

Shell's case

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Ever closer workplace surveillance is bad for our health — **OPINION**, PAGE 17



Blowing bubbles

Why inflation is key to stocks finally deflating — **INSIDE FINANCE**, PAGE 6

Merkel attacks Twitter ban on Trump as breach of free speech

◆ Democrats move to impeach president ◆ US and Europe split over regulating Big Tech

LAUREN FEDOR — WASHINGTON
GUY CHAZAN — BERLIN
HENRY FOY — MOSCOW
HANNAH MURPHY — SAN FRANCISCO

House Democrats introduced an article of impeachment against Donald Trump yesterday for the second time as Angela Merkel criticised Twitter for banning the US president from its platform, calling it a "problematic" breach of the "fundamental right to free speech".

The move, which follows last week's assault on the US Capitol by a mob of Mr Trump's supporters, is the first time that a sitting president has been charged with inciting an insurrection. At least five people died in the attack, including a Capitol police officer.

Democratic lawmakers have separately started a last-ditch effort to force Mr Trump out of the White House before the end of his term using the 25th Amendment.

Twitter suspended Mr Trump's account in the aftermath of the Capitol assault, citing "repeated and severe" violations of its civic integrity policies. Facebook has taken similar action.

But Ms Merkel, the German chancellor, said through her spokesman that the US government should follow Germany's lead in adopting laws that restrict online incitement, rather than leaving it up to platforms such as Twitter and Facebook to make up rules.

Her intervention highlights the central area of disagreement between the US and Europe over how to regulate social media platforms.

The EU wants to give regulators more powers to force companies such as Facebook and Twitter to remove illegal content. In the US, technology companies have been left to themselves to police their own sites, though momentum is gathering behind political moves to curtail their regulatory freedom.

Ms Merkel's spokesman, Steffen Seibert, said free speech was a "fundamental right of vital importance" that could be restricted, "but only in accordance with



Angela Merkel with Donald Trump in 2017: she says that the US should follow Berlin to enact laws regulating social media
Jonathan Ernst/Reuters

the laws and within a framework defined by the legislator — not by the decision of the management of social media platforms".

Several members of Congress are working on bills that would limit the legal protection social media companies have from being sued for third-party content posted on their sites. Others are pushing for a new federal data privacy

bill that could mirror the EU's General Data Protection Regulation.

Ms Merkel's criticism was echoed by France's finance minister, Bruno Le Maire. He told France Inter that he was "shocked" by Twitter's move. "Digital regulation should not be done by the digital oligarchy itself... Regulation of the digital arena is a matter for the sovereign people, governments and the judiciary," Mr Le Maire said.

The ban has also come under attack from Alexei Navalny, the prominent Russian blogger and dissident. He called it "an unacceptable act of censorship" that would be used by the Kremlin to justify his blacklisting by state media. "This precedent will be exploited by the enemies of freedom of speech around the world," he wrote on Twitter. "In Rus-

sia as well. Every time when they need to silence someone, they will say, 'this is just common practice, even Trump got blocked on Twitter'."

Unless Vice-President Mike Pence invokes the 25th amendment — or Mr Trump resigns — House Democrats will press on with proceedings as soon as tomorrow. Mr Trump has shown no sign of standing down before the inauguration on January 20. He is expected to make a trip to the US-Mexico border today to tout his record on immigration.

The president was impeached at the end of 2019 on charges relating to his efforts to press the Ukrainian president into digging up dirt on Joe Biden and his son, Hunter Biden. He was acquitted after a Senate trial.

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The absence of a Trump figure does not protect Europeans from unrest
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Briefing

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► **China hits at US easing of Taiwan curbs** China condemned US moves to strengthen ties with Taiwan during the final days of Donald Trump's administration, saying the island was an important factor in its relations with Washington. — PAGE 4

► **Baidu joins Geely in electric drive** Baidu is linking with Geely to make smart electric cars, its latest push to shift away from a stagnating core business and a key step for the carmaker's efforts to sell its tech. — PAGE 7



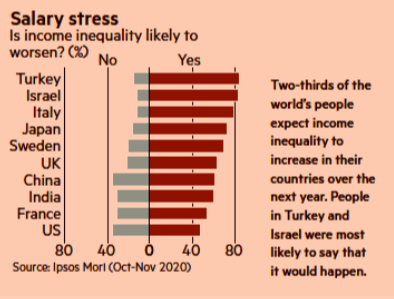
► **Mayor urges Washington gatherings ban** Washington's mayor has asked federal authorities to deny permits for public gatherings until after Joe Biden's inauguration amid fears of further violence in the city after last week's rampage. — PAGE 2

► **Sanofi buys British biotech for \$1.45bn** Sanofi is to purchase UK biotech Kymab \$1.45bn, with the French drugmaker saying the move might spur an alternative Covid-19 vaccine amid delays in developing its own jab. — PAGE 7; LEX, PAGE 18

