ poll published yesterday found that 46 per cent of registered voters thought Mr Trump should be removed from office as a result of the impeachment trial, against 49 per cent who did not —

more or less unchanged from the 48 per cent to 48 per cent split in December’s NBC/WSJ poll. The question of whether the president should be removed was split along party lines.

The potential collateral damage to Mr Biden’s election prospects has been a risk of the Democrats’ impeachment case since it began last year.

As Democrats investigated Mr Trump’s effort to obtain an announcement of a probe into Mr Biden by Ukraine, the president and his Republican allies used the profile of the impeachment investigation to tar the Democratic frontrunner, who denies any wrongdoing.

Mr Biden, as vice-president in the Obama administration, led US efforts to combat corruption in Ukraine. In one instance, he forced the firing of a

Ukrainian prosecutor whose ousting was supported by western governments. At the same time, his son, Hunter Biden, had a lucrative role as a board member at Burisma, an energy company linked to corruption.

Though Rudy Giuliani, Mr Trump’s personal attorney who has led efforts to dig up dirt on Mr Biden in Ukraine, has claimed that the prosecutor, Viktor Shokin, was investigating Burisma at the time of his firing, Ukrainian officials have said the probe was dormant.

European officials wanted Mr Shokin fired in part because he was not combating corruption, an EU diplomat told the FT in October. Despite the absence of evidence that Mr Biden acted improperly in securing Mr Shokin’s dismissal, Republicans have called for an investigation into the former vice-president.

Bilateral push

US and Kenya to start talks on ‘model’ trade deal for Africa

DAVID PILLING — LONDON

The US will this week hold talks with Kenya aimed at clinching a bilateral trade agreement as the Trump administration turns its back on what has been a traditionally multilateral approach to trade with Africa.

The US president has said he wants to conclude bilateral deals with African countries to replace the 20-year-old African Growth and Opportunity Act that expires in 2025, overriding the wish of most African states for a new multilateral deal.

Agoo, which gives nearly 40 African states tariff-free access to the US for 6,500 products, has come under increasing criticism in Washington, which wants fast-growing African economies to open up to US goods and services.

Robert Lighthizer, the US trade representative, has long sought an African country willing to negotiate a “model” trade agreement with Washington that could be replicated by other African states.

Many African governments have expressed a preference for a multilateral deal, particularly as they move towards a 54-nation African Continental Free Trade Agreement, which comes into force in July.

“The Trump administration has been flailing around trying to find an African country that will sign this free trade agreement,” said Aubrey Hruby, co-founder of the Africa Expert Network. “Their position is they want to do bilateral deals, not multilateral deals.”

Ms Hruby said other African governments, particularly in the East African Community, a regional trade bloc, might criticise Kenya for “breaking rank”.

Uhuru Kenyatta, Kenya’s president, is expected to announce the start of negotiations for a bilateral deal, first reported by Bloomberg, in a ceremony in the White House Rose Garden on Thursday, according to people familiar with his plans.

Macharia Kamau, Kenya’s principal secretary for foreign affairs, confirmed that talks would begin in Washington this week and expressed hope for rapid negotiations. “We are trying to figure out which is going to be the path forward for our arrangement with the US post-Agaa,” he said, adding that the Trump administration was seeking to “re-engineer its relationship with the continent”.

However, Mr Kamau said that Kenya would move cautiously in terms of reciprocity, since it needed to protect infant industries and services, including its airline. “They could easily swamp our markets into oblivion,” he said. Any deal “cannot be at the expense of our local capabilities, which are nascent at best”.

According to US statistics, two-way trade between Kenya and the US was worth about \$1bn in 2018, with a \$280m surplus in Kenya’s favour. In the same year, Kenya’s total trade with China, its biggest partner, was more than \$5bn, with almost half going from China to Kenya.

Mr Lighthizer’s office did not respond to a request for comment. *Additional reporting by James Politi in Washington*

Interview. Tarek William Saab

Maduro ally dismisses Guaidó’s push for power

Venezuela’s attorney-general calls challenger a ‘joker’ and brushes off rights abuse claims

GIDEON LONG — CARACAS

In the febrile world of Venezuelan politics, awash with rumours of plots, betrayals and imminent military uprisings, attorney-general Tarek William Saab is one of the great survivors.

As a young lawyer, he defended the then military officer Hugo Chávez after a failed coup attempt, then lobbied for his release from jail. And in the years after Chávez legitimately became president — on February 2 1999 — Mr Saab was again close at hand.

“I went on 25 or 30 international trips with Hugo Chávez,” he told the Financial Times in a rare interview with a senior official of the Maduro regime. “I met Saddam Hussein, Colonel Gaddafi, the royal families of Saudi Arabia, of Norway, of Spain.”

Twenty one years after Chávez first took office, Mr Saab remains a pillar of a regime in Caracas that is defying international pressure and a domestic challenge to its legitimacy.

Nicolás Maduro, Chávez’s successor, has bypassed the democratically elected congress and extended his rule for six years on the basis of widely discredited elections. He is fighting off a challenge from Juan Guaidó, the congress leader, who declared himself the legitimate president last year but has since made little headway in trying to unseat Mr Maduro despite US backing.

Mr Saab scoffs at the idea that Mr Guaidó — whom he calls “a joker” — will be able to take power soon.

As the country’s top public prosecutor since 2017, Mr Saab has also assumed the task of defending the Maduro regime against allegations of human rights abuses.

In July, a report by Michelle Bachelet, the UN’s Human Rights chief, accused the regime of “arbitrary detention, torture and ill-treatment, sexual violence, killings and enforced disappearance”. The number of apparent extrajudicial killings was “shockingly high”, she said.

By the government’s own admission, almost 5,300 people were killed in 2018 for “resistance to authority” and more



Tarek William Saab speaks to the media outside the Supreme Court last year. The lawyer was instrumental in drawing up a new constitution for Hugo Chávez in 1999

Carlos Becerra/Bloomberg

than 1,500 in the first half of 2019. “Other sources suggest the figures may be much higher,” according to Ms Bachelet.

Mr Saab said the report was based on “contaminated” data, collected from biased non-governmental organisations. He insisted the state properly punished police officers who went beyond the law.

“During my time as attorney-general, around 150 police officers have been convicted of human rights abuses and a further 1,000 are under investigation,” he said, adding that a number of those officers were from the FAES, a police “special action” unit that has been blamed for many atrocities.

International organisations Amnesty International and Human Rights Watch say FAES operatives have broken into the homes of civilians, killed them and then tampered with the crime scene to cover their tracks.

Ms Bachelet’s report denounced FAES “executions” and urged Mr Maduro to

dissolve the force. Mr Saab said the FAES had been “stigmatised”.

Rafael Uzcátegui, of Provea, a non-governmental Venezuelan human rights organisation, said the government constantly published figures “that have no basis in reality”.

“At Provea we are convinced, because of the evidence we have compiled in recent years, that there is no willingness to punish human rights abuses.”

Mr Saab, 57, a published author of free-form verse, was labelled by Chávez as “the poet of the revolution” — but also put his legal knowledge to work. When the president ordered a new constitution in 1999, Mr Saab was instrumental in drawing it up. He also served as a “Chavista” congressman for his home state of Anzoátegui and for a further eight years as state governor.

Asked about allegations from the US and elsewhere that Venezuela is co-operating with Middle Eastern groups, including Hizbollah — allowing it to fundraise and host training camps — he

“These are just putrid lies. There’s no proof of these supposed links [to Hizbollah]. It’s just gossip”

batted the question away. “These are just putrid lies. There’s no proof of these supposed links. It’s just gossip,” he said.

Mr Saab’s office is still investigating an audacious 2018 drone attack against Mr Maduro. More than 30 people have been arrested in connection with it, including an opposition lawmaker who has been held for more than 500 days.

The attorney-general’s office is trying to extradite more suspects from Colombia and the US but neither country will send anyone while the Maduro regime is in power.

Mr Saab accused Colombia of being “an aggressive narco-state that has been damaging our country for decades” and dismissed allegations that Venezuela harboured leftwing guerrilla groups from its neighbour. “Obviously, Colombian criminal groups take advantage of our long border to come into Venezuela and commit crimes against us,” he said. “But their centre of operations is Colombia. We’ve been victims of their civil conflict for the past 60 years.”

Argentina Creditors nervous about slow progress over debt

BENEDICT MANDER — BUENOS AIRES

Almost two months into Alberto Fernández’s presidency, Argentina’s private creditors are increasingly worried about the slow progress in fixing the heavily indebted country’s most urgent problem: avoiding its ninth sovereign debt default.

This frustration has been reflected in rising bond yields and a widening of the gap between official and parallel exchange rates.

With the province of Buenos Aires potentially defaulting in the coming days and debt payments to international creditors due this year, Mr Fernández is on a tour to garner support. He met Pope Francis last week and will meet Germany’s Angela Merkel and France’s Emmanuel Macron this week.

How did it get to this?

When the leftwing president Mr Fernández, pictured, was sworn in late last year, the country was already in a state of virtual default. Mauricio Macri, his rightwing predecessor, had promised sweeping reforms and borrowed heavily to smooth the transition to a more market-friendly economy. But support for

Mr Macri’s policies evaporated during a currency crisis in 2018. This prompted a historic \$57bn IMF bailout. Mr Fernández, who is under pressure to present a plan to avert default, has said he wants a deal by the end of March.

What happens next?

Today is the deadline for creditors of Buenos Aires province to accept the postponement of payments on its debt. If they do not accept a delay, it could pave the way for a default on Friday.

“Beyond the [creditors’] understandable concerns, it is no good to jump to prejudiced conclusions given that we have just started negotiations. We are very optimistic that we can reach a solution,” said Fernanda Vallejos, an economist and congresswoman for the province of Buenos Aires.

Still, a provincial default could undermine national negotiations. Some creditors fear that Buenos Aires’ aggressive negotiating tactics could provide a tem-

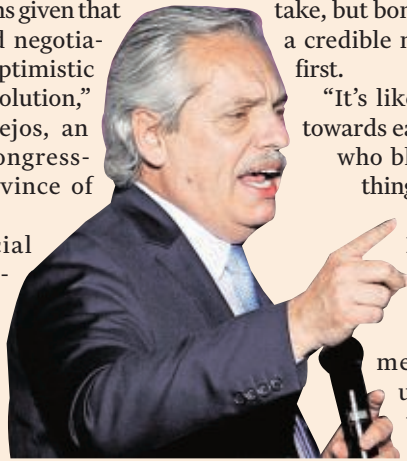


plate for the national government.

Last week, the ministry of finance published a new timeline for negotiations over the \$100bn of international debt. Under this plan, the government will not provide a restructuring offer until the second week of March. This leaves creditors with just two weeks to respond if they are to meet the end March deadline. Big creditors were “fuming”, according to one person.

Why has so little happened so far?

The government wants creditors to say how big a haircut they are willing to take, but bondholders want to see a credible macroeconomic plan first.

“It’s like two trains coming towards each other. We will see who blinks first. The good thing is that nobody wants a crash,” said Martin Redrado, a former Argentine central bank governor. “What the government is asking for is unprecedented. It is up to them to put something on the

table,” said an international creditor close to the negotiations, arguing that the government needs to change its attitude “very quickly”.

What is the IMF’s role?

Officials from the IMF met formally with Martín Guzmán, economy minister, in New York for the first time last week. Despite positive public remarks from both sides, there have been no substantial advances.

That could change when Mr Guzmán meets Kristalina Georgieva, the IMF’s new managing director, in the Vatican this week.

A mission from the fund is also due to arrive in Buenos Aires on February 12. But, with no repayments due to the IMF from Argentina until 2021, fund officials have said they may stay on the sidelines this year.

How likely is a default?

The timeline published last week suggests that only the most basic deal might be possible by the end of March.

“Today, the chances are greater that they manage to achieve a restructuring than not,” said Daniel Marx, a former finance secretary.

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INTERNATIONAL

Eurozone. Central bank

Bigger role for housing urged in inflation data

ECB chief economist points to several factors that could lead companies to raise prices

MARTIN ARNOLD — FRANKFURT

The chief economist of the European Central Bank has called for housing costs to be given more weight in the way inflation is measured in the eurozone.

Philip Lane’s desire to shake up how inflation is calculated seems certain to fuel suspicion that the ECB is moving the goalposts to make its main target easier to hit after years of falling short.

In an interview with the Financial Times, Mr Lane also listed several factors that could lift inflation towards the central bank’s objective, including new trade tariffs, higher energy costs and rising wages among workers — all of which put pressure on companies to raise prices.

“There cannot be a permanent disconnect between labour costs and prices,” he said. “The narrative of ‘everything is inevitably low for longer’ — there is a lot of weight to that — but I do not put all my probability on it. You should watch out for other forces.”

In September, the ECB cut interest rates deeper into negative territory and restarted its €2.6tn programme of buying bonds in a hotly debated move to see off the threat of deflation. Inflation inched up to 1.4 per cent in January but remains well below the ECB’s target of below but close to 2 per cent.

Many investors and economists are unconvinced that extra inflation will materialise. Achieving the target is the ECB’s primary mandate, meaning it has to keep eurozone interest rates low if prices are not increasing quickly enough.

“You really do not want to get into a

situation where a negative shock can drive you into deflation,” said Mr Lane.

The economist is widely seen as the monetary policy brains behind Christine Lagarde’s presidency of the ECB and his comments come as the bank embarks on a rare review of its strategy. The last such exercise was in 2003.

The EU has long debated if it should follow the US, UK and other countries by including the cost of owner-occupied housing in its inflation data, even though it is hard to measure. Rental costs make up only 6.2 per cent of the basket used to calculate eurozone inflation — far below the share of income most people spend on housing.

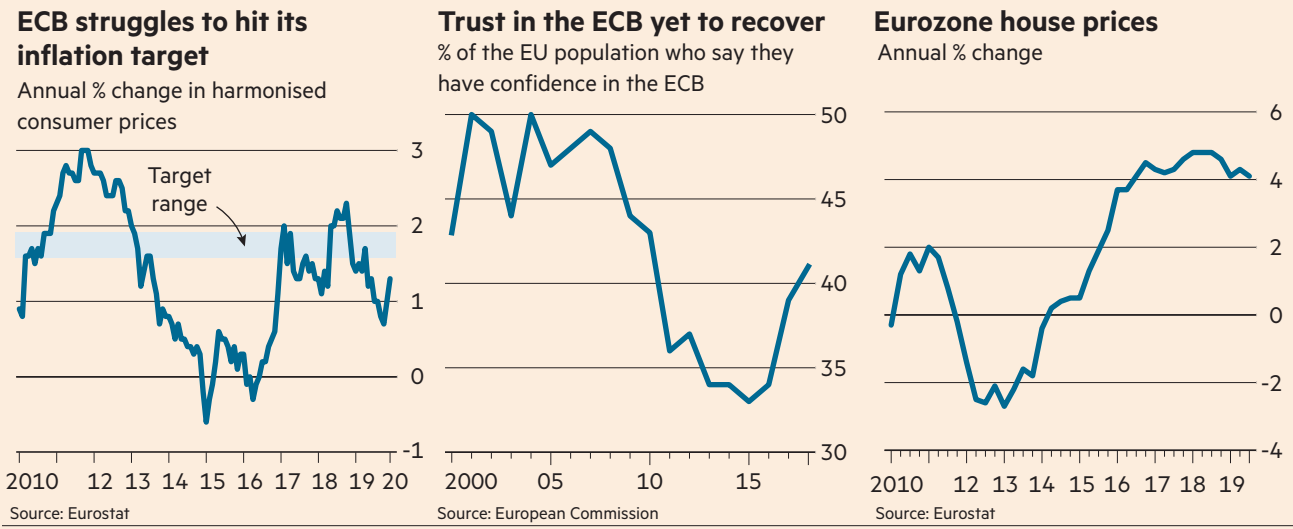
As house prices and rents rise across Europe, economists sense a public perception that the ECB is out of touch on inflation, which risks undermining support for its policies.

Mr Lane, 50, said he had started to present adjusted inflation figures that give extra weight to housing costs in ECB rate-setting meetings. Currently this adjusted figure is about 20 to 30 basis points higher, but at other times could have a deflationary effect.

“We at the ECB would agree that there should be more weight on housing — but there is a difficulty and this has been looked at several times before,” he said. “We have to learn from the previous episodes of studying this issue.”

The European Commission, which publishes inflation data via its Eurostat arm, last decided in 2018 not to change the way it makes its calculations. Any switch is likely to be technically complex and controversial.

Undershooting the inflation target is the main challenge confronting Mr Lane, who joined the ECB last summer. He is all too familiar with the damaging effects of deflation on an economy, having seen



ECB chief economist Philip Lane is seen as the monetary policy brains behind Christine Lagarde’s presidency

Peter Juelich/FT

them up close as head of Ireland’s central bank from 2015 until last year.

Mr Lane, who was top of his economics class at Trinity College Dublin, went on to a doctorate at Harvard University, then lectured at New York’s Columbia University before becoming an award-winning professor back at Trinity.

When asked why inflation has been so stubbornly low, he said Europe was still recovering from the dual shock of the 2008 financial crisis and subsequent eurozone sovereign debt crisis.

He pointed to several factors that could push inflation upwards, while admitting that the underlying causes may weigh on growth. “I would not like to call forces that raise inflation ‘upside risks’ because they may be bad news for the global economy, like deglobalisa-

‘You really do not want to get into a situation where a negative shock can drive you into deflation’

tion,” he said. “But there could be forces that are inflationary that could kick in — trade and geopolitical forces.”

Drawing a distinction between inflation in services, which is close to the ECB’s target, and inflation in manufacturing, which is closer to zero, Mr Lane said companies in sectors with more global competition, such as carmaking and electronics, were reluctant to raise prices for fear of losing market share.

However, as unemployment has fallen in Europe, wages have risen for the past couple of years, putting pressure on companies to lift prices. Meanwhile, protectionism is likely to disrupt manufacturers’ supply chains and push up costs, and green energy policies to tackle climate change could also fuel inflation, he said.

Cohesion money

Poorer EU states reject development fund cuts

MEHREEN KHAN — BRUSSELS

More than half of the EU’s member states have rejected cuts to €63bn in development money in the bloc’s next budget, entrenching sharp divisions between rich and poor countries ahead of an emergency leaders’ summit this month.

A group of 15 countries who are net recipients of EU money — including Poland, Hungary and Spain — have said they will not sign off on a spending plan that reduces prized cohesion money for the poorest states.

“No member states should suffer a sharp and disproportional decrease of its cohesion allocation,” said a joint declaration from the 15 after a meeting in Portugal at the weekend.

The EU’s net recipient countries want to freeze cohesion cash at current levels in the next budget, which runs from 2021-2027. Brussels, meanwhile, has proposed about a 10 per cent cut as the EU faces a sharp funding squeeze after Brexit. The UK was the second-biggest net payer into the budget after Germany.

Saturday’s mini-summit, convened by António Costa, Portugal’s prime minister, sets up a showdown between net payers and net receivers at an EU27 leaders meeting in Brussels on February 20. Charles Michel, president of the European Council, will host the summit and attempt to break a near two-year impasse on the budget talks.

While the poorer countries are sticking to their demands, richer net payers such as Denmark, the Netherlands and Germany want to shrink cohesion money and reduce the budget’s overall size to 1 per cent of the EU’s gross national income.

This falls short of the commission’s 1.1 per cent proposal and the demands of poorer countries, which extend to upwards of about 1.2 per cent.

Wolfgang Münchau page 17

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THE NEW AGENDA

INTERNATIONAL

Defence

Trump dents UK hopes for Seoul contract

Helicopter deal at risk as US pushes South Korea to buy more of its arms

EDWARD WHITE AND KANG BUSEONG
SEOUL

US pressure on South Korea to contribute more to the cost of its defence has dented British hopes of winning an \$800m deal to sell helicopters to the South Korean navy.

Harry Harris, the US ambassador in Seoul, said weapons procurement was being “taken into consideration” by Washington as part of fraught negotiations over raising Seoul’s contribution to the cost of keeping 28,500 US troops stationed in South Korea.

“Clearly, we are happy when South Korea buys American weapons,” Mr Harris said last month. Italian defence group Leonardo,

which makes AgustaWestland Wildcat helicopters at Yeovil in south-west England, was previously tipped to win the contract. But it now faces a rival bid from US-based Lockheed Martin to supply 12 anti-submarine helicopters, their associated communication and weapons systems, and support services.

Leonardo, the incumbent supplier to the South Korean navy and one of the leading aerospace and defence companies in the UK, was the only company to submit a proposal after an initial round of bidding in 2018. It said it was best placed to meet the Korean navy’s needs, and added: “The company always welcomes a fair and transparent competition across all geographies.”

Seoul balked at the original demand for a huge increase in its contribution to hosting US troops, from \$870m a year to about \$5bn. But president Moon Jae-in signalled during a meeting with Donald Trump, US president, at the UN in Sep-

tember that Seoul would buy more US weapons, and last month Mr Harris said that while the two sides remained “apart” on a deal, Washington had softened its position.

Shin In-kyun, the head of Korea Defense Network, a Seoul think-tank, said: “Purchasing US arms will definitely play a positive role in the defence cost-sharing negotiations.” Referring to the Lockheed Martin helicopter, he said:



US Seahawks could replace UK-made helicopters in South Korea’s navy

“The MH-60R Seahawk will probably be selected.”

US allies in Asia and Europe are watching closely because Mr Trump has fired frequent broadsides at allies over their reliance on the US for defence, prompting accusations that Washington is trying to monetise its alliances.

The Financial Times reported in December that the Trump administration had lobbied Japan to choose a US defence company to develop jointly a replacement for its F-2 fighter jets, rather than use a British alternative developed by UK defence contractor BAE Systems.

South Korea’s Defense Acquisition Program Administration, the agency handling the tender, and its defence ministry declined to comment.

Concerns over the transparency and fairness of the bidding process have been raised directly with Dapa by diplomats and South Korean lawmakers, said

a person familiar with the matter.

The Wildcat helicopter was a cheaper option than the Lockheed Martin alternative, experts said. But the US group said it was “confident” its MH-60R was “the right aircraft for the Korean navy”.

“As the threat environment evolves, the US navy will continue to invest in capability upgrades, thereby making those . . . upgrades more affordable.”

The cost-sharing Special Measures Agreement between the US and South Korea has been renegotiated every five years since it started in 1991, but last year only a single-year deal was reached after the two sides failed to agree on the US demand for the sharp increase in Seoul’s contribution.

Last week, the United States Forces Korea issued a 60-day notice of potential “administrative furlough” from April 1, meaning 9,000 South Koreans working for US armed forces face not being paid unless a new SMA deal is signed.

Sahel

France builds up west Africa force in effort to turn tide on Islamists

LEILA ABOUDD — PARIS

France will send an extra 600 troops to the Sahel in west Africa, three times more than it had planned, in an effort to gain the upper hand in its six-year campaign against militant Islamists in the region.

Calling the deployment a “sizeable effort” for the French army, Florence Parly, defence minister, said yesterday most of the troops would be sent to the border zones between Mali, Burkina Faso and Niger. The remainder would join the forces of the so-called G5 group of west African countries that have partnered with France to combat violent groups loosely affiliated with Isis and al-Qaeda.

“The fight against terrorism is our priority. In the Sahel, France is first on the front line but should not be alone,” Ms Parly said.

The move, which will bolster the French presence by about 13 per cent to 5,100 troops, comes two weeks after Emmanuel Macron, French president, held a summit seeking international support to stem the growing crisis in the region south of the Sahara. He said

‘In the Sahel, France is first on the front line but should not be alone’

Florence Parly, defence minister

France had “no choice” but to achieve results in the worsening conflict, which experts say is the world’s fastest-growing Islamist insurgency.

The fighting has affected a huge area across west and central Africa, making it difficult for the five armies involved to combat the militants. France’s strategic objective, in what is known as Operation Barkhane, has been to prevent the creation of an Islamist state in the area.

But the situation had worsened recently, said François Heisbourg, a terrorism expert at the Foundation for Strategic Research, a Paris think-tank.

“The deployment is not a game changer since France’s strategic aim is still the same, and it is not big enough to really be considered a surge as the Americans did in Iraq,” he said. “This is merely the logical thing to do in the context of managing a specific problem in Operation Barkhane.”

Casualties from insurgent attacks in Burkina Faso, Niger and Mali hit more than 4,000 last year — the highest annual death toll since 2012, according to research from the Armed Conflict Location and Event Data Project and the International Crisis Group. The Norwegian Refugee Council has predicted that the number of displaced people in Burkina Faso could rise to 900,000.

France lost 13 troops in a helicopter crash in Mali in November, bringing the number of French fatalities in the Sahel conflict to 41 since 2013.



Epidemic. Public health

Scientists in race to develop coronavirus vaccine

Clinical trials just weeks away as public-private partnerships head efforts to halt disease

FT REPORTERS

The US physician spearheading international efforts to find a vaccine against the deadly new strain of coronavirus said he was aiming to begin clinical trials within 16 weeks.

The race is on to halt the highly infectious disease that is spreading across China and around the world. For Richard Hatchett, head of the Coalition for Epidemic Preparedness Innovations, this is the first big test of Cepi’s mission to develop vaccines to combat future epidemics. Oslo-based Cepi, set up three years ago with a five-year \$1bn budget target, is a partnership of governments, industry and charities.

“We are moving with unprecedented speed,” said Dr Hatchett, a former chief medical officer at the US agency that protects Americans against pandemics and biological weapons. “This is the first new epidemic disease of note to emerge since Cepi’s founding,” added Dr Hatchett, a member of the homeland and national security teams under presidents George W Bush and Barack Obama.

In the short time since nCoV coronavirus was detected in a teeming live animal market in the city of Wuhan, Cepi has selected two US biotechnology groups and the University of Queensland in Australia to lead the vaccine hunt. A fourth partnership is imminent.

The idea is to repurpose existing genetic technology to create a new breed of vaccines. Underlining the urgency, the partnership with Boston-based Moderna was hammered out in 48 hours.

“We had already done a deep evaluation of Moderna’s technology so we could move very quickly,” Dr Hatchett said. “I had my first conversation with their chief executive Stéphane [Bancel] on Monday and the contract was signed on Wednesday.”

Cepi aims to have at least one candidate to prevent infection of the coronavirus ready for safety testing on humans in phase-one clinical trials within 16 weeks.

The last time a vaccine was developed at such breakneck speed in the face of an emerging epidemic was six years ago, as a deadly Ebola outbreak raged across west Africa. A consortium of government agencies, charities and companies supported the project, which rushed an



Scientists from Australia are involved in the international collaboration to find an effective vaccine

David Crossling/EPA

Ebola vaccine into safety trials in volunteers in October 2014.

Clinical trials in Guinea began five months later, just as the epidemic was waning, but in time to prove the vaccine’s effectiveness in preventing infection. That vaccine, manufactured by Merck of the US, saved many lives during last year’s Ebola outbreak in the Democratic Republic of Congo, when 236,000 people were vaccinated, including 60,000 health and frontline workers.

A conventional vaccine consists of an inactivated virus or its constituent proteins. This trains the immune system to recognise the pathogen and produce protective antibodies against it, if it encounters the real virus in future.

The newer vaccines inject genetic material — DNA or messenger RNA — into human cells with the instructions to produce proteins identical to those from the virus, which again primes the immune system to fight off the disease. By employing mRNA technology, Moderna hopes to produce a viable nCoV candidate vaccine for testing within months.

Among the big pharmaceuticals groups, efforts are being led by Johnson & Johnson, which is employing technology similar to that used to produce

another Ebola vaccine. Merck and Sanofi are monitoring the situation and lending expertise.

In China, a company called Clover Biopharmaceuticals has ambitious plans to have a potential candidate ready for testing within just a few weeks by developing a vaccine based on key proteins within the coronavirus.

Underlining the global nature of the push, Russian and Chinese scientists are also teaming up to develop a vaccine.

Jack Ma, the founder of Alibaba and China’s richest man, has donated Rmb100m (\$14m) to fight the coronavirus of which Rmb40m will be dedicated to Chinese efforts to create a vaccine.

The vaccine quest has been aided by Beijing’s decision to publish details of the coronavirus as soon as possible, enabling academics and drug groups around the world to study its genome sequence. But scientists have warned that even if they can speed up early stage development, the need for rigorous clinical trials and manufacturing challenges mean a vaccine will not be ready for use worldwide in much less than a year.

“All these timelines are aggressive and aspirational,” said Dr Hatchett. “As circumstances unfold there may be opportunities to reduce the timing but it is

‘There may be [ways] to reduce the timing but it is critically important that any new vaccine is safe and effective’

critically important that any new vaccine is safe and effective.”

Johnson & Johnson expects a vaccine to test in humans within eight to 12 months. “Many years ago it would have taken five to 10 years,” said Paul Stoffels, Johnson & Johnson chief scientist.

The Queensland team hopes to have up to 60 volunteers on which to test its vaccine, which Professor Paul Young said would be a “very safe” non-infectious synthetic protein. Prof Young said patented molecular clamp vaccine technology would mean “you can plug in new sequence information as it emerges and develop vaccines more rapidly”.

Jean Lang, head of R&D global health and partnerships at Sanofi Pasteur, the vaccines division of the French drugs group, said these efforts could prove a game-changer in how to respond rapidly and effectively to a health emergency.

“The world in the 21st century needs this type of public-private partnership where each of the actors in this vaccine emergency has a role to play,” he said.

Reporting by Hannah Kuchler in New York, Clive Cookson and Sarah Neville in London, and Primrose Riordan in Sydney
Insurers in the spotlight page 6
Rana Foroohar page 17

Public finances

India plans \$30bn fire sale of state assets in attempt to reduce growing budget shortfall

AMY KAZMIN — NEW DELHI

Indian prime minister Narendra Modi’s government has unveiled plans to raise nearly \$30bn in the next financial year by selling state-owned enterprises and other public assets, as the most severe economic slowdown in decades puts pressure on the public finances.

But in the wake of this weekend’s budget announcement, fears are growing that domestic political opposition and weak demand could make it hard for the government to meet its target, not least because it struggled to raise \$15bn from privatisations this year.

“The new privatisation and disinvestment target will be difficult for the government to meet,” Akhil Bery, south Asia analyst for the Washington-based Eurasia Group, said after the budget was presented. “Thus, it will be a significant

challenge for [the finance minister] to meet this year’s fiscal deficit goals.”

With private investment muted and businesses hoping public spending will bolster weak growth, the fragile public finances are a growing concern.

As the country grapples with six consecutive quarters of slowing growth, Nirmala Sitharaman, finance minister, said during Saturday’s budget announcement that New Delhi would not be able to hit its fiscal deficit targets, after this year’s tax revenues fell far short of expectations.

Instead, she said this year’s deficit would come in at 3.8 per cent of gross domestic product and the deficit target for the new financial year starting in April would be 3.5 per cent of GDP.

This compares with an original forecast of 3.3 per cent and 3 per cent respectively. These new targets also do not include New Delhi’s “off-balance sheet

borrowings”, which Swaminathan Aiyer, consulting editor of the Economic Times, estimated made the true fiscal deficit for this year 4.5 per cent of GDP, and next year’s 4.3 per cent.

Mr Modi’s Bharatiya Janata party hopes that asset sales will help bridge this fiscal gap. Stakes in Life Insurance

Corporation of India, lossmaking state carrier Air India and various state-owned banks are among the assets that New Delhi hopes to sell.

But the government is likely to face political resistance both from opposition parties and even from within Mr Modi’s BJP. Subramanian Swamy, a BJP



Narendra Modi is pictured on a screen at the Bombay Stock Exchange during Saturday’s special budget session
Punit Parangal/AFP/Getty Images

member of parliament, has threatened to go to court to try to stop the sale of Air India. “We cannot sell our family silver,” he tweeted.

Such opposition could mean the government will instead have to pare back its plans to support weak growth through spending.

Abheek Barua, chief economist of HDFC Bank, said: “Any [budget] shortfall would ultimately have to be balanced by reduced spending.”

In a sign of falling investor confidence, the Bombay Stock Exchange’s benchmark Sensex index tumbled 2.5 per cent in a special Saturday session, its worst budget day performance in a decade.

There are other potential sources of revenue for the government. As part of a crackdown on the rich, New Delhi has decided to target footloose tycoons, many of whom dodge onerous taxes on their global income by spending fewer

than 182 days in the country each year, thus securing “non-resident status”.

Mr Modi’s government said Indian citizens would now be considered as residents for tax purposes if they spend as few as 120 days in the country.

But it is unclear how much revenue this will help generate, with some analysts suggesting it will just encourage the rich to spend less time in India, or opt to abandon their Indian citizenship.

Meanwhile, the government has also signalled its strong protectionist impulses, with a series of import tariffs. The budget raised customs duty on a range of consumer items, including food, toys, appliances, furniture and kitchenware. The increase on tariffs on imported furniture will be a particular blow to Swedish retailer Ikea, which opened its first store in India in 2018. It is expanding and relies heavily on goods imported from China.



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INTRODUCING

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Stanley Greenberg Democrats must be careful not to learn the wrong lessons from British politics  **OPINION**

Companies & Markets

Credit Suisse freezes bonus pool after poor results at unit

Group income strong despite big falls within investment banking division

STEPHEN MORRIS — LONDON

Credit Suisse has frozen its investment bank bonus pool for the second year running after a surge in trading revenue in 2019 was offset by big declines in its advisory and capital markets business. The Swiss bank’s overall bonus pool for last year will stay level at about SFr3.2bn (\$3.3bn) as the board tries to balance a strong increase in group net income with a falling share price in recent years, according to people with knowledge of the decision. Within the investment bank, those working in advisory and capital markets

‘It will be an acceptable year for us, but I’m not sure Lambo or Ferrari will be doing a roaring trade’

will see their bonuses cut by a percentage in the “high teens” as the division heads for its worst annual results in at least five years. Tidjane Thiam, Credit Suisse chief executive, has singled out the bank’s investment banking and capital markets unit as “unsatisfactory” and in November replaced its leader, Jim Amine, with leveraged finance head David Miller. The advisory and capital markets division slipped down fee league tables and posted a SFr102m pre-tax loss over the first nine months of 2019. It is expected to be “significantly lossmaking” again in the final quarter, the people said. By contrast, the trading side of the investment bank more than doubled pre-tax profit to SFr908m over the first nine months of 2019. Reflecting this, traders are set to receive a boost to their

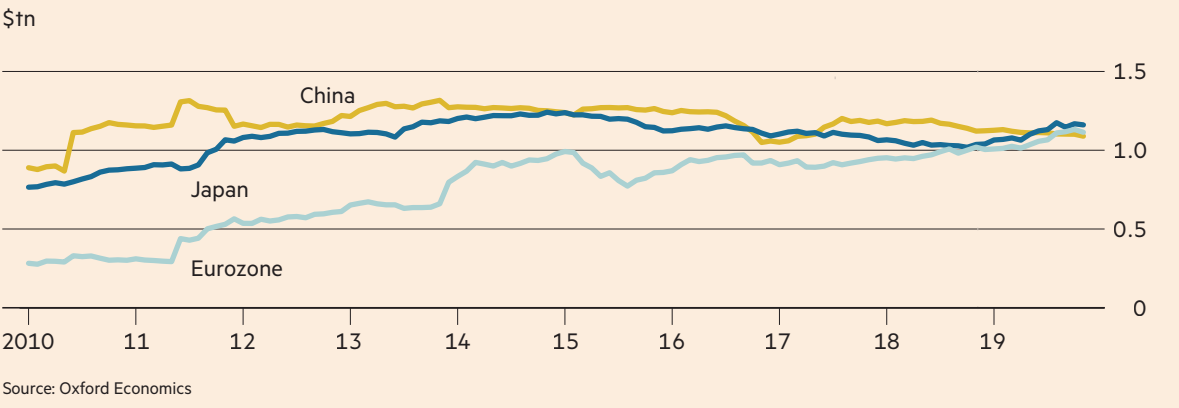
variable pay, the people said. A spokesman for Credit Suisse declined to comment on pay. Despite the bonus freeze, staff at Credit Suisse’s investment bank are likely to suffer less than many of their European peers. Barclays has cut its bonus pool by a mid-teens figure, the Financial Times reported last month, and Deutsche Bank slashed incentive pay by as much as 30 per cent. Based on rivals’ results, Credit Suisse’s global markets division is likely to have rebounded in the fourth quarter. Last week Deutsche Bank said revenue from fixed-income trading jumped by almost a third, while fixed income, currencies, and commodities trading on Wall Street surged by an average of two-thirds. “I’d prefer to be here than at UBS,” one senior manager at Credit Suisse said, referring to the 50 per cent plunge in annual investment-banking profit at the Swiss lender’s rival. Accrued compensation and benefits at the investment bank were roughly flat at SFr2.8bn for the first nine months of 2019. However, pay fell 7 per cent in investment banking and capital markets, and rose 4 per cent for global markets, company filings show. This trend will diverge more sharply in the fourth quarter, the people briefed on pay decisions said. For the whole of 2018, the two divisions were awarded a combined SFr3.5bn, leaving a SFr700m gap to be filled for the final quarter of last year if it is to remain flat for 2019. The final bonus decisions will be signed off by the board and communicated to employees two days before the bank reports its annual results on February 13, one of the people said.

Top spot Japan overtakes China as biggest holder of US sovereign debt



Overseas bond-buying is being driven in part by the policies of the Bank of Japan, above Tomohiro Ohsumi/Bloomberg

Japan overtakes China as largest holder of US Treasuries



LEO LEWIS

From time to time over the past six years, Japan and China have swapped positions as the largest holder of US government bonds. In the final months of 2019, it was Japan’s turn to retake the top position with a buying surge that hints at structural change and raises questions over whether the country’s stay at the top may now be longer lasting. Analysts at Oxford Economics argue that Japan’s rise to the top spot is part of a reshaped “Asian bid” — strong buying of US Treasuries and other overseas bonds by life insurers and

pension funds there and in South Korea, Singapore and Taiwan. Japan’s increasing overseas bond purchases are driven by two key factors, of which the most influential is the Bank of Japan’s negative interest rate policy — a regime about to enter its fifth year with little sign of being reversed. Local institutions, especially the 100-odd regional banks whose core lending business has been eroded by ageing demographics and economic migration, have been disposing of Japanese government bonds and hunting low-risk yield overseas. The second factor has been a change in investment behaviour over

the past five years, led by the Government Pension Investment Fund. Since around 2012, the fund has been steadily reducing its exposure to Japanese government bonds from about 65 per cent of its portfolio to about 25 per cent. That contraction has been offset by large increases in both foreign bonds and equities. The changing balance of the GPIF portfolio — intended in part to illustrate the kind of investment risk that the government would like households to consider — has provided a guide for other Japanese funds, many of which have become big buyers of US and European government debt.

Short sellers suffer record losses as Tesla jumps

RICHARD HENDERSON — NEW YORK

Investors betting against Tesla suffered record losses of \$5.8bn in January after the stock hit a new high, marking a win for chief executive Elon Musk in a long-running battle with short sellers. Investors that buy up short positions profit when a stock falls in value and have piled into bets against Tesla over the years. In January, the value of those positions plummeted after the company’s shares surged 55 per cent for the month. The share price increase was boosted by fourth-quarter earnings on Wednesday when Tesla posted a \$105m profit. The share price gain was the highest since May 2013, when the group posted its first profit. The monthly loss for Tesla short sellers was the worst on record and the biggest across short positions in S&P 500 companies in January, according to S3 Partners, a data provider. The losses were more than four times the \$1.3bn drop in value of short positions in Apple, the second-largest loss for short sellers in the US for the month.

“This has been quite the run,” said Ihor Dusanivsky, managing director of predictive analytics for S3 Partners. Many short sellers will probably hold their positions hoping the stock will drop or will slowly exit over time, he added. “It’s going to take a while for this to shake out.” Mr Musk’s testy sparring online with notable short sellers, including David Einhorn of Greenlight Capital, has become one of the fiercest rivalries in capital markets. Greenlight Capital is a longtime detractor of the carmaker and in its annual letter to shareholders in January revealed that it holds a put option against Tesla. This type of option gains in value if the stock drops, but suffers muted losses compared with a typical short position if the share price rises. Toby Clothier, an analyst at Mirabaud Securities, said the \$105m fourth-quarter net profit should be considered a net loss in part because 7,000 cars sold in the quarter were made in the prior quarter, skewing the numbers. “If you look at the numbers closely there are things that are confusing,” Mr Clothier said. “Tesla makes no money whatsoever and has quite high capital intensity.” Tesla did not immediately respond to a request for comment.

Financials. Infection

Insurers in the spotlight over coronavirus

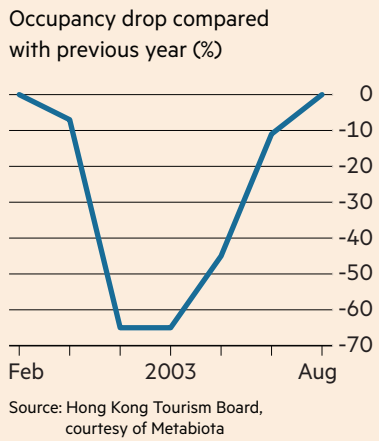
Policyholders and lawyers are poring over contracts to see if epidemic is covered

OLIVER RALPH
INSURANCE CORRESPONDENT

Companies and individuals affected by the coronavirus face an agonising tawrl through the small print to see whether their insurance policies cover costs. Industry experts said a wide variety of policies could pay out, but that epidemics and pandemics were often deliberately excluded from cover. It is far too early, they added, to make estimates about what the overall cost to the insurance industry might be. The virus, which has so far infected more than 14,000 people and killed over 300, has led to widespread disruption, with cities in China being closed off, and travel badly disrupted as international carriers halt flights. “Clients are asking about the extent of their cover,” said Clarissa Franks of insurance broker Marsh. “Clients with manufacturing in the key regions of China will be affected.” Three areas of insurance are most likely to be hit — travel, business cover, and life insurance. More than a dozen airlines including British Airways, American Airlines and Cathay Pacific have cancelled some or all of their flights to and from mainland China. Most airlines are offering refunds or rebooking on to different flights. The large number of cancelled flights, combined with travel restrictions into and out of affected areas, means many travel policies could pay out. “Travel insurers are bracing them-

selves for a lot of claims,” said Michelle Corrie, a partner at law firm Clyde & Co. “Travel looks like it will be paying out most at the moment.” The travel insurance industry has responded by reminding customers they should look elsewhere in the first instance. An advisory notice issued by Allianz this week said airlines should refund the cost of cancelled flights, while credit card providers might also offer coverage for losses. After that, it said, customers should look at “the terms and conditions of their travel insurance policy.” Companies and events affected by the outbreak are also likely to be looking to their insurance. California-based Metabiota tracks the impact of viruses on individual behaviour, such as people’s willingness to travel. Its modelling suggests the impact of the coronavirus outbreak could be similar to the Sars virus in 2003, when some hotels suffered a 40 per cent drop in revenues. According to Metabiota chief execu-

Impact of 2003 Sars outbreak on Hong Kong’s hotels



tive Nita Madhav, Sars caused overall economic losses of more than \$50bn. The World Athletics Indoor Championships, which was due to be held in China next month, has already been postponed and there are fears that many other sports events, such as the Formula 1 race due to be held in Shanghai in April, will have to be cancelled. But the question of whether insurance will cover these costs is likely to be contentious as insurance companies, policyholders and lawyers pore over the meaning of specific clauses in contracts. “Lots of policies have had exclusions placed in them in the last 10 years due to [insurers’] experience with flu-type outbreaks,” said Ms Corrie. In some cases there will be clauses that allow customers to make claims if the disruption was caused by some sort of government action, such as transport closures. Companies that have bought more general commercial insurance policies will also have to scour the details. Cover



‘Clients are asking about the extent of their cover,’ says one broker

for the costs of business interruption is available, but is usually linked to property damage. So-called non-damage business interruption cover — which might cover the impact of an epidemic or pandemic — is available, but not commonly bought. “It is towards the rare end of the spectrum,” said Ms Franks. “There needs to be a lot of analysis about what the clients need. It’s for the more sophisticated buyers.” Life insurers will also be affected as the death toll rises. Many of them buy their own cover against what are known as “extreme mortality” events such as pandemics, said Franck Pinette of broker Willis Re. In areas such as Europe, this has been driven by rules that force insurers to hold capital for pandemic risk. “Some companies have extreme mortality cover to reduce their capital requirements,” said Mr Pinette, although he added that life insurers in Asia had been less enthusiastic buyers of this sort of cover. “You talk to some risk managers in life insurance companies who think it will never happen.” Nevertheless, insurers’ interest in the causes and consequences of pandemics has grown over the past two decades as they assess the impact of outbreaks such as Sars. Catastrophe modelling agency RMS, which made its name modelling extreme weather risks, has started to look at the spread of pandemics. “We have scenarios which cover the characteristics of what we are seeing in China,” said Maria Lomelo, director of RMS LifeRisks. “It captures the susceptible population, the number of people who could be infected and the number of deaths.”

Opinion page 17

847.000 CITIZENS DEMAND ACTION IN 2020 FROM EU LEADERS AND PRESIDENT VON DER LEYEN

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COMPANIES & MARKETS

Chief backs Mastercard to stay ahead of the pack

Banga says company in strong position despite concern over countries nationalising payments and consumer data fears

ROBERT ARMSTRONG — NEW YORK

Few companies have more to gain from the march of globalisation and digitisation than Mastercard. The payment network’s strength is its worldwide reach, and its growth is driven by the move from cash to electronic transactions.