► **EU countries seek to stem virus variant** EU states are racing to isolate cases of the infectious mutation of the Covid-19 virus dominant in parts of England, and are considering tighter curbs. — PAGE 2; EDITORIAL COMMENT, PAGE 16; CECILE GUERIN, PAGE 17

► **Cryptocurrency sector rails at new rule** A planned US Treasury rule aimed at stopping illicit cryptocurrency deal is being strongly opposed by the sector, setting up a battle that threatens to cast a shadow over the digital currency boom. — PAGE 6

Datawatch



Permlra moves to float 25% of Dr Martens in UK

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Ex-Credit Suisse chief Thiam links up with JPMorgan to launch \$250m Spac

STEPHEN MORRIS — LONDON
ORTENCA ALIAJ AND JAMES FONTANELLA-KHAN — NEW YORK

Former Credit Suisse chief executive Tidjane Thiam is joining forces with JPMorgan Chase to head a \$250m special purpose acquisition vehicle to invest in financial services businesses, say people familiar with the matter.

The US investment bank is helping raise the money after pitching the idea to Mr Thiam, with chief executive Jamie Dimon personally involved, according to these people. The as-yet unnamed Spac will be listed in New York and is in discussions with sovereign wealth funds to back the vehicle financially and join the board.

Mr Thiam has marketed himself as someone who can take financial services companies in high-income countries

and connect them to those in emerging markets, one of the people said.

Mr Thiam is the latest high-profile banker to raise money via a Spac amid a boom in blank-cheque vehicles. Citigroup dealmaker Michael Klein and hedge fund manager Bill Ackman have both raised billions of dollars via Spacs.

JPMorgan declined to comment. A representative of Mr Thiam was not immediately able to comment.

Spacs, which list on a stock exchange and raise money from investors, use the proceeds to hunt for private companies they can buy and take public through a reverse merger. Shareholders do not know which company the shell vehicle will target ahead of the deal, so their investment is essentially a bet on those leading the Spac.

A recent all-star cohort of sponsors, which receive a 20 per cent stake in the

company as a reward for finding a target, have helped lend legitimacy to a structure once relegated to the backwaters of finance and more closely associated with penny stocks.

Other bankers recently to start Spacs include Mr Thiam's former rival, ex-UBS chief executive Sergio Ermotti. Mr Ermotti chairs Investindustrial Acquisition Corp, which filed a \$350m US IPO in October. Barclays alumnus Makram Azar's Golden Falcon Acquisition Corp raised \$345m last month on the New York Stock Exchange.

Away from finance, Mr Thiam has been linked to political office in France owing to his relationship with President Emmanuel Macron, as well as his native Ivory Coast, where last year the Elysée proposed him as a potential member of government ahead of a contentious election.

Austria	€390	Malta	€370
Bahrain	Dh18	Morocco	Dh45
Belgium	€390	Netherlands	€300
Bulgaria	Lev750	Norway	Nkr460
Croatia	Kr20	Oman	ORL60
Cyprus	€370	Pakistan	Rupee350
Czech Rep	Kc105	Poland	z120
Denmark	Dkkr38	Portugal	€370
Egypt	Eg59	Qatar	QR15
Finland	€370	Romania	Ron17
France	€390	Russia	€500
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Lithuania	€4.30	Turkija	Dh750
Luxembourg	€390	Turkey	TL19
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STOCK MARKETS				CURRENCIES				INTEREST RATES					
	Jan 11	prev	%chg		Jan 11	prev			Jan 11	prev			
S&P 500	3811.01	3824.68	-0.36	\$ per €	1.215	1.226	€ per \$	0.741	0.736	US Gov 10 yr	104.09	1.13	0.02
Nasdaq Composite	13112.55	13201.98	-0.68	\$ per £	1.349	1.359	€ per £	1.110	1.109	UK Gov 10 yr		0.31	0.02
Dow Jones Ind	31023.35	31097.97	-0.24	£ per €	0.901	0.902	¥ per €	126.724	127.211	Ger Gov 10 yr		-0.50	0.06
FTSEurofirst 300	1575.94	1585.36	-0.59	¥ per \$	104.295	103.795	£ index	78.470	78.220	Jpn Gov 10 yr	118.35	0.03	0.00
Euro Stoxx 50	3621.37	3645.05	-0.65	¥ per £	140.679	141.089	Sfr per £	1.203	1.201	US Gov 30 yr	113.62	1.89	0.01
FTSE 100	6798.48	6873.26	-1.09	Sfr per €	1.083	1.082	€ per \$	0.823	0.816	Ger Gov 2 yr	105.31	-0.70	0.00
FTSE All-Share	3837.35	3880.43	-1.11										
CAC 40	5662.43	5706.98	-0.78	COMMODITIES									
Xetra Dax	13936.66	14049.53	-0.80										
Nikkei	28139.03	27490.13	2.36										
Hang Seng	27908.22	27878.22	0.11										
MSCI World \$	2753.31	2734.19	0.70										
MSCI EM \$	1353.53	1322.30	2.36										
MSCI ACWI \$	663.59	657.53	0.92										