So chief executive Ajay Banga is unequivocal about governments’ attempts to break the global payments system into national fiefdoms.

“The economic cost of building siloed systems in a world where citizens travel globally is really stupid, and where crime travels globally is even more stupid, and where technology is completely global is even three times more stupid,” he says, with emphasis on each “stupid”.

Mr Banga sees more governments edging towards nationalisation of consumer payments systems, and fears that consumers, wary of their privacy, could shift back towards cash.

Right now though, Mastercard is in a strong position. Mr Banga, 60, says the company can hit 7-8 per cent revenue growth every year “if [we] just fog the mirror and don’t make thousands of mistakes”. The company takes a fraction of a per cent of every transaction on its network, and also sells services to banks and merchants.

Last week Mastercard reported 2019 revenue of \$17bn, more than triple the level of a decade ago, when Mr Banga took the helm. Profit has grown faster still, and the company’s share price has risen from \$20 to \$320 under his tenure.

Globally, payments on credit and debit cards have quadrupled over the past ten years, according to Nilson Report, a data provider.

Mr Banga, who previously ran Citigroup’s operations in Asia, does not take

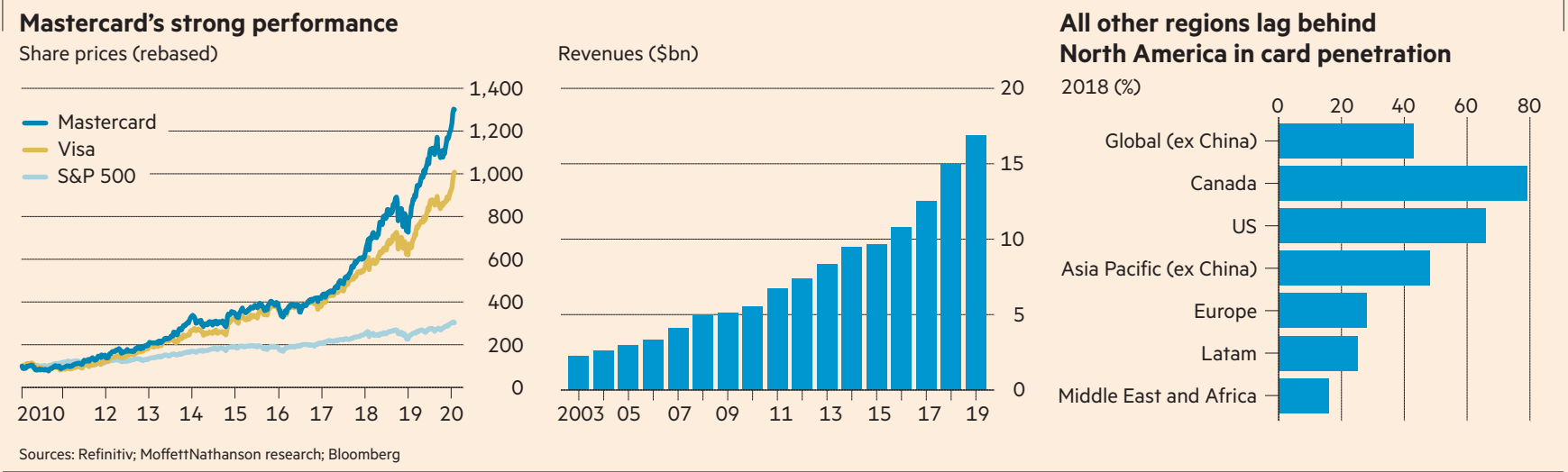
‘Building siloed systems in a world where citizens travel globally is stupid’

Ajay Banga



Ajay Banga, Mastercard chief executive, speaks at a panel discussion at Davos. Last year, the payments group pulled out of Libra, the Facebook-led digital currency project, over concerns about compliance and its business model

Jason Alder/Bloomberg



growth for granted. “Global companies [could] get disallowed from working in a bunch of big markets around the world because these markets begin to say, ‘I don’t want you around.’ It gets exacerbated in days of populism and nationalism that we’re going through.”

In recent years, several countries, from Russia to Mr Banga’s native India, have either developed national payments networks or lent government support to local payment groups. China has a fully nationalised payments network.

It is an established phenomenon, says Mr Banga. “This idea of finding a way to have national control on certain kinds of payments is not new — it’s a fantasy that’s been going on for a long time.” He notes that France, Australia, Brazil and Mexico have all tried to build national payments networks, with limited success.

The problem with local networks is threefold, he argues. They require massive redundant investment; they are cumbersome or useless for cross-border transactions; and they fragment the data the network throws off, hindering the analytic work needed to track fraud and crime.

Mr Banga says that when he talks to national regulators: “They’ll garb [nationalisation] as national security.” He points out in response that national data is of limited use when terrorists do not respect borders — and that domestic banks hold more country specific data anyway. “They all say, ‘that’s a good point.’”

“For national parochial reasons or [to help] domestic business . . . [governments] may still get prompted to chase me down. But now we’re not talking principles; now we’re talking good old dirty politics.”

Government parochialism is not the only threat. The movement towards electronic payments could switch the other way “because people get scared of digital transparency”, he says.

“An event like Facebook-Cambridge Analytica actually could set you back because it could create the feeling among people like you and me who say, ‘do I really want everything to be visible to other people? Because other people are taking advantage of what they see of me. I don’t like that. I want my life back.’”

Mastercard is parsimonious about the user data it collects. Card networks receive only four pieces of information with each transaction: an account number, the value of the transaction, a time and a merchant code. This makes it possible for the company to keep high

standards for data ownership and transparency, and insist that the customer “receive some benefit” any time their data is used.

Concerns about data integrity help explain why Mastercard pulled out of Libra, the Facebook-led digital currency project that was unveiled last year. Mr Banga likes the idea of a global currency and joined the association of companies backing Libra, but concerns over compliance and the business model led him to withdraw.

The association’s key members would not give a hard commitment to “not do anything that is not fully compliant with local law”. He cites due diligence considerations such as know your client, anti money laundering and data management. “Every time you talked to the main proponents of Libra, I said ‘Would you put that in writing?’ They wouldn’t.”

He also did not see how Libra would make money, and “when you don’t understand how money gets made, it gets made in ways you don’t like”.

Finally, he was alarmed that Facebook positioned Libra as a financial inclusion tool but then proposed linking it to a proprietary digital wallet, Calibra.

“It went from this altruistic idea into their own wallet. I’m like, this doesn’t sound right . . . For financial inclusion, the government has got to pay you in this [currency], you’ve got to receive it as an instrument you can understand, and you have to be able to use it to buy rice and cycles. If you get paid in Libra [coin] . . . which go into Calibras, which go back into pounds to buy rice, I don’t understand how that works.”

Mr Banga may also have self-serving reasons for pulling back from Libra. Lisa Ellis, payments analyst at MoffettNath-

Ajay Banga

Born
1960, Pune, India

Education
Delhi University, Indian Institute of Management

Career
Mastercard: 2010-today; chief executive
Citigroup: 1996 -2009; led global consumer bank, Asia operations
PepsiCo: 1994-96
Nestlé: 1981-94

Retail

H&M aims to reshape stores for digital age

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

Hennes & Mauritz plans to use its 5,000 stores more as logistical hubs for online shopping, as a new leadership team reshapes the world’s second-largest clothes retailer for digital growth.

The Swedish purveyor of fast fashion has been hard hit by the move to online purchases and was criticised by investors for continuing to open hundreds of stores even as rivals emphasised internet sales. H&M will this year open the fewest stores in decades, adding a net 25 to the 5,076 it ended last year with.

“We think the role of the stores will change,” said Karl-Johan Persson, who has been put forward as the new chairman after being chief executive since

2009. “How can we use those stores even better as logistical hubs for deliveries, for pick-ups, for returns?”

Helena Helmersson, H&M’s first female chief executive, said in a separate interview: “It will be super exciting to understand going forward: how we see stores today with digital growth moving faster. We have a fantastic advantage in terms of our physical store network. It is what we do with it.”

H&M unveiled its biggest management shake-up in decades on Thursday when Mr Persson was put forward to replace his father, the company’s largest shareholder Stefan Persson, as chairman, while Ms Helmersson, a former sustainability manager and 23-year company veteran, takes operational charge.

The Swedish group surrendered its

crown as the world’s largest fashion retailer to Spain’s Inditex — the owner of Zara — during Mr Persson’s 10 years as chief executive and was seen as slow to adapt to the move by consumers away from physical to online shopping.

Under Mr Persson, H&M increased the number of stores by about 150 per cent, against just 50 per cent for Inditex.

But in the past two years, H&M has sought to refresh its physical stores with a variety of trials in shops from Stockholm to Berlin. H&M will open about 200 stores this year, mostly in emerging markets, but will close 175 in established markets in Europe and North America.

Mr Persson said the company was working out how many warehouses it needed in each country to supply physical stores and online sales separately.

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Corporate Vice President, *RICOH*
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Kana Inagaki
Tokyo Correspondent
Financial Times

Ryuji Nomura
Executive Officer & General Manager, CSV Strategy Development
Kirin Holdings Company

Shinichiro Kohno
Managing Director - Accenture Digital & Industry X.O Lead
Accenture Japan

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COMPANIES & MARKETS

Financials

Global dealmaking off to slow start in 2020

January marks quietest month for M&A activity in almost seven years

ERIC PLATT AND JAMES FONTANELLA-KHAN — NEW YORK

Global dealmaking suffered its slowest start in seven years in 2020, more than halving from a year earlier as companies failed to seal transactions of a similar scale.

Companies across the globe clinched \$164bn of mergers and acquisitions in January, led by declines in dealmaking

in the US and across Asia-Pacific, according to data provider Refinitiv. January marked the quietest month for takeovers since April 2013.

The year has lacked one of the blockbuster acquisitions that came to define M&A in 2019. The two biggest takeovers of this year clocked in just below \$8bn, a fraction of the \$93.4bn acquisition of Celgene by drugmaker Bristol-Myers Squibb that was agreed in the first few days of 2019.

Even excluding that healthcare deal, global dealmaking is still down more than 30 per cent from 2019 levels, the Refinitiv data showed.

The largest deals of the year include the \$7.6bn takeover of Boeing supplier Hexcel by rival aircraft parts manufacturer Woodward, as well as the \$8bn consolidation of Singapore-based property groups CapitaLand Mall Trust and CapitaLand Commercial Trust.

Geopolitical uncertainty, including US president Donald Trump’s impeachment trial, fears of far left-leaning Democratic presidential candidates, the US-China trade war and more recent fears of a global health crisis, have shaken confidence among board members and executives in blue-chip companies. Global stock markets have slid over the past

week, wiping out their gains for the year amid fears over the coronavirus epidemic.

“The cumulative impact of the lack of confidence [around] high valuations, of regulatory scrutiny, of macroeconomic uncertainty and of the coronavirus . . . is people are slightly more conservative,” said Melissa Sawyer, a partner at law firm Sullivan & Cromwell. “And when you layer ‘slightly more conservative’ on a \$100bn bet, it might make the answer no instead of yes.”

Bankers and lawyers across Wall Street said that companies were still evaluating scores of acquisitions,

particularly given that persistent slow economic growth had pushed them for years to consider dealmaking as one tool to bolster revenues and profitability.

But the coronavirus could damp enthusiasm for dealmaking if its spread accelerates.

Dusty Philip, the global co-head of mergers and acquisitions at Goldman Sachs, said the bank’s pipeline of deals was strong and that dialogue with clients remained “very active”.

Mr Philip and others cautioned that it was too soon to draw a conclusion on the year’s activity based on a single month of announced deals.

Retail & consumer

Big brands in multibillion budget push on advertising

ALISTAIR GRAY — NEW YORK

Some of the world’s best-known brands are once again aggressively expanding their advertising spend to win back shoppers, after years of restrictions imposed on the marketing budgets of global consumer goods groups.

Executives have in recent days disclosed to investors the scale of the promotional push.

Among the many companies ramping up ad spend are Kimberly-Clark, maker of Kleenex tissues and Huggies nappies, and Colgate-Palmolive, the toothpaste and soap group. Each spent an additional \$100m on advertising last year.

A showcase for how some of the enlarged budgets are being deployed in the US came during yesterday’s Super Bowl, long-known as much for its commercial breaks as for the American football game itself.

Hershey, whose fourth-quarter advertising and marketing spend in North America rose 5.1 per cent compared with a year ago, was due to have its first Super Bowl ad in over a decade with a slot for Reese’s chocolate bar.

America’s most-watched sporting fixture was also due to include spots for Procter & Gamble’s Olay skincare brand, featuring an all-female cast of astronauts, PepsiCo’s Mountain Dew, which spoofs *The Shining* horror movie,

Eight of the sector’s biggest companies . . . spent a combined \$34.5bn on advertising in 2018

and Heinz ketchup, a split-screen piece directed by Roman Coppola.

Analysts said it remained to be seen if the increased promotion of established staples would be enough to woo back shoppers who have defected to cheaper alternatives developed by retailers.

The upswing in ad spend, both online and in some traditional media, follows a period of cost-cutting by several multinational consumer goods groups to protect profitability. Eight of the sector’s biggest companies tracked by media buying agency GroupM spent a combined \$34.5bn on advertising in 2018, equivalent to about 12 per cent of revenues. Yet the proportion changed little over a five-year period despite expansion into growth areas such as China, pointing to cuts in the US and other mature markets.

For critics, the dangers of tightened budgets were exposed last year when Kraft Heinz took a \$15bn writedown to reflect gloomier prospects for some of its best-known products.

“Many packaged goods companies aggressively reduced their spending on advertising in recent years,” said Brian Wieser, global president of business intelligence at GroupM. “After the Kraft Heinz blow up last year, it may be that some companies felt liberated. Those who believed in investing in growth felt like they won the argument.”

Kimberly-Clark’s additional ad spend in 2019 was the biggest annual increase as a proportion of its revenues in at least two decades, according to Barclays.

Colgate-Palmolive on Friday disclosed that advertising spending rose 6.5 per cent in 2019 to \$1.69bn, the rate of increase having accelerated to 13 per cent in the fourth quarter.

Market questions. Growth outlook

Sterling steadies as Brexit arrives but outcome of trade deal with EU still hangs over the pound

FT REPORTERS

What next for the pound after the UK exits the EU?

Sterling has spent the past three and a half years being buffeted by the politics of the UK’s departure from the EU. Now that Britain has formally left the union and entered a transition period, some investors expect the currency to gain as a reduction in uncertainty boosts confidence and economic growth.

But even the optimists think the pound’s status as a currency driven by politics is here to stay, with the shape of the trade deal with the EU set to dominate discussions later this year.

“The removal of uncertainty should help bring back some strength to the currency,” said David Zahn, head of European fixed income at Franklin Templeton. Mr Zahn added that concerns about a hard Brexit could return if there is no agreement on the table as the year draws to a close.

The path of growth, and the Bank of England’s response to it, will be crucial. Sterling has climbed modestly, trading above \$1.31 against the dollar after the BoE decided not to cut interest rates last week. But many investors continue to bet on cuts later in the year, with markets pricing in a more than 75 per cent chance of a reduction by September.

The probability of the BoE cutting rates increased after the central bank last week downgraded its view of the underlying prospects for the economy to the lowest level since the second world war.

Ian Tew, a sterling trader at Barclays, said: “The BoE has made it clear that it will be looking closely at the data to determine the next move, so for now fundamentals should be the shorter-term driving force for the pound, until Brexit trade negotiations become front and centre again.” *Tommy Stubbington*

Will US manufacturing start to rebound?

Investors will today have their first glimpse at the health of US manufacturing this year after a widely watched measure for the sector dipped in December to its lowest level since June 2009.

The Institute for Supply Management will release its January data showing manufacturing purchasing behaviour. Economists surveyed by Bloomberg



Bubbling up: sterling has climbed modestly after the Bank of England decided not to cut rates last week
Bryn Colton/Bloomberg

expect the index to hit 48.5 points, a slight increase on December’s figure of 47.2, but below the 50-point level that separates contraction from expansion.

Equity investors are paying more attention to manufacturing data as a gauge for the health of the US economy in part because the Federal Reserve has moved into a holding pattern on interest rates, said Jonathan Golub, chief US equity strategist for Credit Suisse.

“The ISM manufacturing index is expected to get better,” Mr Golub said. “Stock market returns are strongest when the ISM recovers from depressed levels.”

On Friday, two other data points will help investors gauge the health of the world’s largest economy. The non-farm payroll numbers are expected to show 150,000 jobs were created in January, an increase from the 145,000 added in December, and the unemployment rate is set to hold firm at 3.5 per cent, according to a Bloomberg poll of economists.

The Fed is grappling with the dynamic

of low inflation despite a tight labour market. Low unemployment typically leads to higher wages, increasing inflation. *Richard Henderson*

Will Australia’s central bank act as fires and coronavirus squeeze stocks?

Australian markets are under pressure, with the benchmark S&P/ASX 200 slipping about 2 per cent last week, before recovering. The coronavirus has hit the China-dependent economy, and its mining stocks in particular, while the nation continues to be shaken by severe bushfires that have squeezed insurance, dairy and travel stocks.

Against this backdrop, its central bank will tomorrow decide whether an interest-rate cut is warranted. The economy is in decent shape, with the jobless rate dipping to a nine-month low of 5.1 per cent in December. Analysts are therefore not convinced that the Reserve Bank of Australia will be pressed in to action.

Sally Auld, chief economist at JPMorgan, said that while it was clear the virus would have a meaningful regional impact, the RBA would not rush in its assessment of the crisis.

However, she said that Australia’s exposure to the Chinese tourism market could be costly, as the viral outbreak curbs travel. “Is that enough to get them to cut [interest rates tomorrow]? Probably not at the margin, but it does mean that they will be nervously on hold given the downside risks.”

Economists at the Commonwealth Bank of Australia agreed that there is no great risk of the RBA taking action, but National Australia Bank said the market’s estimate of the chance of a rate-cut is “too low”, at 31 per cent. Even if the central bank holds steady, NAB is expecting two cuts in the rest of this year.

“We have not been a believer in the RBA’s general upturn narrative and are even less so now,” the bank’s economists said. *Primrose Riordan*

FT

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Legal Notices

THE HIGH COURT
COMMERCIAL

2020 No 22 COS

IN THE MATTER OF XTRACKERS (IE) PUBLIC LIMITED COMPANY

AND

IN THE MATTER OF THE COMPANIES ACT 2014 (AS AMENDED)

AND

IN THE MATTER OF A PROPOSAL FOR A SCHEME OF ARRANGEMENT PURSUANT
TO SECTION 449 TO 455 OF THE COMPANIES ACT 2014 (AS AMENDED)

NOTICE

NOTICE is hereby given that an Originating Notice of Motion was made returnable before the Irish High Court on 27 January 2020 applying for an Order pursuant to Section 450(3) of the Companies Act 2014 (the **Act**) directing that a meeting of the Scheme Shareholders (as defined in a proposed scheme of arrangement between Xtrackers (IE) Public Limited Company (the **Company**) and its shareholders (the **Scheme**)) be convened to consider and, if thought appropriate, to approve (with or without modification) the Scheme (such meeting, the **Scheme Meeting**, which expression shall include any adjourned meeting).

The High Court ordered that the Scheme Meeting be convened on 2 March 2020 at 9.00 a.m. (Dublin time) at the offices of A&L Goodbody, North Wall Quay, IFSC, Dublin 1, D01 H104, Ireland.

The High Court directed that the Notice of the Scheme Meeting be sent on or about 4 February 2020 in accordance with the Company’s Articles of Association to the members of the Company (other than to Restricted Overseas Shareholders as defined in the Scheme) who appear on the Company’s share register at 9 p.m. (Dublin time) on 3 February 2020. A circular explaining the effect of the Scheme (the **Circular**), and setting out the other information required by Section 452 of the Act will be sent with the Notice of the Scheme Meeting. A copy of the Circular will be available for inspection or upon request from the offices of the Company’s Irish solicitors, A&L Goodbody, International Financial Services Centre, Dublin, Ireland. A copy of the Circular will be available on the Company’s website www.xtrackers.com.

The High Court ordered that the entitlement to attend and vote at the Scheme Meeting and the number of votes which may be cast thereat be determined by reference to the register of members of the Company at 9.00 p.m. (Dublin time) on 28 February 2020, or if the Scheme Meeting is adjourned, 9.00 p.m. (Dublin time) on the day two days before the day set for the adjourned meeting(s) (the **Voting Record Time**).

Any proxy for the Scheme Meeting may be lodged with the Secretary of the Company at 25-28 North Wall Quay, Dublin 1, Ireland or a copy sent by fax to +353 (0) 1 649 2649 or e-mail to tcasey@algoodbody.com and/or cdonnell@algoodbody.com in each case not less than 24 hours before the Scheme Meeting.

If the Scheme is approved by the requisite majority at the Scheme Meeting, the Originating Notice of Motion to be issued by the Company will be listed for mention and any necessary directions on 23 March 2020 and for hearing on a date during the week commencing 4 May 2020 or on such other day to which the application might be adjourned (the **Scheme Sanction Hearing**).

Dated: 3 February 2020

Signed: A&L Goodbody
Solicitors for the Xtrackers (IE) Public Limited Company
International Financial Services Centre
North Wall Quay, Dublin 1, Ireland

Contracts & Tenders



A STAR ALLIANCE MEMBER

NOTICE INVITING TENDER

Air India Ltd. invites sealed/closed tender as follows:

Description	Tender Document for Appointment of Advertising and Content Service Provider for the In-Flight Entertainment On-board Air India aircraft.
Tender No.	Tender Reference No: IFSD/ENTT/A&CSP/2020/01 dated 31 st January 2020
Tender Uploading Date	31 st January 2020
Date & time of Tender Closing	28 th February 2020 at 1400 hrs.

The details of the tender document can be viewed / downloaded from our website www.airindia.in

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Property

WeWork appoints industry veteran Mathrani as chief

ANDREW EDGECLIFFE-JOHNSON AND ERIC PLATT — NEW YORK

WeWork has chosen property industry veteran Sandeep Mathrani to be its new chief executive, as SoftBank, its largest shareholder, seeks to stabilise the loss-making shared office space provider months after it came close to bankruptcy.

Four people familiar with the plan said Mr Mathrani, who recently stepped down as global head of retail real estate for Brookfield Property Partners, will replace Artie Minson and Sebastian Gunningham, who became co-CEOs when co-founder Adam Neumann resigned under pressure in September.

Mr Minson and Mr Gunningham, who will leave after an unspecified transition period, are in line for exit packages worth \$8.3m apiece, the Financial Times reported in December. WeWork and SoftBank declined to comment.

Marcelo Claure, the SoftBank executive installed by the Japanese group when it agreed a \$9.5bn rescue refinanc-

ing in October, will remain executive chairman when Mr Mathrani joins in mid-February.

The appointment of a low-key real estate veteran, first reported by the Wall Street Journal, is notable for a company that has upended office property markets but long resisted being called a property group, preferring the label – and valuation – of a disruptive technology company.

Mr Mathrani was credited with turning around General Growth Properties, the second-largest US shopping mall operator, before Brookfield bought it for \$15bn in 2018. Mr Claure first approached him with a view to him taking a non-executive board seat at WeWork before deciding his industry expertise would be more valuable in the role of chief executive, one person familiar with the discussions said.

SoftBank’s tender offer for WeWork shares, part of the rescue plan which is expected to leave Masayoshi Son’s group with 80 per cent of the company’s equity, has yet to close.

COMPANIES & MARKETS

How to Lead. Bertil and Edward Hult, founder and chief executive-in-waiting, EF Education First

The complexities of keeping it in the family

The head of the education group realised that clear rules were required to govern his relatives, writes *Andrew Hill*

Bertil Hult is no fan of conventional wisdom. A severe dyslexic, he left school at 16. After the Swedish bank where he was a runner insisted he travel to London to work and learn English, Bertil realised it was easier to acquire a language through experience. He restarted his formal schooling, only to quit university at 23 after founding what became EF Education First, the global educational travel and language training group.

Bertil organised his first group tour to the UK in 1965 for just 33 students and two teachers. The private company declines to reveal revenue or profit growth, but EF now has 52,000 employees in 612 offices in 114 countries. Forbes puts his net worth at \$6bn.

At 78, Bertil is semi-retired. But the founder, known as a hard-driving boss in his day, is adamant that he will not entrust the running of the complex multinational to professional managers alone: “A family business, at least the sort of business we have, should be run by the family [or] at least one family member. Otherwise, it’s better to make it a public company.”

The family, though, like the business, has multiplied; so have the complexities of succession and inheritance planning.

Bertil has four sons. He once assumed they would all work at EF. “All four of us were going to do our part and we were going to love it, because Bertil loved it,” says Edward, known as Eddie, sitting alongside his father in the group’s Zurich office. “It was a pretty good plan,” recalls Bertil, his Swedish accent a contrast to his son’s American one. “You tried for a few years [but] I think none of us really bought into it completely,” the younger man points out gently.

Max, 37, now a film-maker, ruled out working at EF early. Philip, 49, and Alex, 44, did join, though the latter has stepped back from the group lately.



Bertil Hult and his son Edward are planning a next phase for ‘generation three’
Djamila Grossman/FT

spouses that tend to cause problems, because, Edward says, “they’re thinking about their kids” and not the wider family they married into.

Edward says that in due course the Hults will need to answer basic questions such as, “how do you get a job?” with EF as a third-generation family member or spouse, “how do you progress; how do you get promoted; who has the right to promote you; how can you get fired, *can you get fired?*”

“It’s a challenge,” says Bertil, the billionaire with no master plan. His own legacy, though, seems assured. EF is an international brand, official partner of the 2020 Tokyo Olympics and sponsor of a top professional cycling team. The family name is now attached to the Hult International Business School, which runs as an independent organisation.

Yet commercial pressures abound, some caused by EF’s success. For years, Bertil interviewed every job candidate himself; last year, though, there were 450,000 job applications, now handled

FT

Leadership
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<div>CV</div>
Bertil Hult 1957 Drops out of high school 1961 Completes high school (through private study) 1962 Lund University (drops out in 1964) 1965 Founds EF
Edward Hult 2005 MSc in engineering, KTH 2007 MPhil in management science, University of Cambridge 2011 PhD in management, University of Cambridge 2011 Chief executive, EF Go Ahead Tours 2012 CEO North America, EF Education First

Edward, now 41, described by his father as a patient listener and a good explainer of complicated ideas, joined EF later. Currently chief executive for North America, Edward is set to take on the running of the whole group alongside strategic-thinking Philip as chair. This simple-sounding outcome belies the work the family has put in.

Bertil only started to think about what would happen next in the 1990s. There was no family summit. Addressing his father, Edward says: “I think the way you work is not that you plan, necessarily. I don’t think EF was built by some master plan.” Instead, Bertil “has an incredibly strong gut and intuition what the right business decisions are”.

Edward set out on an academic career, until he realised he enjoyed the teaching more than the research. In 2011, his brother Alex offered him the chance to run Go Ahead Tours, an underperforming tour business for

adults, to see if he enjoyed being part of the family company. The opportunity was “low risk, high reward, because [Alex said] ‘We’ll just close it if you mess it up. And if you figure something out, we’ll keep it’”. Go Ahead flourished, EF kept it, and kept Edward, too.

Initially, he struggled with imposter syndrome. “I know you never take a new graduate student, no matter what degree, and stick them as a president for a company that has 100-plus staff members, if they’ve never really worked a day of their life besides some internships and some other side jobs during school.” Edward made a point of working with different teams

‘It’s not about having great ideas, it’s about knowing what great ideas to say no to’

and encouraging open communication.

In 2014, Philip suggested the three older siblings and their father should enrol on a week-long Harvard Business School course for family entrepreneurs. It made them appreciate the future was “much more complicated than we thought”, says Bertil. Edward is even blunter: “We realised we really had no clue what needed to be done.”

The Hults enlisted HBS to give tailored advice, bringing Max into what was sometimes a heated discussion. “Most families who have big companies are probably not the easiest to work with,” says Edward. “We’re not an exception.” They accepted they needed clearer rules to govern family members who worked for EF. They also now acknowledge the need for a next phase for “generation three” — Bertil’s 13 grandchildren, the oldest of whom is just turning 18. The Hults learnt, for instance, that it is the third-generation’s

by a network of hiring managers.

The tide of globalisation that helped to lift EF has started to ebb. The responsibility of taking young people out of their home countries and keeping them safe and happy is complicated by everything from immigration controls to terrorist threats. “If you are in the car industry,” says Bertil, “you can call back the [faulty] car to repair it . . . if you’re in the furniture industry and something breaks, you can repair it. We can’t. We cannot make any mistakes, ever.”

Edward says: “Bertil always used to tell me — which I didn’t really understand until I got older — ‘it’s not about having great ideas, it’s about knowing what great ideas to say no to.’” As befits a future chief executive, he paints a positive vision of EF’s future, based in part on the continuing need to tackle biases about culture, religion, behaviour and nationality by bringing people together. “I see lots of opportunities,” he says.

Can online exercising in your own home beat the chore of traipsing down to the gym?

Jonathan Margolis
Technology

So how did your January fitness campaign go? For most people, exercise binges are nasty, brutish and, most notably, short. Going to a gym, in particular, is a chore.

That is why in-home, internet-connected fitness devices have become so big. When the now ubiquitous, Peloton bike came out in 2018, I trialled one and was convinced that joining live online spin classes from home would help achieve the holy grail of an exercise routine.

I bought one and, while it has not become a coat stand, it’s still a struggle to get on it, even though I work in the same room as the machine. Any excuse not to use it will do.

I’m keeping up three rides a week, but I have yet to join a live class. Being in a real class with thousands of other home-riders is somehow just too public.

Other Peloton-like machines have since appeared and there is now an online rowing apparatus, Hydrow, based on the same principle. In New York recently, I saw the newest and most innovative of the genre, Mirror.

The idea of a Harvard-educated ballet dancer, Brynn Putnam, this is a full-length, yes, mirror, that is also a screen with speakers, microphones and a camera. You exercise in front of it, so you can see yourself. But also in the mirror is your instructor, as a semi-ghostly homunculus. If you buy personalised lessons, the instructor sees you.

The business model Ms Putnam outlined went beyond exercise, which is perhaps why she has raised more than \$100m from investors including Canadian fashion chain Lululemon and model Karlie Kloss.

“It’s a content platform not just for fitness, but all kinds of immersive interactive experiences,” she says, “like meditation, beauty, fashion, shopping, even telemedicine.” I mention the telecreens in George Orwell’s *1984* and she laughs nervously. Mirror does address the privacy issue with a physical shutter you can pull across its camera.

I had a trial sample delivered to my daughter’s Brooklyn apartment — Mirror doesn’t ship outside the

contiguous US states, although overseas customers can use the £1,345 device if they self-ship it.

Ruth is a disciplined gym-goer but liked the idea of not traipsing to the gym. Before the loan was over she asked for the Mirror to be taken away.

“I’ve barely used it,” she says.

“There’s something about leaving the house to do something unpleasant that makes it more bearable.

“Also, when you walk into the gym, you become accountable to the people around you. Eyes are on you. You need to go through the motions, and also to make an event of it. It loops into the psychology of leaving the house and formalises it. It’s like going out to work.” The Mirror, on the other hand, “just sits there taunting you the whole time. You start to resent it as an unwelcome house guest.”

I asked a sports psychologist, Jamie Barker of Loughborough University, to explain why both of us have chafed, for different reasons, with the online exercise model.

“The way these companies work is that by making them accessible in the home, it’ll be easy to do,” he says. “But regular exercise is more than just having the kit. Peloton etc are a great idea for trying to get people active, but the reality is that it’s pretty difficult to get people who do very little to even get on them.”

He goes on to say that “the behaviour change around exercise is massive. There’s research to show that to get somebody from doing nothing to fully adhering to regular exercise takes from five to seven years.”

This is not what I want to hear. But salvation for the would-be easy riders may be close.

A British company has just released Carol, an AI-powered bike that uses high intensity interval training to compress your week’s exercise into three nine-minute sessions, which you can do wearing regular clothes because, it says, you will not break a sweat.

It sounds too good to be true.

How long, though, before 27 minutes’ exercise a week becomes too much of a drag?

jonathan.margolis@ft.com

I bought a Peloton, and while it has not become a coat stand, it’s a struggle to get on it, even though I work in the same room

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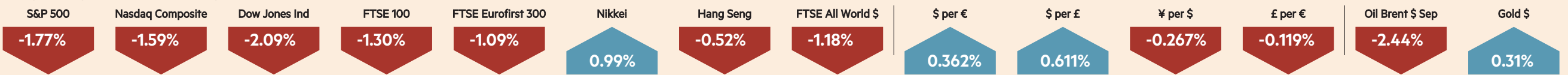
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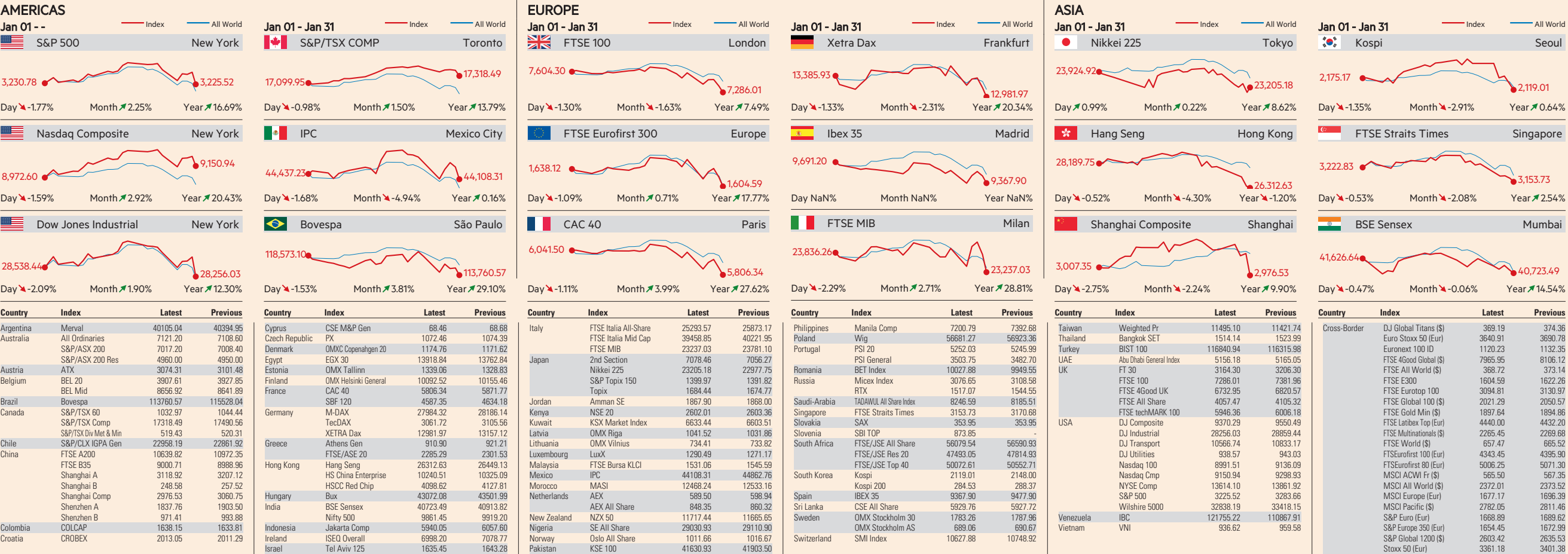
MARKET DATA

WORLD MARKETS AT A GLANCE

Change during previous day's trading (%)



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



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

UK STOCK MARKET: BIGGEST MOVERS

AMERICA					LONDON					EURO MARKETS					TOKYO				
ACTIVE STOCKS					ACTIVE STOCKS					ACTIVE STOCKS					ACTIVE STOCKS				
	stock	close	Day's			stock	close	Day's			stock	close	Day's			stock	close	Day's	
	traded m	price	change	%		traded m	price	change	%		traded m	price	change	%		traded m	price	change	
Amazon.com	307.9	2008.72	138.04	6.88	Royal Dutch Shell	223.9	1994.40	-43.60	-2.20	Enel	420.0	7.85	-0.23	-2.95	Softbank	405.1	4524.00	-25.00	
Apple	151.9	309.51	-14.36	-4.63	BP	199.0	456.70	-10.40	-2.30	Royal Dutch Shell	391.2	23.75	-0.48	-2.01	Sony	439.8	2718.00	-11.00	
Facebook	62.6	201.99	-7.62	-3.75	GlaxoSmithKline	197.9	1784.00	-8.40	-0.47	Asahi Holding	355.3	254.25	-10.75	-4.21	Toyota Motor	351.4	2450.00	550.00	
Microsoft	100.2	170.23	5.19	3.04	Novartis	391.2	3010.00	-11.82	-0.38	Sap Se O.en	381.2	117.82	-0.38	-0.32	Toyota Motor	379.6	7652.00	18.00	
Alphabet	33.2	1424.23	-21.61	-1.50	Royal Dutch Shell	174.7	2000.00	-46.00	-2.63	Unilever	356.7	52.70	0.25	0.47	Central Japan Rty. Co.	362.3	9534.00	70.00	
Vista	31.4	198.97	-9.24	-4.65	British American Tobacco	144.1	3357.50	8.00	0.24	Lyons	335.9	395.30	-0.86	-0.22	Dainippon Screen Mfg.co.	395.3	395.30	-0.86	
Alphabet	30.8	1432.78	-21.47	-1.50	Hsbc Holdings	138.3	551.80	-11.20	-2.01	Sumitomo	361.1	44.15	-0.17	-0.38	Fujitsu	336.1	1615.00	1245.00	
Advanced Micro Devices	27.8	47.00	-1.78	-3.75	Novartis	123.4	3456.00	-10.60	-0.31	Siemens AG	315.5	12.66	-0.27	-2.15	Adventist	273.1	5870.00	3.00	
Int Business Machines	27.0	143.73	6.88	4.80	London Stock Exchange	121.8	7938.00	0.00	0.00	Siemens AG No.1	302.2	111.84	-2.10	-1.86	Mitsubishi Ufy Fin.	252.0	5680.00	3.00	
Nvidia	21.4	236.43	-9.38	-3.96	Berkley Holdings (the)	12.00	5240.00	14.00	2.70	Intesa Sanpaolo	298.0	2.25	-0.05	-2.20	Sumitomo Mitsu Fin.	119.8	3884.00	410.00	
BIGGEST MOVERS	Close price	Day's change	Day's % change		BIGGEST MOVERS	Close price	Day's change	Day's % change		BIGGEST MOVERS	Close price	Day's change	Day's % change		BIGGEST MOVERS	Close price	Day's change	Day's % change	
Amazon.com	2008.72	138.04	7.28	6.88	Upss	498.80	96.10	23.86	24.78	Upss	11.10	0.58	5.56	49.56	Fujitsu	1615.00	1245.00	11.00	
Colgate-palmolive	73.78	4.31	6.20	1.43	Avant	3796.6584	24.9567	451.9300	18.30	0.74	Nippon Express Co.	40.00	1.90	0.00	0.00	Shanghai Pudong Dev. Co.	1126.00	50.00	7.64
Int Business Machines	143.73	6.96	5.59	3.90	Bio. Merck	925.50	49.50	55.55	11.31	0.40	Shanghai Pudong Dev. Co.	1126.00	50.00	7.64	1.52	Charter Communications	517.46	24.48	4.97
Charter Communications	517.46	24.48	4.97	2.03	TalkTalk Telecom	118.50	5.50	4.87	87.60	13.88	0.41	2.06	19.80	7.50	Eastern Chems	71.27	1.72	2.47	
Eastern Chems	71.27	1.72	2.47	3.47	Galliford Try Holdings	149.22	6.26	4.38	4.92	0.09	3.12	Nissin Seifun	18.78	81.00	4.51	5.51			
Downs					Downs					Downs					Downs				
Broadridge Fin Solutions	119.15	-10.31	-7.96	-6.65	Downs	1280.00	-242.00	-15.90	-1.23	Alps Alpine Co.	2002.00	-244.00	-10.86	-5.41	Nippon Express Co.	5770.00	-520.00	-8.70	
Lynfield Indus Inc	71.86	4.31	6.20	1.43	Downs	1275.00	-154.50	-12.15	-0.94	Nippon Express Co.	40.00	1.90	0.00	0.00	Dainippon Screen Mfg Co.	5770.00	-520.00	-8.70	
Caleres	103.50	-6.69	-6.07	-5.84	Downs	164.25	-10.75	-6.41	-4.14	Thyssenkrupp AG	0.11	-0.54	-4.61	-4.14	Konami	66.64	-2.84	-4.09	
Edwards Lifesciences	219.86	-14.11	-6.03	-2.74	Downs	100.35	-5.10	-4.84	-4.84	Konami	66.64	-2.84	-4.09	-6.19	Asahi Holding	254.25	-10.75	-4.20	
Qorvo	105.86	-5.93	-5.30	-5.00	Downs	437.80	-22.20	-4.83	-4.83	Asahi Holding	254.25	-10.75	-4.20	-3.84	Sumitomo Seirin Paper	182.00	-10.00	-5.49	
Based on the constituents of the S&P500					Based on the constituents of the FTSE 350 index					Based on the constituents of the Euronext 300 Eurozone index					Based on the constituents of the Nikkei 225 index				

CURRENCIES

DOLLAR										EURO										POUND										DOLLAR										EURO										POUND																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing	Day's	Day's	Jan 31	Currency	Closing	Day's	Day's	Closing	Day's	Closing