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INTERNATIONAL

Health crisis

EU countries race to control Covid variant

French prime minister declines to rule out third national lockdown

VICTOR MALLET — PARIS
MICHAEL PEEL — BRUSSELS

France and other EU nations are racing to identify and isolate cases of the highly infectious variant of the Covid-19 virus already dominant in parts of England, and have said they may have to further tighten restrictions on movement if they fail or if the mutation is discovered to be already widespread.

Jean Castex, French prime minister, told parliamentarians at a meeting yesterday it was impossible to rule out a third lockdown for the country, according to officials.

Arnaud Fontanet, an epidemiologist

and member of the government's scientific council on the pandemic, said it was important to consider closing the border to countries such as the UK in the face of the "very serious threat" posed by the new variant.

"By midweek we'll know the size of the enemy and we'll have to take appropriate measures," Mr Fontanet told BFMTV.

Jean-François Delfraissy, who heads the council, said last week France probably "cannot avoid" the rapid spread of the variant, which took two-and-a-half months to reach 60 per cent of the new viral infections in parts of the UK.

French health workers have already found more than two dozen cases of the British variant in Marseille in the south, Lille in the north and the Alps in the south-east, but fear there may be hundreds or thousands more undetected

infections. Benoît Payan, Marseille mayor, said there was a "worrying" reality of virus infections in the city and "every minute counts in the effort to control the English variant". Marseille is in one of 23 French departments operat-

'By midweek we'll know the size of the enemy and we'll have to take appropriate measures'

ing with an extended night-time curfew between 6pm and 6am. For the rest of the country, including Paris, the curfew begins at 8pm.

A similar pattern is visible in other parts of western Europe, even as governments struggle to implement mass vaccination programmes that initially

target health workers, the elderly and the vulnerable for protection.

Ireland detected the UK variant for the first time on Christmas Day. But it has since had a big impact on surging infections, amplifying coronavirus transmission after social restrictions were eased before the holiday.

Rising infections have alarmed health officials, placing huge strain on the country's hospitals, with the 14-day coronavirus incidence rate per 100,000 population at 1,291 on January 9, up from 166 on December 23.

Micheál Martin, prime minister, told Newstalk radio yesterday that "socialisation" in December was also a factor in the surge, but there was evidence the UK variant was "growing in terms of its percentage of the overall transmission". Official data suggest the variant accounted for 45 per cent of 92 samples

sent for additional testing, up from 25 per cent in the week to January 3.

In Belgium, infection rates in Brussels have leapt by more than three-quarters in a week, in what some observers fear may be the impact of people returning after travelling over Christmas.

Denmark has toughened travel restrictions in response to the spread of the British and South African coronavirus strains, barring entry since the weekend to all international air arrivals unless they have a negative Covid-19 test from the 24 hours before they boarded the aircraft.

Spain said last week it had detected at least 60 cases of the English strain but added that the total could increase significantly.

Additional reporting by Daniel Dombey in Madrid and Arthur Beesley in Dublin
See Editorial Comment and Opinion

Compliance concerns

Brussels bids to keep bloc states in line over separate vaccine deals

MICHAEL PEEL — BRUSSELS
ERIKA SOLOMON — BERLIN

Brussels is to probe EU governments' compliance with its centralised buying of coronavirus vaccines, as concerns grow that member states will seek to make their own deals to avoid possible supply shortages.

The European Commission is to write to the bloc's 27 countries to ask for "all the necessary transparency" over any dealings with drug companies with which it has done deals or held talks.

Tensions have grown over whether the commission has secured sufficient quantities of the vaccines made by BioNTech/Pfizer and Moderna, the only two so far to have won approval from the EU medical regulator.

Germany has already reportedly placed several bilateral orders, including 30m doses with BioNTech/Pfizer and 20m doses with CureVac, which — like BioNTech — is a German company. Cyprus has asked for extra jab supplies from its Mediterranean neighbour, Israel, which has the highest vaccination rate in the world.

Ursula von der Leyen, European

Countries will be asked for details of contacts with pharma companies with which the EU has dealt

Commission president, has asked Stella Kyriakides, EU health commissioner, to write to member state health ministers to check they are "complying with the provisions of our vaccines strategy", the EU executive said yesterday. The countries would be asked for details of "contacts — or lack of contacts, rather — with those pharmaceutical companies that we have been, or are, negotiating with", the commission added.

Brussels has assembled a portfolio of more than 2bn doses of seven different vaccines under a strategy designed to cover the EU's 446m population.