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	52 Week						Stock	52 Week												
	Prices/Week	High	Low	Yld	P/E	MCap m		Prices/Week	High	Low	Yld	P/E	MCap m							
Australia (AS)													Finland (E)							
ANZ	25.75	0.00	29.30	24.09	6.70	11.9	48891.1	Nokia	3.52	-0.16	5.62	3.02	2.98	47.78	21999.95					
BHPBillitt	39.40	-1.68	42.33	34.42	6.15	17.79	7700.93	Saipa	40.87	-0.11	43.38	34.34	1.90	24.70	25098.63					
CmWbASX	85.26	0.74	85.97	89.15	4.58	17.20	101040.74	France (E)												
CSL	312.05	4.86	319.00	184.00	0.86	47.70	94017.11	Airbus Grp	133.24	-2.76	139.40	98.65	1.30	26.11	115641.19					
NasAusX	25.86	0.17	30.00	23.51	7.58	13.75	51024.74	AirLiquide	130.75	0.15	132.30	94.88	1.92	17.19	68551.96					
Telstra	3.84	-0.06	4.01	3.06	3.53	19.54	30573.98	AXA	24.08	-0.23	25.59	19.94	5.92	36.04	64517.6					
Westfarms	45.21	0.69	45.53	32.05	5.28	24.30	34316.71	PPFParb	40.05	-1.87	50.40	38.88	6.61	7.70	66543.92					
Woolworths	25.12	0.04	30.05	23.86	8.07	24.37	30166.33	Carrefour	42.00	-0.50	46.89	39.30	1.51	84816.65						
Worleypar	41.84	0.90	41.99	28.21	7.47	33.92	35226.48	Créd Agr	12.23	-0.35	13.40	9.40	5.94	9.33	3097.2					
Belgium (E)													Danone	72.70	-1.20	87.32	62.36	2.85	20.37	50560.25
ABInBevBr	66.42	-2.29	92.71	64.79	2.86	14.79	126897.38	Engie SA	11.16	-0.32	15.48	8.33	2.96	17.76	36789.06					
KBC Grp	26.26	-0.06	29.54	48.65	5.56	11.17	30575.72	Enf SA	15.32	-0.23	16.58	12.25	6.56	16.81	37172.7					
Brazil (RS)													Esafacusticia	134.25	-0.75	145.00	100.0	1.62	39.17	65093.93
Ambev	17.85	-1.14	20.77	16.30	19.77	23.31	65721.5	Hermès Int'l	67.66	-3.40	72.50	514.20	0.72	45.93	79157.1					
Brasilelec	31.25	-1.52	35.89	27.76	11.4	13.87	22678.75	L'Oréal	25.10	-18.60	27.60	206.30	1.63	37.63	155802.02					
Cielo	-7.07	-0.07	12.25	6.25	11.78	7.62	4494.92	LVNH	35.35	-2.01	43.05	275.05	1.62	18.29	21416.05					
ItaUnifinBr	29.44	-0.80	33.47	27.19	4.58	10.44	34159.5	OMV	19.98	-0.38	21.60	13.25	6.56	16.81	37172.7					
Petrobras	30.35	-0.76	33.70	26.22	1.69	13.30	52589.69	PernodRic	156.50	1.70	179.50	143.50	0.92	26.83	46033.16					
Vale	50.27	-3.53	57.36	40.51	-	12.48	61265.93	Renault	35.25	-1.03	64.20	34.50	10.27	3.90	11550.53					
Canada (CS)													Safarim	145.95	-0.55	150.85	112.05	1.33	27.34	69101.84
BCE	62.36	-0.08	65.45	56.52	5.37	17.63	42620.48	Santob	88.95	-1.26	93.34	71.34	3.76	28.90	100816.86					
BKMont	100.93	-3.09	106.51	88.24	4.12	11.37	48806.72	Sant Bank	34.24	-0.98	35.57	24.80	1.25	16.81	127288.5					
BKInVS	72.28	-1.06	76.75	67.17	4.96	10.56	66259.19	Schneider	94.52	0.30	95.62	61.88	2.70	20.77	58390.05					
Brockfield	80.98	-1.00	82.88	55.98	11.0	15.39	64235.54	SFR Group	10.50	-0.00	34.56	21.87	-	23.02	17905.81					
CanWest	351.55	0.87	355.67	259.99	3.94	19.89	35016.7	SocGen	29.23	-0.27	32.23	20.81	7.92	8.35	77638.4					
Canipac	107.92	-1.03	115.88	97.55	5.32	9.41	36233.44	Solent	11.45	-0.22	12.77	10.25	6.34	12.74	127288.5					
CanNatrs	37.22	-2.56	42.57	30.01	4.18	10.21	33406.87	UnibailRou	19.90	-0.35	23.65	17.75	5.90	17.44	22415.05					
CanNatly	123.67	-0.84	127.96	107.54	1.79	14.73	86771.15	Vinci	10.20	-0.22	10.95	7.06	2.84	17.34	67315.17					
Enbridge	53.81	-0.15	54.43	43.02	5.73	17.47	62372.36	Wendim	24.76	-0.07	26.69	22.02	2.15	21.00	32503.78					
EnbridgeL	34.29	-0.11	34.72	27.52	5.07	12.07	24073.3	Germany (E)												
Imperial	31.38	-2.20	40.59	31.07	2.79	8.20	17650.48	Allianz	21.85	-0.10	22.50	181.92	4.38	11.19	99390.28					
Manulife	25.78	-1.36	27.78	20.59	4.14	9.89	37987.5	Bayer	61.07	-0.24	55.54	55.51	1.21	62103.88						
Nurtec	56.49	-1.68	73.64	56.06	4.36	17.83	24472.07	Bayer	73.05	-0.20	76.39	52.02	4.03	45.53	79531.54					
OrionPh	104.58	-1.19	108.68	97.90	3.99	11.58	64235.54	BMW	64.34	-5.07	73.88	58.04	5.72	8.13	42923.41					
QCom Corp	5.52	-0.30	6.07	5.50	4.05	31.67	391.87	Continental	12.94	-0.16	15.47	99.26	4.86	4.42	22816.41					
TherRes	106.39	2.33	107.71	68.04	1.95	15.20	24401.18	Daimler	41.81	-2.14	60.00	40.31	8.18	10.51	49563.39					
TntDom	73.14	-1.06	77.96	71.22	4.58	11.42	100271.91	Deutsche	8.82	-0.08	9.28	1.40	3.89	14.86	54816.8					
TmCan	72.57	0.25	74.35	54.61	4.13	10.83	51491.17	Deut Telekom	14.61	-0.19	16.26	13.97	5.04	23.52	77071.06					
ValeantPh	30.80	0.74	36.02	14.01	-	12.48	8158.48	DeutschePost	31.58	-1.63	35.50	23.85	14.57	43.27	3267.33					
China (HKS)													E.ON	10.24	-0.22	10.48	8.08	4.42	36.04	29937.04
AgricultBr	3.02	-0.18	3.88	2.93	6.72	4.40	11955.25	EnBW	69.70	-2.32	75.68	57.14	1.71	15.76	25512.35					
BK China	3.03	-0.17	3.84	2.91	7.12	4.47	32631.08	Freemantel SE	46.13	-0.70	52.42	46.65	0.01	10.90	4450.44					
BKComIn	5.00	-0.27	7.06	4.98	6.99	4.34	22544.84	Henkel&GAA	18.45	-0.50	20.30	75.55	2.31	17.01	24040.25					
BQEC Tech	0.66	0.01	1.06	0.58	24.40	2.70	16.91	Liand	83.00	-0.30	193.15	138.90	1.81	27.17	109565.18					
ChinaYnke	12.74	-1.06	13.60	10.51	4.46	7.20	33464.43	MuenchKred	265.60	-0.40	273.30	192.70	3.66	13.20	42580.37					
Ch Everbright	3.13	-0.38	4.10	3.09	5.59	4.41	5110.8	Nippon	16.40	-0.30	17.50	13.50	1.00	10.00	100.00					
Ch Res	7.63	-0.58	11.94	7.57	5.29	4.33	2040.23	Siemens	11.64	-0.28	11.95	84.70	3.38	16.79	10152.05					
Ch Rail Grp	4.29	-0.40	8.21	4.27	3.48	4.79	2324.54	Volkswagen	165.60	-0.85	185.00	139.90	3.05	5.90	54154.52					
ChSonicBr	5.95	-0.48	7.21	5.55	6.01	4.92	14822.94	Hong Kong (HKS)												
ChinaYnke	27.60	-2.30	35.60	26.25	4.42	6.93	5589.75	AIA	77.75	-0.55	88.50	68.80	1.11	2.70	121406.05					
ChinaYnke	4.08	-0.30	5.41	3.92	6.56	3.85	7819.68	Alibaba	25.95	-1.50	35.50	25.55	5.82	8.41	35333.33					
ChinaLife	18.84	-1.81	23.35	17.38	10.01	14.11	18054.52	Ch Unis&H	29.25	-0.25	31.25	29.25	1.00	1.00	100.00					
ChinaMBank	3.90	-2.05	42.75	32.75	2.88	5.19	22407.91	ChinaGlad	30.50	-0.25	32.75	49.00	3.00	5.90	23877.78					
ChinaPhar	64.20	-3.80	87.70	58.00	2.14	10.88	51089.67	Citic Ltd	8.81	-0.84	12.28	8.65	4.78	8.08	33005.52					
ChinaPhar	26.15	-2.45	32.67	26.15	4.46	7.20	33464.43	CiticSecs	15.56	-1.60	21.10	13.12	2.69	12.53	4448.16					
ChMinhang	5.46	-0.33	6.36	4.89	7.39	3.88	8505.5	ChinaGlad	30.50	-0.25	32.75	49.00	3.00	5.90	23877.78					
ChNChSec	16.75	-1.18	19.99	14.07	1.16	22.68	1545.18	CNOCIO	11.86	-1.14	15.14	10.74	6.65	8.85	68194.08					
ChinaYnke	5.65	-0.37	7.57	5.25	5.28	5.79	17281.58	HangSeng	158.20	-9.20	212.60	156.00	4.95	1.97	38951.37					
ChinaYnke	12.74	-1.06	13.60	10.51	4.46	7.20	33464.43	HK Ex&Cdr	258.80	-10.00	286.20	220.00	2.67	32.11	42035.16					
ChShiPhing	5.04	-0.26	7.10	4.29	0.19	28.56	13297.34	MTR	43.30	-2.30	55.75	42.90	2.81	18.07	34814.88					
ChSonicEng	5.43	-0.33	6.72	4.83	2.17	5.75	2473.77	Shinco	16.40	-0.30	17.50	13.50	1.00	10.00	100.00					
ChUnifinCh	6.54	-0.20	10.70	6.50	2.44	15.48	25771.27	SHK Pops	30.90	-1.60	42.00	106.00	4.43	6.85	40975.08					
CNNC Int'l	4.85	-0.15	6.73	4.89	2.59	15.29	10893.62	Tencent	373.00	-12.00	413.00	312.00	0.27	35.72	458875.91					
ChinaYnke	88.70	-5.80	101.00	75.10	2.49	8.63	85075.16	India (Re)												
Daqin	7.70	-0.22	9.03	7.38	6.44	7.66	17618.64	Bharti	49.65	-4.70	52.75	35.75	268.80	0.50	4.76	37955.51				
Gree Elec Apl	0.10	-0.01	0.37	0.01	-	-0.03	4.52	Hitachi	12.08	-0.38	13.00	12.08	1.00	1.00	100.00					
GuosenSec	12.30	-0.60	15.13	8.26	1.01	19.51	14554.1	Hind Unilever	204.35	-28.45	219.00	158.00	1.16	61.80	67114.18					
HongKongSec	7.61	-0.07	11.50	7.70	1.47	12.47	24073.3	HongKongDev	2414	-36.75	2499.9	1820	0.94	18.48	58492.44					
Hung HAITO	36.80	-0.80	42.74	23.55	1.72	27.00	41942.93	ICICI Bk	525.65	-8.20	552.20	336.10	0.20	1.75	47658.32					
IMBatusi St	3.89	-0.35	5.22	3.30	5.22	3.36	2272.72	Infosys	77.95	-6.80	84.07	615.10	1.42	19.93	46309.92					
IMChinBank	1.25	-0.11	2.11	1.21	0.58	24.91	5713.94	Int'l	28.15	-0.30	30.00	28.15	1.00	1.00	100.00					
IMChinBank	5.22	-0.42	6.19	4.81	5.59	5.22	58348.16	L&T	139.83	1.10	160.7	121.0	1.15	10.05	26931.76					
IMChinBank	18.59	-0.68	20.68	15.53	3.94	5.88	51089.67	OilNatGas	108.95	-4.00	178.90	106.75	6.92	4.95	19207.82					
Kweichow	1052.8	-24.50	1241.61	664.84	1.83	1.37	139040.58	Reliance	141.15	-10.99	167.15	109.53	0.50	18.71	125407.43					
Midea	1.06	-0.06	1.69	0.98	4.86	-3.61	29.35	Rel NewWA	314.65	-5.60	373.30	244.35	2.11	13.47	39826.22					
Nm ChLife Ins	29.40	-2.55	46.95	29.40	3.05	5.96	3915.41	S&P	12.08	-0.38	13.00	12.08	1.00	1.00	100.00					
PetroChina	3.45	-0.28	5.47	3.45	1.40	13.00	9374.45	Tata Cons	209.75	-10.45	229.62	181.00	0.32	2.16	109328.32					
PharAzene	88.70	-5.80	101.00	75.10	2.49	8.63	85075.16	Indonesia (BP)												
PharAzeneBr	15.54	-0.79	17.60	10.37	0.98	9.58	4315.53	BK Intesa BP	22300	2000	2000	16800	-	-	38879.26					
Pwv Corp	4.00	-0.20	6.25	4.00	2.48	8.38	6545.11	Israel (IL)												
SacMtr	22.61	-1.29	30.30	22.49</																

Based on the FT Global 500 companies in local currency

INTEREST RATES: OFFICIAL

	price	price	change	change %	change	change %	change
Delphi	15.34	15.55	-0.21	-1.35	5.52	36.2	0
Trinity	650.67	640.81	9.76	1.52	86.75	15.2	2
Trinity M	211.65	207.55	4.10	1.98	12.00	5.8	0
Trinity B	23.16	23.41	-0.25	-1.07	2.42	11.7	0
Swedenbank	148.25	143.85	4.40	3.06	13.50	10.0	6
Amazon	2080.72	1870.68	138.04	3.78	147.08	7.9	-2
GenElectric	12.45	12.73	-0.28	-2.20	0.74	6.3	0
Duol Bank	8.28	8.31	-0.03	-0.32	0.46	5.8	26
Wolfsburg	2911.50	2823.00	88.50	3.13	157.00	5.7	-2
Polym	165.30	163.90	1.40	0.85	7.70	4.6	0
ColPolym	73.78	69.47	4.31	5.82	3.48	5.0	-2
Mondelelincz	57.38	58.80	-1.42	-2.41	2.29	4.2	0
CME Grp	211.21	218.78	-1.67	-0.78	7.87	3.8	3
MetLife	2152.00	2159.00	2.00	0.09	76.00	3.7	-4
Aon Cp	220.25	219.00	1.06	0.48	6.83	3.2	5
Altorrisoft	120.23	112.78	2.25	1.48	5.19	3.1	0
Altorrisoft	1950.50	1905.00	45.50	2.32	59.00	3.1	2
DanskeEkt	112.90	108.70	4.20	3.86	3.30	3.0	17
SEB	95.24	94.60	0.64	0.68	2.76	3.0	0
Intert Exch	99.74	100.17	-0.43	-0.43	2.63	2.7	2

WORK & CAREERS

Forethought will stop tech creating a grim dystopia



Andrew Hill
On management

In my last interview with Clay Christensen, who died last month, he said his theory of “disruptive innovation” had provided a “common language” that allowed businesses to frame a problem and decide on a course of action.

It was a typically modest self-assessment. It also provided a clue to the way in which some disruption zealots were able to twist the management thinker’s ideas into a dangerous cult. The theory had had an impact, Christensen said, “largely for good, but sometimes for idiocy”.

Niklas Zennstrom, who co-founded Skype, told me recently how the early assumption that web-based innovations would mostly benefit the world, was “used as a blanket excuse for doing whatever”. The relatively small scale of the network in the 1990s tended to limit the damage caused by any misguided early experiments or morally dubious business models.

Today, though, “everything is connected and when things go wrong, they go wrong in a massive way”. Idiocy, and worse, can be amplified to dangerous effect. The clearest recent case study in reckless scaling is Uber. The transportation platform grew so rapidly, on an aggressive “always be hustlin’” template, that it neglected

basic policies until it was hit by a slew of accusations in 2017, from ignoring sexual harassment complaints to duping regulators.

Unsurprisingly, the overused trope of start-ups promising to become “the Uber for” their sector, from laundry to marijuana, has died away in the meantime. The risk-hungry attitude of entrepreneurs has not — thank goodness. But fast-growing companies are still prone to stampede across the line between innovations that make customers’ lives easier and those that creep them out. This is despite research suggesting the mere knowledge that marketers are tracking your personal data could spook buyers.

When I first wrote about the “creepiness quotient” of products in 2015, Google had recently suspended sales of Google Glass, its augmented reality eyewear, amid fears about privacy. If anything, the line is now even more tightly drawn. Consider recent concerns about Clearview AI’s facial recognition app. It allows users to identify strangers by matching their photos against images scraped from online profiles. “You can’t ban technology,” said one investor in the New York Times report on how law enforcers were using the app. “Sure, that might lead to a dystopian future or

something, but you can’t ban it.”

You can, however, prepare to avoid dystopia. Atomico, Mr Zennström’s venture capital fund, is now running a workshop it calls “conscious scaling” for founders of the technology companies it backs and for its investment partners. The aim is to make young companies aware of the societal benefits and pitfalls of their ideas in advance.

Founders are asked how their success will change the world for the better. But they are also encouraged to imagine their product, service or technology in 10 years at the centre of an episode of the television series *Black Mirror*, which envisages a dark future, often by extrapolating from today’s new technologies and changing social habits. In one recent episode, for instance, swarms of bee-sized drones are repurposed with facial recognition technology to attack and kill people. As your company scales up, Atomico’s workshop asks, “Who are the potential losers? How might parts of society be worse off? What could be the unforeseen second and third order consequences of your success?”

In some respects, this is a brave initiative. Some would say it is naive and foolhardy. Founders who pause before pressing ahead with

Imagine your product, service or technology in 10 years at the centre of an episode of *Black Mirror*

groundbreaking innovation know they may be overtaken by more aggressive rivals. The temptation to storm forward and tweak your principles later is strong.

Atomico believes, though, that it is catching a wave of purposeful tech: its recent report on the state of the European industry says only 14 per cent of founders do not believe assessing societal or environmental impact is relevant. Start-ups also worry at least as much as big companies about how to lure and keep talented and idealistic staff.

More important, though, is that the past five years have underlined the vast cost — in time, energy and credibility — of reversing ethical mis-steps once a company has reached global scale. Better to establish strong values early. “These are decisions that in the short term seem very small and incremental,” says Mr Zennstrom, “but you’re drawing a line in the sand and that can create so much clarity.”

Christensen put this another way, in his book *How Will You Measure Your Life?*: “It’s easier to hold your principles 100 per cent of the time than it is to hold them 98 per cent of the time.”

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Students and graduates

How to plan for working life in a world of uncertainty

A good strategy is to try not to worry about external events and focus instead on what you can control. By Jonathan Black

In the current turbulent global political climate, a job or a career for life for those just starting out in the workplace is no longer guaranteed — or even desirable. Add in the climate crisis and wider anxiety about the future, and the feeling of worry and lack of control could potentially become overwhelming.

How can students, new graduates and those who advise and recruit them find a meaningful way to plan for the decades ahead?

The traditional versions of sage and sometimes staid advice — go into the professions, train for something, get a job with a good pension and so on — that was given to older Boomers, Generation X and even Millennials now seems quaint and often redundant for Generation Z (born 1995-2010).

One of the marked changes in response to uncertainty — one we have seen at Oxford university, where I head the careers service, and at other universities — is a clear increase in the numbers of students making an early start on their career planning.

Compared with 2018, twice the number of students visited the general, non-industry specific, careers fair at Oxford in autumn 2019 or attended employer presentations, while 65 per cent continued to open our weekly careers emails.

We undertake an annual survey of all undergraduate and graduate students asking them about their frame of mind and industry interests — if any. This year, only 25 per cent of first year students at Oxford reported that they were postponing all their career plans, compared with a stable level of 35 per cent over the past few years.

Brexit and climate change

Brexit and the climate crisis are the two external uncertainties already having an impact on students’ lives. In late 2018, Anna Olerinyova, an Oxford doctoral student in Biophysics, considered quitting her research studies and drastically changing career path because of these twin worries.

She decided to stay on, but says: “On reflection, Brexit will just make staying and finding research funding more difficult, but not impossible.” She had worried that her research in medical diagnostic tools would be irrelevant because “there was a good chance that there would be no money in future for this work as it would all be focused on climate problems, coupled with the fact that my subject would be less relevant leaving little point in continuing”.

Ms Olerinyova is now engaged in climate activism, which has had a positive effect overall. “It has made my life much more interesting, bonding together with a whole new community of people.” She



Christine-Marié Louw, an analyst and musician, sees uncertainty as a positive force

Charlie Bibby/FT

feels freed from career expectations and much more open-minded on where life will take her. She is now determined to complete her PhD, seeing a “glimmer of hope in the use of my research”.

A little further on in her career, Sarah McGill, who leads a climate change research policy programme at Oxford’s Smith School of Enterprise and the Environment, is working on short-term contracts and, as she puts it, has a feeling of veering off the “straight and narrow path my classmates at Columbia University followed into law school and Wall Street”.

Since she holds research degrees in economics and the environment, Ms McGill’s uncertainty focuses on a single question: “How can I make a meaningful impact with my career?”

There is no obvious job title to search for, and those that might look impactful don’t pay a living wage.”

Competition is increasing

Alan Percy, chair of Mental Wellbeing in Higher Education, a working group of experts, and head of the counselling service at Oxford university, observes that one of the causes of increasing uncertainty is the wider economic environment in which everyone must be more competitive.

“The classic defensive psychological reaction is to create certainty by controlling things; this is a poor action to take as it increases rigidity of thinking,” Mr Percy says.

Given that is impossible to be in control of most things, such rigidity creates more anxiety, while at the same time giving power to external forces. Mr Percy suggests that to reduce feelings of powerlessness and hopelessness, people can aim to “concentrate, appreciate and celebrate what they have and what they can control”.

Some young professionals are happy to embrace uncertainty as a positive force. Christine-Marié Louw studied law, then took a masters degree in music and currently works as an analyst at BP. She is able to combine her work with a semi-professional music career. “I have a high appetite for ambiguity,” she says. “And I try not to let external forces control me.”

Having decided not to buy a property, she invested instead in an ambitious expedition with her brother, exploring the tributaries of a river system in Indonesia. Each day they would set off and had to choose which tributary to take. She says that the experience created valuable insights: “The uncertainty of the outcome generated possibilities; I was comfortable with failure — just making the decision to choose a specific path was enough,” she says.

Ms Louw followed the popular path from undergraduate to a masters degree. There are three main reasons

that students give for immediately following an undergraduate degree with advanced study. It can be a way to increase career choice, or to keep studying because the student enjoys it and is fulfilled. Finally, for the undecided it is a way to postpone the entry to work for a year or two.

There has been a marked drop in the proportion of Oxford undergraduates taking this route, from 35 per cent five years ago to 30 per cent now. More students are opting to go straight into work after graduation.

Setting up a business

The most uncertain path for new graduates is that of starting their own business. Even so, it is a choice being considered by more than a fifth of Oxford students, across men and women equally.

However popular start-up culture has become, the young may not have an advantage here. A study, led by Pierre Azoulay of MIT and Benjamin F Jones of the Kellogg School of Management, of 2.7m founders from 2007-2014, established that those under 25 have the lowest likelihood of a successful exit or creating a top growth firm. The most successful founders were aged 46-55, with more skills and experience to navigate the many uncertainties of business.

There will always be uncertainty around future events and people will always react in different ways, from feeling powerless to thriving. And it helps to know this is not a new phenomenon. Victor Hugo, the 19th century French writer, captured a positive and rather uplifting way to view and manage uncertainty: “Be as a bird perched on a frail branch that she feels bending beneath her, still she sings away all the same, knowing she has wings.”

The writer is head of the careers service at Oxford university and writes the FT’s ‘Dear Jonathan’ advice column

Work Tribes

Welcome to Thrust, a brave new worktopia

ANDREW HILL AND EMMA JACOBS



Work Tribes are moving to a swanky new building. What could possibly go wrong?

Sir Harry Ziffer, Thrust’s architect

Fellow Thrusters!

Welcome to your new worktopia: The Thrust, London’s newest and biggest-looking skyscraper. The Thrust has been a labour of love. (Don’t believe the news reports about my fees — my lawyers, Thrillings, are in talks.)

When I was approached to design the building, I resisted. I thought the developers merely wanted the starriest starchitect, the “Keith Richards of construction” as Time called me in its cover story.

I wasn’t interested in creating yet another iconic priapic fortress. But I was persuaded The Thrust was that — and so much more. It was commissioned in 2005 as a celebration of European integration. Today, it is a bold statement of Britain’s sovereignty, thankfully finished before we have to send home the builders who lack settled status. Its very name is redolent of independent ambition.

The vision was of a co-creating community, a place where the lowliest penpusher rubs shoulders with the most exalted CEO. I literally built on this dream of equality, by adding an elite club for top-floor tenants.

I see myself not as an architect, but as a poet. My sketches are inspirations, not instructions — a line my general counsel says offers protection from litigation.

For me, windows are not just windows. The 12,000 panels of glass are pellucid openings to the urban ecosystem.

Here, we have worked with leading futurologists to milk the bleeding edge of office design. A new ‘musical chairs’ hot-desk booking system restores spontaneity and healthy competition to work. There are chat zones, quiet zones, moan zones. A spiral staircase invites collaborative collisioning.

The Thrust cares about its citizens’ wellness. The building has been designed to optimise productivity, smashing fragility, creating

agility. Each of you will receive a wearable dongle, which will monitor breaks, exercise, calorie intake, arrival and departure times. The data feeds an AI-powered fitness leaderboard in the lobby that celebrates personal bests and displays caricatures of laggards on its 18m-high screen. Rumours about the fatty-of-the-week competition are nonsense.

Our building draws on the latest sustainability research. The public SkyShrubbery on the north face of Floor Seven will be fertilised with raw sewage. The canteen is overseen by a vegan chef, cooking plant-based “meat” supplied by our tenant Implausibly Fowl.

We have had our critics. As Churchill said, “Courage is what it takes to stand up and speak. It’s also what it takes to sit down and listen” — so that is what we did, we sat down.

Ignore the media: residents of the razed estate are delighted with their new Ziffer-designed co-living spaces 80 miles away, to which we generously bussed them after the protests.

Finally, thanks to your prompt payment of the mandatory Artwork Levy, I can unveil the bronze statue of me in the lobby in time for the official opening.

Upward!

Your humble servant, Harry

Christian, the window cleaner @ChristianWindowman

Welcome to my new Instagram account. This selfie is from 250 metres up, dangling in my metal cradle. (Rick, keep mum off my Instagram account, she’ll only worry.)

It makes you realise just how insignificant everyone is. Down there, like insects: the executives and the drones; the workers and the shirkers. This is the perfect vantage point for a corporate spy. Just kidding!

I’ll be posting here regularly. DM me if you want the latest gossip. Any guesses as to why there’s a statue of the hobbit in reception?

This is the first episode in a fortnightly story about the office workers you love to hate. For more, visit ft.com/work-tribes

Advice

Take steps to manage your early career

- Recognise and accept that there will be uncertainty around many future events; consider the opportunities that uncertainty might bring.
- Reflect that you have already coped with uncertainty in the past and will be able to do so again. Of the hundreds of concerns you have had in your life, almost all have been solved.
- Focus on activities inside your zone of control: your skills, experiences and choices.
- Up-to-date, deep technical or vocational skills and broad, transferable employability skills are key.
- In workplaces, seek ways to demonstrate that you take responsibility and achieve things in teamwork, leadership, communication, problem solving and initiative.
- Outside work, you can gain experience and transferable skills by joining a board or volunteering.

WORK & CAREERS

An ‘equine coaching’ course helps leaders understand how their behaviour impacts on others. By *Janina Conboye*

From my vantage point inside a paddock on a cold and windy day, it is not immediately obvious how horses can help business leaders to develop new skills. But David Harris, who runs the Equine Guided Leadership Development programme, is confident that working with these herd animals will convert the sceptics.

How does it work? It is about presence, trust and respect, says Mr Harris. His background is in high-pressure corporate jobs. Nearly 20 years ago, feeling stressed and burnt out, he decided to get a horse – his daughter was a good rider, but he had less experience.

“What I realised was that this horse was absolutely reflecting back to me how I was,” he says. “I was scared, I was feeling vulnerable and feeling alone. And every time I was with the horse this got reflected back to me.”

He felt strongly there was something to be gained from working with horses and wanted to help others to benefit from the same valuable insights. After participating in a specialist course, Mr Harris left his job and in 2003 set up his own business. While equine therapy is well-established in programmes treating addiction, among other problems, Mr Harris focuses on coaching people in corporate life.

The business world is much faster moving and more unpredictable than in the past, he says, and that creates stress, so one of the first things Mr Harris shows people is that they can choose how to breathe, how to see and how to be. When you have that choice, he says, “you can select the appropriate type of energy for what it is you’re doing. What this comes down to is mindfulness and presence”.



HEC business school teaches leadership with sheep



The course encourages people to step into a horse’s world: they are prey animals, so to allow them to accept new humans into their space they have to be approached in a non-predatory way, from the side.

Being present

To begin with, I stand with the horses so we can get used to one another. The horses may come up and sniff me and I pat or stroke them.

Then boundaries are set: if the horse brings its head too close, Mr Harris suggests gently but firmly pushing it away. After a couple of times, this behaviour will stop.

He adds that this lesson can be transferred to people. A leader should set boundaries early in order to avoid

unnecessary conflict. We then work on becoming “present” – thinking about breathing and being grounded because we are literally digging our feet in the dirt. This is then transferred to the horse as I place my hands on one and stand quietly, in a state of light meditation and reflection.

Similarly, horses reflect back the behaviour of people, so these exercises – along with others which culminate in leading a horse around the school without a rope – show how our own behaviour impacts on others. A horse will not comply with an aggressive person, so if this is a problem the programme will help them to become self-aware and implement a more positive approach.

Companies that have sent employees on the course include Direct Line,

the insurer, and Cisco, the technology group.

Tina Gundersen, director of global sales at Cisco, says that on returning to the office, she held lots of one-to-ones with her team members. She wanted to just listen and “maybe take a different view of what they were talking about”.

Normally one-to-ones “would be about fact collecting and how we turn that into the next action. “You just don’t stop in a corporate environment – [you’re] very focused, very driven in terms of what the goal is and what everybody is supposed to be doing.”

The technique is one of a number of unorthodox ways to help managers and executives develop their leadership skills. As soft skills and creativity

Horses for courses: David Harris left his job and in 2003 set up his Equine Guided Leadership Development Programme

Anna Gordon/FT

FT

Video

For more on what horses can teach us go to [ft.com/video](https://www.ft.com/video)

become more valued, business schools in particular are offering management training that taps the arts – such as literature and music – and even therapy sessions. These methods offer a fresh take on developing new ways to lead teams and tackle business challenges.

Paris-based business school HEC has offered equine coaching as part of its English Global Executive Coaching programme for 14 years, which is aimed at strengthening team cohesion. In 2018, it introduced coaching with sheep to two of its programmes to help participants gain awareness of the complexity of organisations and the impact of their behaviour on a group.

Mr Harris says that his course helps people to understand that not all leadership is the same. “Sometimes we need to step in front, sometimes we need to be able to show people the way . . . at other times we need to drive them,” he says. Then “there’s the collaborative part of leadership, knowing and understanding people”.

But isn’t this all a bit wacky? Ms Gundersen concedes that it is unusual but the horses allow you to see your impact on other people. “If you’re presenting yourself in a way that is incongruous the horses kind of go, ‘Well I’m not necessarily going to engage with you because you’ve sort of got muddled energy that’s coming at me’. And I saw that several times.”

Evolution

She also learnt from other people’s experiences. Ms Gundersen participated in the course with a group of six, so they were able to observe each other. “You could genuinely see if somebody was a little bit nervous, the difference in the reaction of that horse. The same horse then would act in a very different way for another person. So not wacky at all actually – really surprising.”

Mr Harris adds that since a horse’s world is constantly evolving due to factors such as the weather, they are masters of “sense and respond” – they notice something is happening and they respond to it immediately. “That’s one of the really great skills people can learn from this,” he says.

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ARTS

Photo dealer who watched a market develop

Iconic images are among the photographs in a London exhibition mounted by collector Michael Shapiro. He talks to Melanie Gerlis

Photography specialist Michael Shapiro is an old-style art dealer. Bespectacled, gently spoken, with a soft North Californian accent and a deeply academic approach, he seems a far cry from the contemporary art sellers who pitch their artists around the world. Shapiro is in London this month to prepare for a real rarity of an exhibition that hangs some 50 vintage photographs in the second-floor gallery of his friend and colleague, Richard Nagy.

Like much in the blurred art world, “vintage” can mean different things to different people, but Shapiro is quite clear on its definition. “It is simply the prints that were created at the time of the negative’s exposure,” he says.

When the resulting images look the same, though, what difference does it really make? Shapiro is more than ready for this question and has set up the exhibition in part to address it.

He stands me in front of two photographs of Yosemite by the national park’s trademark photographer, Ansel Adams. The images are the same, but it’s easy to see that the vintage print, made around 1937, has a softer, yellower quality than the more pristine lines of the later, glossier work, printed from the same negative in 1977.

The developing paper accounts for some of the difference because, I learn, it used to have much more silver content than in later works (the price of silver subsequently shot up too much). Look a while longer, and this softer, silvery quality also gives volume, depth and even texture to the earlier photograph. The sharper, more eye-candy work grows flatter and less meaningful with every minute.

It’s more than just the paper, though.



Clockwise, from main: Ansel Adams’s ‘Clearing Winter Storm’ (c.1937); Michael Shapiro; Imogen Cunningham’s ‘Gerald Warburg, Cellist’ (1929); Berenice Abbott’s ‘Gunsmith and Police Department, 6 Centre Market Place, 240 Centre Street, Manhattan, February 4, 1937’

© The Ansel Adams Publishing Rights Trust; Matthew Hollow; © 2020 Imogen Cunningham Trust

As Shapiro explains, “It’s the earliest concept, the first interpretation.”

The contrast is reflected in the value of each photograph. The vintage Adams, one of only two known prints of this size made at the time, is priced “well into six figures”, Shapiro tells me. This is about “eight times the value” of the later work, made for a more mass market and in an unnumbered edition, he says.

Two of the exhibition’s other highlights reach seven figures. One is Man Ray’s mesmerising 1929 portrait of his lover, the model and photographer Lee Miller, arching her neck in what looks like a moment of passion. Only one other print is known to have been made

at the same time, and it belongs to the Lee Miller archive. The other top-priced piece is Edward Weston’s 1925 portrait of the model (and, again, lover) Miriam Lerner. We can’t see her face — the work frames her breasts from the shoulders to her lower waist — but this is not an idealised or sexualised shot. It seems more about the triangles, as created by her arm, the hand pressed into her waist and the shape between her breasts.

Refreshingly, women feature as artists as well as models — there are five female photographers among the 25 on show, a proportion that is relatively high for most exhibitions of early 20th-century art. A photograph of the cellist Gerald Warburg, taken by Imogen Cunningham in 1929, takes a similar approach to Weston. Warburg’s head is cut off on the right-hand side with the left largely obscured by a shadow. The focus is instead on the musician’s hand.

Such modernism is key to the show’s title, *Breaking Away*, Shapiro says. All the works included mark a shift away from photography’s more sentimental past towards a more daring, sharper-focused aesthetic. Shapiro is particularly taken by the artist association called Group f/64 (named after an aperture setting). The group was formed in 1932 by California artists including Adams, Cunningham and Weston, to take photography away from the constraints of pictorial representation.

Also in the show is a 1922 Paris street scene, taken by the French photographer Eugène Atget, who has the honour of being the first photographer that Shapiro bought. In 1972, when he was 17, Shapiro saw an exhibition at Cornell University, where he briefly studied



‘My father was a businessman and really didn’t understand that I would spend so much on a photograph’

helped hone his academic instincts. By 1984 he couldn’t resist the urge to turn his photography collecting into a career and opened his first gallery in San Francisco’s Union Square area. “I couldn’t wait to do all that research for myself,” he says.

He ran his commercial gallery until 2011, contributing to the greater appreciation of photography as an art form. Today, he says, there are “hundreds of collectors” whom he works with but that only about half a dozen “buy deeply and consistently”. The majority of his highest-end clients are based in New York, contributing to his decision to shut up shop and move nearer to them. He now works privately in Westport, Connecticut, which has other advantages.

“I’ve put in my time. I ran a public-facing gallery, went to AIPAD [a photography art fair] for some 25 years, invited hundreds of people to drink wine at my openings, lectured classes and sat on boards. I’m now in the last third of my life and reckon being a private dealer is my reward,” he says.

The energetic 65-year-old seems very fired-up for the London show, however. “It is a culmination of my career as a collector and dealer, it is exactly who I am,” he says.

‘Breaking Away — Modernism in Photography since World War I’, February 6-March 27, richardnagy.com



A tale of yoga babble and hubris

PODCASTS

Fiona Sturges



“Adam believed he was on the brink of making history,” says presenter David Brown at the start of the new Wondery podcast, *WeCrashed*. “And in a way, he was. Because Adam Neumann was about to preside over the largest, fastest wipeout of shareholder value by a single company since Enron.”

WeCrashed tells the story of the collapse of WeWork, the “unicorn” business that its CEO Neumann claimed would not only change the way people worked, but how they communicated, lived and even raised their children. This is no stodgy postmortem of a failing business. The tone is wry and irreverent, underlining the company’s extraordinary hubris. Rather excellently, the theme music is taken from the Welshly Arms song “Legendary” (sample lyric: “We’re gonna be legends, gonna teach them all a lesson”).

Brown, who also hosts the *Business Wars* podcast, reveals how WeWork was marketed as the company of “cool, flexible office space, free beer, fruity water and kombucha on tap. [It was] the glossy poster child of start-up America and the millennial workforce.” At its peak it was valued at \$47bn, which makes Uber look like small fry. “But was it really all about We?” asks

Brown, “or was it all about Adam?”

The opening two episodes (there will be six) chart the beginnings of the business and provide a character study of Neumann, who looked like a rock star and talked like a messiah. Brown examines his early years growing up on a kibbutz in Israel and how community living influenced his vision in business. He also talks to Scott Galloway, a business school professor at New York University, who interviewed Neumann in Miami in front of a crowd of investors in 2014.

“Simply put, he’s dreamy,” he says. “He’s a very handsome guy, he’s got a great accent. He’s very charismatic. You want to believe this story.” But when Galloway pressed Neumann on WeWork’s potential competition, he began waffling about empowerment and spiritual awakening.

“A lot of it was yoga babble . . . It’s yoga babble dressed in a really good-

looking bow and great wrapping,” says Galloway.

Nonetheless, it secured millions of dollars of investment and landed Neumann spots on chat shows and magazine covers across the US. Listeners will know how the story ends — the clue is in the title — so it’s to Brown’s credit that he manages to build an atmosphere of suspense before revealing how it all fell apart. *WeCrashed* is a compelling cautionary tale about what happens when money and self-belief drown out common sense.

For more business calamities, Lauren Ober’s series *Spectacular Failures* makes for electrifying listening. From the Christian theme park that sank after a scandal involving infidelity and fraud to the 130-year-old beer company that expired after making catastrophic changes to its recipe, these are eye-watering stories of greed, mismanagement and recrimination.



Dreamy: Adam Neumann, WeWork CEO, in January 2019
Michael Kovac/Getty Images for WeWork

FT

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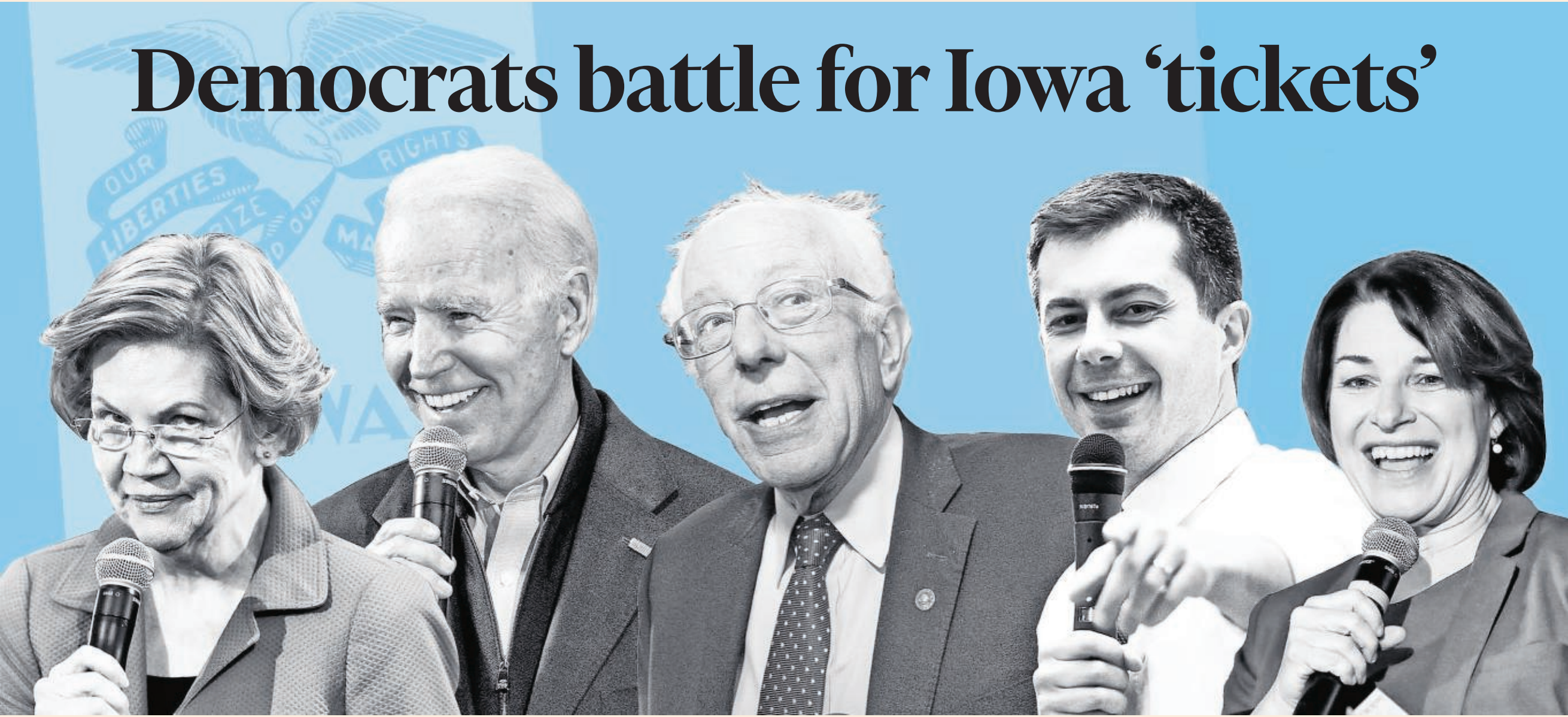
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FT BIG READ. US POLITICS

United in the need to beat Donald Trump, whose re-election campaign is boosted by a strong economy, the Democratic party remains divided over whether to choose a progressive or a moderate to fight him.

By Demetri Sevastopulo



Democrats battle for Iowa ‘tickets’

Roberta Rosheim has a dilemma. After hearing four Democratic presidential contenders speak in Des Moines, she still cannot decide who to support when Iowa kicks off the 2020 election with its Democratic caucuses today.

As temperatures hovered around -15C in the state capital, she listened as Elizabeth Warren, Joe Biden, Pete Buttigieg and Amy Klobuchar made their case to the Iowa State Education Association, part of their frantic last-minute campaigning in the Midwestern state that decides who emerges with the early momentum.

“I support all of them. I love them so much,” says Ms Rosheim, 70, who is volunteering for Ms Warren but has not committed to supporting her in the caucuses. “I really like her plans, but I also like Amy a lot. And then people tell me, ‘We gotta like Biden because he’s got name recognition and he’ll win’ . . . It’s so hard to decide.”

Ms Rosheim is not alone. Iowans are famous for not making up their minds until the last minute. A Des Moines Register/CNN poll in early January showed that only 40 per cent had picked their first choice.

As the Democrats prepare for a five-month marathon primary process to decide their candidate, the party is more united than ever on the need to beat Donald Trump.

After winning the 2018 midterms by a margin of 9 percentage points, and with Mr Trump’s poll rating still relatively low for a president starting his re-election campaign, many in the party hope they can harness that anti-Trump feeling to beat him despite the strong state of the economy.

But they are fiercely divided about what sort of Democrat is best-suited to take on the president, whether it is a progressive politician who can motivate the party’s base of minorities, younger voters and women, or whether they should choose a more moderate figure who can appeal to working-class whites and suburban Republicans turned off by the president’s bluster.

Audrey Baatz embodies the high level of uncertainty. Speaking after a Buttigieg rally in Emmetsburg, north-west Iowa, she is mulling the moderates – Mr Buttigieg, the former mayor of South Bend in Indiana, Mr Biden and Ms Klobuchar, a senator from Minnesota. But she thinks any of the leading contenders could emerge as the winner.

“The people of Iowa are just so undecided, especially in rural areas,” Ms Baatz says. “Any four or five people could win Iowa. It’s that close.”

Heidi Heitkamp, a former North Dakota Democratic senator, says voters are struggling because of the crowded field, which still boasts 11 candidates even after 16 have dropped out.

“You go to a Mayor Pete event and you go, ‘Wow I was blown away’, and then you go to Amy’s event and say, ‘Oh man she makes a lot of sense’. There’s so many people . . . active in Iowa that it makes the choice harder.”

But a majority of Iowan Democrats agree on one thing. J Ann Selzer, the Des Moines Register/CNN pollster, says 58 per cent think it is “extremely important” to pick someone who can beat Mr Trump. “If you ask any Democratic

‘The people of Iowa are just so undecided, especially in rural areas. Any four or five people could win Iowa. It is that close’

voter in North Dakota, their main goal would be to defeat Donald Trump.”

Judy Lentz, a Democrat at the Emmetsburg event, says she likes Mr Buttigieg but worries about his electability. “It is going to come around to who we think can beat Mr Trump,” she says. At a separate event nearby in Arnolds Park, Carolyn Brown, who is leaning towards Mr Biden, agrees that the only question is: “Who can beat Trump?”

Strengths and weaknesses

Iowa is notorious for surprises. Jimmy Carter, then a little-known southern governor, came from nowhere to win the state on his way to the presidency in 1976. In 2008, Barack Obama came from behind to beat Hillary Clinton, a result that showed he could win white voters in a rural state.

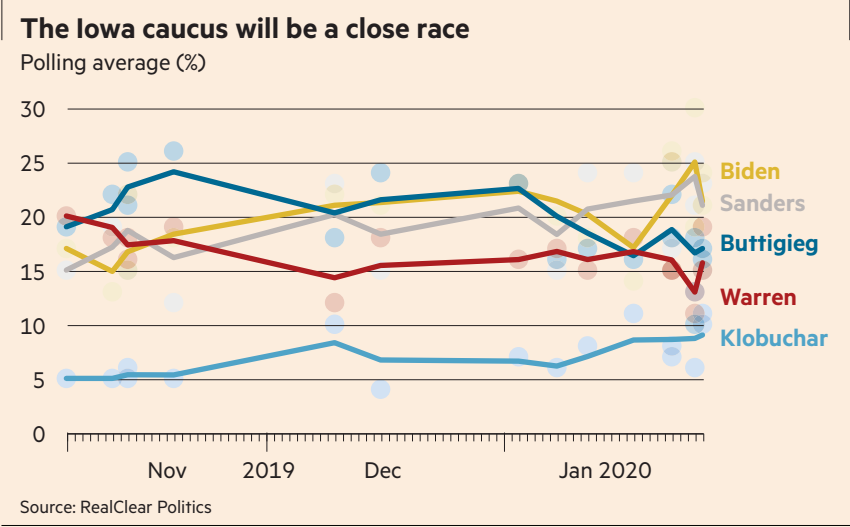
Howard Dean was the frontrunner in 2004 until John Kerry sprinted ahead in the last week, knocking the former Vermont governor into third place. And four years ago, Mr Sanders stunned Mrs Clinton by coming tantalisingly close to winning.

“Nobody has any idea,” says Mr Dean. “I had no idea what was going to happen when I was there.”

On the question of how each contender would fare against Mr Trump, polls show Mr Biden winning by 4 points, ahead of Mr Sanders, Ms Warren and Michael Bloomberg. Polls suggest Mr Buttigieg is the only top Democrat who would lose against the president. But when it comes to Iowa Democrats, polls show they remain at odds over who should be the standard bearer.

After long being the frontrunner in Iowa and New Hampshire, which holds the first primary a week later, Mr Biden was overtaken in Iowa last summer by Ms Warren.

The Massachusetts senator was then eclipsed by Mr Buttigieg, who in turn was passed by Mr Sanders, before Mr



Biden returned to the top of the group. Yet in the last week, Mr Sanders has moved ahead, while Ms Klobuchar has entered double-digits for the first time in the 2020 race.

Mr Bloomberg does not register in Iowa because of his decision not to campaign in the state. But he has jumped into fourth place in national polls, propelled by tens of millions of dollars in television ads he hopes will catapult him into contention when more than a dozen states vote on Super Tuesday on March 3.

The critical distinction is whether the candidates fall into one of two camps – moderate or progressive.

Mr Biden and Ms Klobuchar say the way to beat the president is to attack from the middle ground, appealing to Democrats and independents who backed Mr Trump in 2016.

But the progressives, Ms Warren and Mr Sanders, urge bold ideas, such as a nationalised healthcare system. They claim a lack of radicalism helped create the conditions for Mr Trump to win since they did too little to help struggling Americans.

Speaking in Des Moines before returning to Washington for Mr Trump’s impeachment trial, Ms Warren took aim at the moderates, saying, “Some folks in our party don’t want to admit” that the US is in a “crisis” over everything from the gap between the rich and poor, the soaring cost of healthcare and high levels of student debt.

“If they think that nibbling around the edges of big problems, running some vague campaign is somehow the safe strategy, they’re wrong,” Ms Warren told a packed gymnasium at Weeks Middle School. “If all the best Democrats can offer is business as usual after

Donald Trump, Democrats will lose. We win with big ideas.”

While Mr Biden has generally steered clear of attacking his rivals by name, he aired an ad saying it was “no time to take a risk” on other candidates.

Mr Dean says there are plausible arguments on both sides. “Biden is saying I’m better because I can appeal across a broader spectrum. Bernie is saying you can’t win unless you motivate the hell out of people, and Elizabeth is saying the same,” he says. “The number one criteria is who can beat Trump and nobody knows.”

Each candidate has strengths. Mr Biden resonates with white working-class Democrats who backed Mr Trump and African-Americans who remember his time as vice-president to the first black president. Mr Buttigieg, a gay, former mayor and army veteran, is the fresh face, while the folksy Ms Klobuchar touts her results-driven approach in Congress.

Ms Warren and Mr Sanders have strong appeal among younger voters, while the Massachusetts senator is also making a big pitch to women – in a push that helped her win converts in Des Moines. “I came here to Iowa to support Pete Buttigieg, but I came to this town hall and she just spoke to me,” says Hailey McGuire, a high-school student. “She just radiated girl power.”

Yet all the contenders also have significant challenges. With the exception of Mr Biden, most lag far behind with black voters, which raises questions about their ability to connect with a key segment of the Democratic electorate. Mr Biden has at times struggled with fundraising, which could be a problem as expensive TV ads become important in the bigger states. He also fares less well with younger voters than the more progressive candidates.

Speaking after a Biden rally at Simpson College, Kathryn Hays, a politics student who plans to support Ms Warren in the caucus, says her generation is gravitating to Mr Sanders and Ms Warren because of their idealism. She says Mr Sanders has been “radical throughout his whole political history”, which her friend Samantha Wuebker explains is “probably why Elizabeth is also doing so well among our generation”.

Mr Buttigieg is also competing for the same college-educated voters as Ms Warren, but has to overcome concerns about his inexperience. At one event, he also faced a common question about his “really low” support among black voters. “African American voters who know me best support me,” he said.

From left: Elizabeth Warren, Joe Biden, Bernie Sanders, Pete Buttigieg and Amy Klobuchar. For Des Moines high-school student Hailey McGuire, below, Ms Warren ‘radiated girl power’. Below left: Mr Biden, the frontrunner in Iowa, is greeted by a fan holding his book

FT montage

Ms Warren also needs to boost her support among black voters, while she and Mr Sanders must show that they can win over enough moderate Democrats to beat Mr Trump in November. Illustrating that concern, Robert Brammer, a 70-year-old who was attending a Klobuchar event in Des Moines, says he prefers Mr Sanders’ progressive ideas but will campaign for the Minnesota senator because she is more pragmatic.

Building a winning coalition

As the race moves out of the predominantly white Iowa and New Hampshire into more diverse states, an important question is who can recreate the “Obama coalition” – a grouping of white voters in the north, black voters in the south, Hispanics, millennials and women – that swept Mr Obama to the White House in 2008.

“What it is going to take to beat Trump is to get out our voters,” says Mr Dean. “Our voters are under 35, female and people of colour. All of those three groups have to be enthralled to a degree with a candidate. The problem is the



‘What it is going to take to beat Trump is to get out our voters. The problem is they all speak to different people, and nobody can decide’

Democratic candidates all speak to different people, and that is why nobody can decide.”

Kaleb Autman, a 17-year-old high-school student who came to Iowa with Mikva Challenge, a group that helps young people to become engaged in politics, will vote for the first time this year. But he worries that some of the Democrats are too focused on winning over Trump voters and not enough on expanding the party.

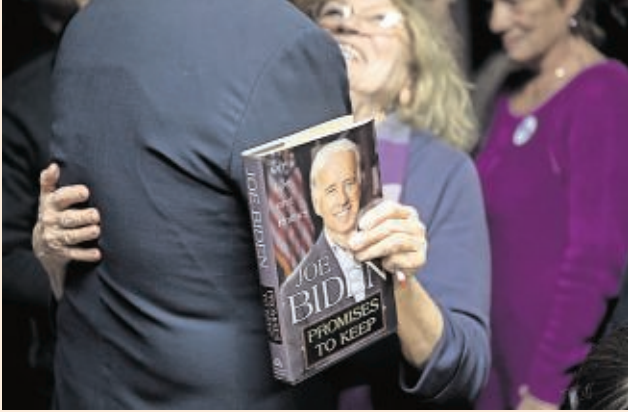
“They focus too much on how to get Trump’s people on our wagon . . . rather than focusing on the people who didn’t show up to vote,” he says. “If you want to win this election, you have to go for new voters.”

One of the unusual factors is that three of the top candidates – Mr Sanders, Ms Klobuchar and Ms Warren – have had to stay in Washington for much of the past two weeks because of the impeachment trial, giving an advantage to Mr Biden and Mr Buttigieg. Yet the restraints could give Ms Warren a boost over her fellow senators since she has one of the best on-the-ground organisations.

Iowa often has a winnowing effect on the race but the big field – the number of undecided voters, the trial-related restraints on the senators and the fact that the candidate with the most cash, Mr Bloomberg, is ignoring Iowa – means the caucuses may be even more unpredictable than ever.

“The old saying is there are three tickets out of Iowa [for the leading candidates],” says Mr Dean. “Clearly that is not true this year.”

Complex caucus
It pays to have many volunteers on the ground



Five days before the Iowa caucuses, Amy Rockhold has a meeting in a Des Moines coffee shop with Democrats who have volunteered to help get voters out for Pete Buttigieg on Monday.

Ms Rockhold is a precinct captain for Mr Buttigieg – a position most candidates aim to fill in the 1,678 precincts that will hold caucuses across Iowa’s 99 counties. The role is important because of the unique nature of the caucuses, which reward candidates who have invested heavily in building up large networks of volunteers.

Democrats will gather in houses, schools, churches and other venues where they will form groups based on who they are supporting. They can then

haggle with friends and neighbours to convince them to switch sides before the first round is completed.

Candidates must secure 15 per cent in the first round to be viable. If a voter joins a group for a candidate who does not meet the threshold, they can move to another group in a second, final round. That means the second preference of voters can be critical.

After the results are tabulated, candidates who have cleared the 15 per cent bar will be awarded a proportional number of the 41 delegates who will attend the Democratic convention in Milwaukee in July, where the party will formally nominate its 2020 candidate.



Federal privacy law can help keep tech in check

US lawmakers have strong examples of existing legislation to draw on

The Golden State has long been a trend-setter in creating and then regulating technology. The California Consumer Privacy Act, which came into force last month, set a new standard for US data protection. It achieved something else too: it has galvanised tech companies, previously opposed to regulation, to call for a new national law. The tech giants' conversion to the merits of rules is welcome; a federal approach has clear benefits over a patchwork of state-level initiatives. But lawmakers need to resist tech industry lobbying aimed at reducing legislation into a vehicle for protecting their interests.

A unified federal law would prevent the dangers of regulatory fragmentation. A proposed privacy act introduced this month in the Washington state senate, for example, goes further than California's in some respects. Other state legislatures may adopt different standards on data storage or customers' rights. A legislative patchwork is more difficult and costly for smaller companies to comply with than for deep-pocketed Big Tech companies.

Yet regulators have good reason to be wary of Silicon Valley's new-found belief in legislation. Its support for a federal privacy law is at least partially rooted in concerns about how far Europe has become the standard-setter with its General Data Protection Regulation. Despite its numerous flaws, GDPR has been a force for good. By illuminating the grubby underbelly of the data economy, it helped to inspire efforts in other jurisdictions to crack down on the way tech companies use data, particularly in so-called surveillance capitalism, or harnessing mass data in pursuit of profit.

The lobbying directed at the California and Washington state laws by the tech firms may be only a shadow of what they would target towards a US equivalent of GDPR. They might

attempt to shape the law to ensure it held them to less onerous standards than the Californian or EU versions, or use it to further market dominance.

Making a federal privacy law effective, however, means not just rejecting industry pressure on standards, but improving on those adopted elsewhere. The California law has been criticised for the wording of some provisions — most notably on a consumer's right to opt out of the sale of their data to third parties. The term "sales" is ill-defined, with data often traded rather than sold.

Europe's GDPR should also be overhauled before being used as a blueprint for a US counterpart. Despite its lofty aim of ensuring that data processing requires meaningful consent, users often still have to battle through reams of legal jargon to try and understand their data rights. A federal privacy law should shift the onus away from individual users to the companies that are profiting from their data. Experts also say that a loophole in GDPR allows companies surreptitiously to infer potentially sensitive information, such as ethnicity or sexual orientation, from data collected with prior user consent.

A federal law should go further than GDPR does in tailoring the burden of compliance to companies of different sizes. The scale and resources of leviathans such as Alphabet or Facebook mean they should face tighter standards, and can afford to do so. Protecting privacy and encouraging competition should not be mutually exclusive.

Finally, lawmakers should address some of the risks posed by emerging technologies. Last week, Facebook settled with users in Illinois for \$550m over its use of facial recognition. A draft white paper from the European Commission suggests a moratorium on the technology. A federal privacy law offers US legislators a chance to develop similarly bold measures.

UK rail franchise system has run out of steam

Passengers are rebelling as operators struggle to run reliable services

Fittingly for the country that invented the modern-day railway, Britain has an obsession with the way its national train network is run. A big change came in the 1990s when it was privatised, but since then there have been numerous reorganisations, all prompted by repeated crises. Another overhaul is imminent: the Williams review, commissioned in reaction to abject failures on the part of several large rail franchises and led by former British Airways chief executive Keith Williams, is to report in the coming weeks. Grant Shapps, the transport secretary, promises a sweeping overhaul that will deliver a "model for the 21st century".

A rejig is sorely needed. More than 25 years after privatisation, passengers continue to be poorly served by a network structure that has encouraged short-termism and a lack of accountability among stakeholders. Regulated fares have risen at twice the rate of wages over the past decade. Several large franchises are struggling not only to operate a reliable service but also to make money. Northern Rail will be nationalised in March. It will be the second to be taken into state hands.

Frustrated passengers want radical change; polls show the majority of the public favour wholesale nationalisation. This would have happened had Jeremy Corbyn's Labour party come to power. What is often forgotten is that most railway operations have already returned to public ownership: the track, signalling, and major stations are all part of nationalised Network Rail. Adding the train operators would be a relatively small step. It would not, however, be the answer.

For all the present difficulties, private ownership of train companies has brought some big benefits. Passenger journeys have more than doubled from 735m in 1994-95 to 1.7bn in 2018-19,

with significant funds, both private and public, invested.

But the franchising model has run out of steam. It was meant to lead to cheaper fares and more efficient railways. Instead, tightly controlled contract terms encouraged operators to make overambitious bids that could never be delivered, especially when passenger growth did not materialise as expected. A parliamentary committee described the system's objectives as a "self-contradictory muddle" as far back as 2005. Another problem has been the absence of joined-up thinking between stakeholders: Northern suffered when infrastructure upgrades were delayed by Network Rail.

The government is expected to replace franchises with "management contracts". It will receive fare income directly and pay operators based on performance. A similar model has worked on the London Overground network where Transport for London, which runs the capital's transport, sets fares and timetables and grants concessions to a single operator. Longer, more flexible contracts would better align train operators' investment horizons with those of Network Rail.

A mooted new body to oversee the network is also a good idea. Mr Shapps concedes the railways need an independent "fat controller" — picking up a name from popular children's stories. Structural reforms need to run alongside modernisation and expansion.

Prime Minister Boris Johnson has put "levelling up" UK regions at the heart of his post-Brexit agenda and promised to boost infrastructure spending. Approval of the High Speed 2 rail scheme, expected soon, will be central to both pledges, and should be part of a broader commitment to regional transport. Mr Williams has promised, meanwhile, that his review will "put passengers first". It is about time.

Letters

New trade agreement will benefit all of Mexico's citizens

In her Global Insight column "Trade pact is not enough for López Obrador to revive economy" (January 27), Jude Webber states that getting the United States-Mexico-Canada Agreement approved will bring certainty to Mexico and is a necessary step forward. However, she ignores the full extent to which the USMCA will benefit our country. It also lacks a more in-depth description of our economy.

While Ms Webber persists in calling President Andrés Manuel López Obrador a "leftwing populist", the truth is that he is focused on ensuring economic stability while increasing social welfare. His administration has raised the minimum wage by about 30

per cent in real terms — and has doubled it in our northern states — while simultaneously keeping inflation to historic lows (less than 3 per cent yearly). This has been achieved thanks to the monetary policy put in place by our sound and independent central bank and Mexico's responsible fiscal policy.

Nor is it accurate to claim that investment and job creation are at their lowest in a decade, or that consumer confidence is under strain. Consumer confidence has reached historically high levels, and foreign direct investment has increased during the first year of this administration despite the high level of global

uncertainty. As Larry Fink, BlackRock's chief executive, remarked at the business summit held last year in Merida: "There are several investment opportunities in Mexico in a broad range of industries that work for our clients and for a more inclusive and stronger Mexico." That is precisely our plan.

More specifically, to boost the economy, the government has started to greatly increase investment in our southern states — precisely those that have historically lagged behind the rest of the country. Our administration seeks to provide clear rules on property and labour rights, investment and dispute settlement for the private

sector so that it, too, joins in the effort. And this is exactly what the USMCA will provide when in force: the certainty of international rules that go beyond partisan politics in all three countries.

By bringing more integration and innovation to the region, key access to the Canadian and American markets, and more strategic public investment to our country, the new trade agreement will definitely boost the Mexican economy — this time for the benefit of all our citizens, not just the elite.

Roberto Velasco Álvarez
*Director-General for Public Affairs,
Secretariat of Foreign Affairs of Mexico*

Even if the 737 Max is recertified, will the flying public turn up?

Peggy Hollinger, in "Boeing's travails run deeper than a few bad apples" (January 29), highlights the financial options Boeing is juggling — debt and dividend policy, share buybacks, cost-cutting actions such as idling production of the 737 Max as it awaits re-certification — to repair its financial statements in order to appease its shareholders and the financial community.

However, lost in all of this is the stark — and inconvenient — question: if the 737 Max is recertified by the regulators, will the flying public turn up?

As a result of the reputational damage sustained by Boeing and the US Federal Aviation Administration in the aftermath of the two catastrophic accidents, for the first six months after the plane is recertified to fly it should be restricted to flying cargo flights, and flown by pilots who volunteer for these flights, in order to convince a sceptical public.

Ira Sohn
*Professor of Economics and Finance,
Montclair State University, NJ, US*

Britain can reshape its relationship with Africa

With the UK having officially left the EU on January 31, it is impossible to underestimate the importance of strengthening the UK's trade with Africa. As it looks to international markets post-Brexit, it has an opportunity to reshape its trading relationship with Africa.

This comes at an opportune moment, as the launch of the African Continental Free Trade Area opens the door for a rapid expansion in economic activity driven by a young population and directed at generating wealth higher up the value chain. The UK is among the world's leading centres of capital and expertise, and African businesses are increasingly looking to financial hubs such as London to accelerate their growth trajectory.

The recent UK-Africa Investment Summit showed that the UK is serious about seizing the opportunity for working together and that it is ready to build a new model for engagement over the coming years.

Prof Benedict Okey Oramah
*President,
African Export-Import Bank,
Cairo, Egypt*



The planes should be restricted to cargo flights for six months — Gary He/Reuters

Putin has genuinely tried to come to terms with Russia's totalitarian past

I take issue with Anthony Robinson's letter (January 30) about the forthcoming 75th anniversary of the allied victory over Nazi Germany.

It is not "crypto-Stalinist" to claim that the second world war was a Soviet triumph and that the Red Army liberated eastern Europe from Nazism. It is a historical fact — a feat of arms that cost the lives of 8m Soviet soldiers. The war on the East Front was brutal, not because it was fought by two equally bad dictatorships, but because Hitler waged a war of annihilation against the Soviet Union, not least against its Jewish citizens, 1m of whom were the first victims of the Holocaust.

British and American aid to the USSR did not save the Soviet Union in 1941 since it only started arriving in significant quantities after the Soviet victory at Stalingrad, when the war had already turned in the allies' favour.

Nor is there is any need to demand, as Mr Robinson suggests, "generous recognition by Russia of the democracies' vital contribution". Stalin recognised the importance of western aid at the time, the Soviets did so again after the war, and I have attended many exhibitions in contemporary Russia celebrating that contribution,

including those dedicated to the allied soldiers, sailors and airmen who risked their lives to get the supplies through.

In my opinion, President Vladimir Putin has tried, in all honesty, to come to terms with "Russia's tragic totalitarian past", as Mr Robinson puts it. It is true that in recent years Mr Putin has become more defensive about Soviet history, not least in relation to the second world war. But that is an understandable reaction to the torrent of anti-Russian propaganda that pollutes western media.

Geoffrey Roberts
*Emeritus Professor of History,
University College Cork, Ireland*

Far from being a disrupter, Microsoft is just a follower

You are claiming that Microsoft is an industry disrupter because of its move to cloud-based services ("Microsoft and Tesla set the standard as industry disrupters", January 31). Surely the disruption started with Amazon Web Services in the infrastructure as a service market (almost half of the market, versus Microsoft Azure's 15 per cent or so), and Google's collaboration suite in the cloud-based collaboration market. Microsoft took years to catch up to them.

As evolved as Microsoft's offering might be today, it is just a follower, not a disrupter.

Jem Eskenazi
London N3, UK

An equivocal book for a polarised world

Book review
Giles Wilkes



Markets, State, and People: Economics for Public Policy
by Diane Coyle
Princeton, \$39.95

This is a brave time to publish a book laying bare the techniques of public policy. Affection for the technocracy is at a low ebb. The policy wonk is often mocked as a Gradgrindian calculator blind to all that really matters — sovereignty, identity, a sustainable environment — yet oddly powerful.

So populist revolts from Brexit and France's *gilets jaunes* to Extinction Rebellion and the election of US president Donald Trump are portrayed as a people's rebellion against policy experts, whose blind spots are blamed for the 2008 financial crisis, global warming, soaring inequality and more.

But there is already an academic field devoted to studying the failure of economics. They call it "economics". It is a discipline that progresses through a constant, anxious appraisal of its own flaws and gaps, and speaks much more loudly about what we don't know than what we must do.

This book has a self-confident title. But in its pages, Diane Coyle, the professor of public policy at Cambridge university, appends to every conclusion an intelligent caveat. Uncertainty and malfunction abound. Markets fail for a long list of reasons — incomplete information, perverse incentives, externality and power — and so governments intervene. But they fail too, beset by the same biases that sabotage markets. And at their heart sit people: irrational, fallible, stubbornly social animals, refusing to act as the model dictates.

Faced with this mutually reinforcing

maelstrom of dysfunction, you might wonder whether any policymaker has a better than random chance of improving things.

Worse, apparent professional diffidence might be taken as an excuse to substitute whatever solution fits the political urge. But policymaking does not aim for perfect solutions. Instead, what we have is a guide to the tools and instruments: how they work, and where they fail. A market fundamentalist might look for answers in the creation of property rights to address, for example, the overfishing of oceans. But we also learn that too narrow an approach can impede better processes of collective management. When it comes to "positional goods", like a coveted place at college or an exclusive address, property rights can even be what causes the problem, driving the market towards artificial scarcity.

A good economist makes it their job to understand the market, but not to force a market solution on to every problem. Often their insights will lead them the opposite way. There is no better example than the UK's attachment to its National Health Service, a massive, progressive system of rationed healthcare and a beautiful contrast to the market-failure-ridden monstrosity found in the US.

Coyle's determination to avoid easy answers shows in her discussion of the well-hyped topic of behavioural economics. Of course behavioural context matters, but next to the commercial world, government is a

hopeless amateur at nudging us to the right behaviour. Too often politicians judge a policy on how it sounds.

The tension between the gut of politics and the brain of technocracy is a running theme. We must never forget that economics does not capture everything: we also value the freedom to make our own mistakes, and to punish bad behaviour even if it hurts us to do so. Such considerations are why context is everything in deciding the right course, and also why the best advice is often the "zero option" — do nothing.

I finished this book feeling more positive about economics as a force for good. Life would be better if it sat beside the desk of every special adviser in government. But no one campaigns on a platform of correcting market failures, or vows to sit tight until the randomised controlled trial is done. Powerful politicians arrive with their conclusions already written down, and gather around them the officials willing to provide the right workings. The downside of a flexible, humble profession is that it can make an argument for almost anything.

US president Harry Truman longed for a one-handed economist, because "All my economists say 'on one hand' then 'but on the other.'" He was wrong to. Equivocal books do not usually do well in a polarised world. This one deserves to buck the trend.

The reviewer is specialist partner at Flint Global and senior fellow at the UK's Institute for Government

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Opinion

How to secure the EU’s post-Brexit future



The Brexit talks are the most pressing, but probably not the most important item on the EU’s calendar this year. That place goes to the upcoming conference on the future of Europe. It offers a rare opportunity to reconfigure the dysfunctional engine at the heart of the EU. Yet, I fear, this opportunity might be missed.

What the EU needs to fix more than anything else is the divide between the core and the periphery. Brexit is the most extreme manifestation of that divide, dating back to the 1990s and the Maastricht treaty.

The introduction of the single currency and, later, enlargement of the eurozone to include countries that were economically unprepared laid down two systemic dividing lines: between the

north and south of the eurozone, and east and west. There are countries on the disadvantaged side of both.

It is further evidence that the road to hell is paved with the best pro-European intentions. The euro started as a federalist project. It is a dangerously incomplete one. Post-Maastricht politics left the EU in limbo: too centralised for a common market, not centralised enough for a monetary union.

The core countries need to prioritise three areas of integration: industrial policy, foreign and security policy and a fiscal union large enough to stabilise the economy. It is likely that all will be attempted, but, like the common eurozone budget, fade out. And then what?

One risk is for the disintegration that started with Brexit to continue. If the UK economy ends up performing just fine, public opinion in some peripheral member states could shift against EU membership. If the UK can demonstrate that life outside the EU is sustainable, Brexit will become less scary. Do not underestimate the residual anger in Greece and Italy at the way the EU has handled the crisis and forced austerity on unwilling electorates.

The bigger danger is gridlock. Of the remaining 27 EU members, eight are outside the eurozone. And the core and periphery countries tend to frustrate each other’s ambitions. The divide within the single currency area is one of the reasons why the EU cannot leverage the euro as a foreign policy tool in the way the US does.

And why the EU finds it so hard to solve persistent problems such as immi-

What the bloc needs to fix, more than anything else, is the divide between the core and the periphery

gration that require collective action.

Solving the core versus the periphery divide would constitute formal recognition of a two-speed Europe. There is no way around this. It would give the periphery more sovereignty and less influence. It would also give the centre more policy tools. One of the many current issues a stronger EU would handle much better is energy policy.

Nordstream 2, the not yet-quite-complete gas pipeline project in the Baltic Sea, is a national project driven by Germany. If completed it would increase the EU’s dependence on Russian gas and drive a wedge into the transatlantic alliance. An EU energy policy would not have allowed that to happen.

Or take Huawei. The EU has two indigenous producers of 5G mobile network infrastructure — Ericsson and Nokia, from Sweden and Finland. The EU is about to miss out on one of the rare opportunities to create another Airbus-style European champion. Airbus succeeded because it broke into the oligopoly of US aircraft makers. The 5G case is similar. The use of European mobile telecommunications suppliers would make the EU independent from a Chinese company with uncertain security credentials. But some EU leaders favour Huawei because they fear Chinese reprisals.

Similarly with the debate on the future relationship with the UK. There is now a real possibility that the trade talks with the UK will fail if the EU continues to insist on regulatory alignment. It cannot be in the interest of the EU as a

whole to have an unnecessarily distant relationship with a neighbour that sits on the UN Security Council, and alongside European allies in the G7 and Nato.

By the EU’s “interest” I do not mean the sum total of those of its member states, and certainly not the lowest common denominator. The EU’s interest exists in and of itself. The EU has the means to pursue it: critical mass, money, rule of law, sound legal and administrative institutions and qualified work forces. If it fails to look after its own interests, it has no one to blame but itself.

The EU will not necessarily disintegrate. But it might become irrelevant. I am under no illusion about the reduced political room for manoeuvre. Political trends in Italy and France, combined with German industrial mercantilism, may reduce that room further.

My central expectation is that the EU will continue more or less in the same way. In the process, it will misjudge Brexit, the intentions of China and Russia and the warnings from US politics. But misjudgments are choices too.

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Foundations are an answer to the problem of short-termism



A fight has broken out over the future of Thyssenkrupp. Activist shareholders want the German industrial giant to sell off its highly profitable elevator division. Workers and politicians fear the disposal would hasten the company’s demise and damage the larger community.

For most companies, which focus on profit maximisation and shareholder value, this would not be much of a contest. But Thyssenkrupp’s largest shareholder is a charitable foundation. While it needs dividends to fund its philanthropy, it also has a mandate to “preserve the unity” of the company. So it is considering its choices carefully.

That thoughtfulness is instructive. The global financial crisis, the fight against climate change and the effects of the digital revolution all suggest that corporations need to broaden their purpose beyond a purely capitalistic approach. To do that, they may need a new type of boss. Right now many public companies have such a dispersed shareholder base that they lack a clear owner, leading to insufficient oversight of management by shareholders and conflicts of interest between managers and firm owners. As a result they often fall prey to short-termism.

There is too much focus on meeting quarterly forecasts at the expense of long-term value creation through the accumulation of human capital or the development of new technologies. Management pay levels often bear little relation to company performance. Business

A leading shareholder with strong incentives to oversee management can make a difference

Coronavirus will hit global growth



Last week, I enjoyed a city break in Istanbul with my teenage daughter. It was made even better by the fact that we were upgraded to a €1,000 room for only €250 — in large part because our hotel, which expected to be booked solid by wealthy Chinese holidaymakers, was nearly empty.

Everywhere around the city, merchants displaying “Happy Chinese New Year” signs were even more aggressive than usual in hawking their wares to passing tourists. There weren’t many of us. “It’s coronavirus,” said the concierge. “Last year around this time, we were packed. This year, nothing.”

We might be about to see something new: a global slowdown led by China, rather than the US. The past four global recessions have been triggered by American consumers. But China’s place in the global economy has grown dramatically over that time. China today accounts for about one-third of global growth, a larger share than the US, Europe and Japan combined.

While there is no doubt that growth has slowed in recent years, the base from which China is growing has exponentially increased. As China bull Andy

Rothman of Matthews Asia notes, while gross domestic product growth was at 9.4 per cent a decade ago, the base for last year’s 6.1 per cent growth was 188 per cent larger than 10 years ago. That means that what Chinese consumers and workers do today matters a lot more than it once did. “Chinese consumers drove global economic growth in 2019,” says Mr Rothman, just as they did for several years previously.

No wonder people in the hospitality, tourism, travel and retail industries are seriously worried about the impact of the coronavirus. Chinese travellers are especially valuable because they tend to stay longer and spend more than those from other countries — in the US, for example, they stayed an average of 18 days and spent \$7,000 per visit last year, according to a 13D Global Strategy and Research report.

While Chinese spending in the US was already slowing because of the trade war, Asia and Europe will now feel its loss as well. That will have knock-on effects in areas that are dependent on tourism: retail, restaurants, luxury goods and services of all kinds.

Goldman Sachs estimates a hit of 0.4 percentage points to China’s 2020 growth and a similar drag on US growth in the first quarter. Optimists will note that during the Sars outbreak in 2003, Chinese growth dipped only briefly before rebounding to a robust 10 per cent. But back then, China accounted for just 4 per cent of global growth, compared with 16 per cent today. Consumer spending wasn’t nearly as developed,



and Chinese tourism was still mainly inbound. “Consequently . . . the negative impact on global growth could be higher than in 2003,” noted an ING report on the topic.

It is not only Chinese consumers who may drive a slowdown. The Hubei region is a huge area for supply chains. Travel bans have made it difficult for people to work and to keep factories running. It is possible that with enough supply chain disruption China won’t be able to meet its US trade deal purchasing commitments.

That would of course have a geopolitical impact, particularly in sectors including technology, which are still among those most closely linked to Chinese businesses, despite the decoupling already taking place between the US and

China’s place in the world economy has grown dramatically since the US triggered earlier recessions

the Middle Kingdom (a trend that the “phase one” trade deal won’t change). If the tech sector starts to look wobbly, that might affect energy and material inputs, and, in turn, be the catalyst for the larger market correction that many of us have been expecting for some time.

All this makes the outbreak of the virus exactly the sort of unexpected trigger event that many market participants have been fretting about — they are already worried about declining US corporate profit margins, record debt, liquidity issues and negative yields.

Of course, it is possible that the markets will shrug it all off for a while longer. Perhaps Donald Trump will be able to claim, just in time for elections in November, that he was US president when the Dow reached 30,000. But that potential market high would have been driven by monetary policy and deficit spending rather than any more productive White House strategy.

This underscores a wider point: whatever happens with coronavirus, the US has missed an opportunity, not just under Mr Trump but ever since the

2008 financial crisis, to reset its growth strategy, ideally to one based more on income growth than asset price inflation. That is the only way to assure economic security over the longer term.

China, too, has been overly dependent on debt during the post-financial crisis period. It has brewed up its own bubbles in everything from real estate to provincial bonds. Consumption and labour markets were weakening even before coronavirus hit. Trust in governance, already waning under President Xi Jinping, has taken a new hit with the party’s initial downplaying of the crisis.

And yet, whatever toll the virus may eventually take on global growth, the fact that recession fears — which seemed a non-issue a week ago — are now back, says something important.

The US still matters a lot in the global economy, but much less than it used to. China, on the other hand, matters much more. Just how much will be measured as the story of coronavirus plays out in the weeks and months ahead.

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Democrats must not draw the wrong lessons from Labour’s defeat



After the UK Labour party’s humiliating general election defeat, “moderate” Democratic presidential candidates and commentators in the US urged the Democrats to learn the lessons of Brexit and Donald Trump: don’t veer too far-left and make radical promises.

Meanwhile, Steve Bannon, the president’s former adviser, correctly reminded progressives in Britain and the US that “Brexit and Trump were inextricably linked in 2016”. He then provocatively — and incorrectly — added: “They are inextricably linked today.”

It is true that in the US, Mr Trump’s election victory was produced by the same working-class revolt against elitism and immigration that powered the Leave vote. But that historic

conjuncture has since been almost erased from view by a very different, American story. Many Democrats have blocked out the backlash among the white working class against the Obama administration, which had expanded government to save global capitalism, bailed out the Wall Street banks, introduced a mandatory health insurance programme with high costs and incurred big federal deficits.

This cost the Democrats in the 2010 and 2014 midterm elections, and ensured Hillary Clinton’s defeat in 2016. The Democratic base of African Americans, Hispanics, millennials, and unmarried women did not turn out to defend the party because they were unenthusiastic about these policies and the claims of economic progress. Elites were indifferent to the anxieties about immigration that contributed to the white working class revolt and Mr Trump’s victory.

His anti-immigrant rhetoric allowed him to win the Tea Party base of the Republican party, and ultimately make immigration the top reason to vote Republican in 2016 and the 2018 mid-

terms. The Trump campaign produced a surge of white working-class voters, many of whom were voting against Mrs Clinton who notoriously viewed them as “deplorables”.

However, disillusionment among the white working class set in just a year into Mr Trump’s presidency. Voters were soon put off by his cutting “meals on wheels” for seniors; in the summer of 2017, Mr Trump nearly passed a plan to slash spending on Medicare and Medicaid, which he had promised not to touch. Every day brought a new scandal, but slashing tax rates for corporations and the top 1 per cent was the last straw.

These voters turned on the president at their first opportunity in the 2018 midterm elections. The shift against Mr Trump among working people was

Every year, the US becomes less rural, more secular and, most of all, younger

three times stronger than the shift in the suburbs, where the Democrats were poised to flip seats. That obscured the working-class revolt.

Democratic candidates ran on reform and fighting corruption, reducing prescription drug costs and building infrastructure to create jobs. Nearly all Democratic senators across the rust-belt won by double digit margins.

Mr Trump is now running only even with the top Democratic candidates for the 2020 presidential contest among white working-class women, wiping out the 27-point margin he had in 2016.

That takes the US a long way from the electoral college map when Mr Trump was elected. As does accelerating demographic change. Every year, the US becomes less rural, more secular, and, younger. Millennials and Gen Z will make up an estimated 37 per cent of the electorate this year.

Mr Trump implemented a travel ban on Muslim countries, sent troops to the border to stop the caravan from Central America, battled to fund the border wall, separated children from their parents and created refugee camps. And

America fought back, with young people in the vanguard.

Before the 2016 election, 53 per cent nationally said immigrants “strengthen our country”; that grew to 62 per cent before the midterms. As the administration escalated its anti-immigration efforts in 2019, the proportion offering a warm response to the words, “immigrants to the US” climbed from 52 per cent in January to 67 per cent in September.

The backlash against Mr Trump has played out in every election — most recently in November, when Democrats took total control of Virginia’s state government and won the governorships in Kentucky and Louisiana.

This has created a very different map and story to the UK, where the Brexit divide remains real. Those recommending the Democrats learn from Labour’s defeat should instead take note of the history the party has been writing since Mr Trump was elected.

The writer, a pollster for Bill Clinton and Tony Blair, is author of ‘RIP GOP: How the New America is Dooming the Republicans’

The writer is chairman of CaixaBank



Beyond Peloton

Could home exercise tech spell the end of trips to the gym?

COMPANIES & MARKETS

Let’s be bold and wear comfortable clothes at work



Pilita Clark

Business Life

The other week at Heathrow I picked up a free copy of the GQ men’s magazine and spent several cheering minutes thumbing through the 27 pages devoted to its annual list of the 50 best-dressed men.

After I had read about the casually elegant Prince Harry and the “living, breathing fashion deity” that is apparently Keanu Reeves, I discovered there was an even better list: 2020s worst-dressed men.

GQ loathed Mark Zuckerberg’s suits. It despaired of Donald Trump’s waistcoats. David Solomon, the Goldman Sachs boss and part-time DJ, may have relaxed his bank’s dress code last year, but his dance floor garb of baseball caps and T-shirts was still deemed a bit too “grandad at the disco”.

The man who offended the magazine most horribly came as a shock. It was Dominic Cummings, the maverick Number 10 aide. His crimes against style were judged to be his “nondescript” sports hoodies, his ghastly fleece vests and his general tendency to “dress like an unlicensed cab driver”.

I realise the people at GQ are experts at this sort of thing and I am not. But it



Dominic Cummings’ unbuttoned wardrobe remains a source of wonder in a place such as Downing Street

Simon Dawson/ Reuters

strikes me that their verdict on Mr Cummings reveals a shaky grasp of the modern working man’s dress needs. More baffling still for those of us inclined to own more Gap than Gucci, it is hard to see why his fashion felonies are worse than some who made it to the best-dressed list.

The judges said, understandably, that his baggy, shapeless jeans “deserve an Asbo”. Yet number 16 on the best-dressed list is the rapper, A\$AP Rocky, who is pictured in even baggier, weirder jeans but somehow still qualifies as “one of the men who are getting it right”.

A similar mystery surrounds Mr Cummings’ feet. GQ shows them in trainers that do not seem dramatically worse than those worn by David Beckham (number four on the best-dressed list) or LeBron James (43).

All three men are part of an admirable trend towards comfort that

“Contrary to conventional wisdom, sticking out in a crowd does not automatically cause problems”

has helped to double global trainer sales since 2013 and loosen tedious dress rules from Wall Street to Westminster, not only for men.

I cheered Emma Thompson when the actor wore trainers to Buckingham Palace to collect her damehood in 2018. I was sorry to see Jess Phillips exit the race to lead the British Labour party. The backbencher wears trainers in the House of Commons and had promised to wear jeans in Number 10 if she made it there.

I thought of her the other morning as I was fumbling around in a lather of indecision about what to wear on stage at a company event that was going to be broadcast live to all staff. Knowing the men beside me would be armed in suits and ties, I went for the proportionate response of a pencil skirt and heels.

Tottering up to the stage a few hours later, I thought of how a braver woman would have turned up in trainers and jeans, which reminds me of another problem with the GQ Cummings ruling. It demeans an element of dress sense that today’s working man might find useful.

Office dress codes may be loosening in cities such as London,

but Mr Cummings’ unbuttoned wardrobe remains a source of wonder in a place such as Downing Street.

This suggests that, consciously or not, he knows the power of what researchers call the “red sneakers effect”: our tendency to think that people who behave in a slightly unconventional way are more competent than conformists.

The name comes from a study by Harvard academics who looked at how people felt about a professor teaching a business seminar in red Converse trainers, or contestants in a business competition who used their own PowerPoint layouts instead of the official template. The paper concluded that, contrary to conventional wisdom, sticking out in a crowd does not automatically cause problems.

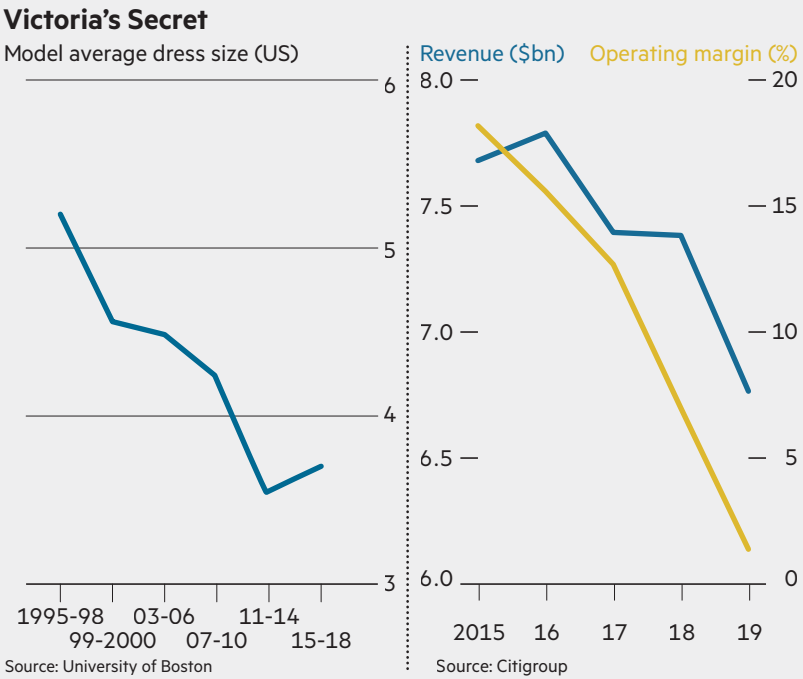
Instead, if someone is confident enough to wear an old T-shirt in a building full of suits, we are inclined to admire them because we think they have the power or ability to risk it.

Mr Cummings appears to have absorbed this lesson and for that alone I like to think that next year, GQ will give him a break.

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Victoria’s Secret: not so hot



It was once the kingpin of the \$12bn-a-year US lingerie market. But Victoria’s Secret and its sexed-up offerings of push-up bras and racy runway shows have lost appeal in the age of #MeToo.

Shoppers these days are prioritising fit and comfort over flash and glamour. Start-ups ThirdLove and Lively, along with rival retailers such as Aerie and even singer Rihanna, have pounced on the gap. They are winning over younger customers with body-positive messages and advertising that celebrates different body shapes.

Victoria’s Secret’s one-note definition of sexy — busty super models in lacy thongs and stiletto heels — feels about as retrograde as Hugh Hefner and his cohorts of Playboy bunnies.

Its adherence to that vision explains why it was slow to embrace new trends, such as that for wire-free “bralettes”.

Having an octogenarian at the helm of a group that caters to 20-40-year-old women probably does not help.

Leslie Wexner may be a retail legend. He built Abercrombie & Fitch, The Limited and Express into big national chains. But the 82-year-old is also the longest-serving chief executive of an S&P 500 company, having run Victoria’s Secret’s parent company L Brands since 1963. This can lead to

some strange views. Among them: a conviction that shopping malls will bounce back and society’s fascination with smartphones is just a fad.

His past association with accused child sex trafficker Jeffrey Epstein, who died last year, has also come under intense scrutiny.

News that Mr Wexner is in talks to step down as chief executive of L Brands is therefore welcome. If anything, it would make a potential sale of Victoria’s Secret, which Mr Wexner is also considering, more palatable to would-be buyers.

It will take more than new owners to fix Victoria’s Secret. Same-store sales are on track for their third straight year of decline. Even sales at Pink, the teen and college-age brand that was once considered the growth engine for Victoria’s Secret, have stalled.

Rampant discounting has pushed operating margins from a high of more than 18 per cent in 2015 to the 1.3 per cent forecast for 2019. Many of its 923 US stores have been hit by a collapse in foot traffic to shopping centres.

With malls as passé as buxom super-models trussed up in sapphire-studded bras, Victoria’s Secret is on the wrong side of history. High time for Mr Wexner to call it a day.

WEATHER

Today's temperatures

Location	Weather	Temp
Amsterdam	Cloudy	11
Ankara	Cloudy	10
Athens	Sun	18
Bahrain	Sun	19
Barcelona	Sun	20
Beijing	Sun	3
Belfast	Shower	6
Belgrade	Drizzle	13
Berlin	Shower	10
Brussels	Shower	12
Budapest	Rain	11
Cairo	Sun	20
Cardiff	Cloudy	10
Chicago	Fair	7
Cologne	Rain	12
Copenhagen	Shower	6
Delhi	Sun	21
Doha	Sun	22
Dubai	Sun	22
Dublin	Fair	7
Edinburgh	Shower	7
Frankfurt	Drizzle	13
Geneva	Cloudy	17
Hamburg	Rain	9
Helsinki	Sun	1
Hong Kong	Fair	20
Istanbul	Cloudy	14
Lisbon	Sun	21
London	Fair	11
Los Angeles	Sun	19
Luxembourg	Rain	11
Madrid	Fair	19
Malta	Fair	18
Manila	Fair	29
Miami	Sun	22
Milan	Fair	17
Montreal	Cloudy	2
Moscow	Snow	2
Mumbai	Sun	29
Munich	Rain	10
Naples	Cloudy	17
New York	Fair	13
Nice	Sun	18
Nicosia	Fair	18
Oslo	Fair	2
Paris	Rain	13
Prague	Shower	10
Reykjavik	Snow	1
Riga	Cloudy	4
Rio	Thunder	27
Rome	Fair	18
San Francisco	Sun	12
Singapore	Fair	31
Stockholm	Fair	3
Strasbourg	Rain	13
Sydney	Rain	29
Tokyo	Drizzle	14
Toronto	Fair	6
Vancouver	Fair	5
Vienna	Shower	10
Warsaw	Cloudy	7
Washington	Sun	18
Zagreb	Cloudy	17
Zurich	Shower	15

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FTWeekend

FINANCIAL TIMES

CROSSWORD

No. 16,390 Set by VELIA

JOTTER PAD

ACROSS

1 Are sheep the booty in these types of burglary? (3-5)

5 Soup served in club or school (6)

9 After rain soaks bits and pieces (8)

10 Stoop to embrace skinhead – that shows style (6)

12 Make divine switch of leaders to illuminate (5)

13 Second queen to be held captive in horrid abbey (9)

14, 21 Aging criminal giant chasing vehicle with secret agent (6,6)

16 We're leaving this mythical being for a minor royal (7)

19 Additional court passage (7)

21 See 14

23 Expired, yet intrinsically pure (9)

25 Whisper fanciful ideas (5)

26 Tuneful, without Mel becoming offensive (6)

27 Keep going round a boot, mostly in infantile game (8)

28 Kitchen not right place for art (6)

29 Bonfire spotted back in range (8)

DOWN

1, 18 Rogues held hand bombs and acted without thinking (6,8)

2 Beggar cannot be seen chasing designer denim (9)

3 Northbound Melbourne river formation (5)

4 Fellow holding papers? That won't happen (5,2)

6 Supervision error (9)

7 Shooter has no right to get bird (5)

8, 22 Darling models new strange fruit (8,6)

11 Previously one in a hundred, on the contrary (4)

15 Go at last, you need love and bliss (9)

17 Useless aristocrat, awfully vain inside (9)

18 See 1

20 Ingredient of oriental curry powder (4)

21 Staggering day, for a stranger (7)

22 See 8

24 Calm needed to make whisky, in 23 (5)

25 Empty nook in beer joint (5)

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