But the scheme has drawn criticism from some politicians, notably Markus Söder, premier of the German state of Bavaria, who said "too few of the right vaccines were ordered and price debates went on for too long".

Other politicians in Germany question whether the country should have been part of the bloc-wide procurement at all. Leaders from political parties including Chancellor Angela Merkel's coalition partners, the Social Democrats, have criticised Berlin for delegating vaccine purchases to Brussels.

By contrast, some other member state diplomats have privately questioned whether the bilateral German jab purchases conform with the letter and spirit of the EU vaccine strategy.

The commission has said member states are free to buy extra vaccines but only if they do not affect delivery of doses agreed under EU deals or involve "parallel negotiations" that might undermine the bloc's strategy. Brussels on Friday moved to shore up confidence in the EU procurement programme by announcing a provisional deal to double the bloc's access to the BioNTech/Pfizer vaccine to 600m doses.

Additional reporting by Mehul Srivastava

Coronavirus

Russia tests 'Sputnik Lite' one-dose jab for export

HENRY FOY — MOSCOW
NAJMEH BOZORGMEHR — TEHRAN

Russia has begun trials of a one-shot coronavirus vaccine its developers believe could be used to meet export demand.

State-run Gamaleya Institute, which developed the country's flagship two-dose Sputnik V vaccine, has begun trials on 150 people to test the efficacy of administering just one shot, dubbed "Sputnik Lite". The single jab would be marketed for export, the head of the country's sovereign wealth fund, which has financed Sputnik V's development, said yesterday.

Kirill Dmitriev, head of the fund, said its efficacy could be as high as 85 per cent. "Sputnik Lite could be an effective temporary solution for many countries passing the peak of novel coronavirus infections and trying to save as many of the lives of their citizens as possible," said Mr Dmitriev.

Russia is viewed by Iranian health officials as a potential source for vaccines, as they work out how to cope with a ban imposed by Tehran on jabs made in the US and the UK.

While the BioNTech/Pfizer vaccine is seen as too costly and difficult to store, the Oxford/AstraZeneca vaccine is affordable and produced in other countries rather than only in the UK, Iran Medical Council boss Mohammadreza Zafarghandi said. "We can buy [the same] vaccine from Russia and India where it is also produced," he said.

Dr Zafarghandi teamed up with three other senior doctors to send an open letter to President Hassan Rouhani on Sunday and called for the vaccination to be kept away from politics.

Iran plans to procure vaccines from the World Health Organization's Covax programme.

"Vaccination is a scientific-health issue with no place for political discussions," Dr Zafarghandi said. "Our people like other people in this region deserve to have access to vaccines otherwise we will lag behind regional countries."

Weather chaos



On thin ice: emergency workers and paratroopers clear a street in Toledo after storm Filomena hit the country — Angeles Vidomina/EPA-EFE

Spain freezes after heaviest snowfall in 50 years

DANIEL DOMBEY — MADRID

Spain's government has called on citizens to stay at home after a record-breaking winter storm that has already produced Madrid's biggest snowfall for at least 50 years, threatening to bring about the coldest temperatures since the second world war.

The impact of storm Filomena is all the greater as the national government and Madrid region have both resisted imposing a second coronavirus lockdown despite rising infection rates in recent weeks.

"This is not over," Fernando Grande-Marlaska, interior minister, said at a press conference yesterday. "It is necessary to avoid any travel that is not necessary... We are going through the most adverse meteorological conditions in recent history."

Madrid, the centre of Spain's transport infrastructure, is relatively unused to snow.

Two days after parts of the city were coated with 50-60cm of snow, the heaviest fall since at least 1971, roads in much of the capital remained impassable except by foot.

One of the city's jails has been left without water or heating, a medical workers' union has complained that some of its members have been stranded at primary care clinics since Friday and personnel at Madrid hospitals have worked shifts of up to 48 hours. Salvador Ila, health minister, hailed a young doctor who walked 17km through the snow for his shift at Madrid's Puerta de Hierro hospital.

The Madrid region has decided to keep schools closed until next Monday because of the effects of Filomena.

Local and national officials fear some of the biggest tests could be yet to come, with the coldest temperatures since 1945 set to turn the snow into ice.

Temperatures as low as -10C were expected to hit part of the greater Madrid region this morning, while the state meteorological agency predicted other parts of the country, such as Soria and Cuenca, would experience drops to -14C or lower.

The authorities said they had cleared many of the main highways. But, as of yesterday evening, the transport ministry said about 600 roads remained affected by the storm, from Galicia in the north and Catalonia in the east to Andalucía in the south.

Officials in the Madrid region warned that residential streets might not be unblocked until the weekend or even later.

Even so, Mr Grande-Marlaska added that the distribution of the BioNTech/Pfizer coronavirus vaccine was taking place "with total normality", although a supply flight to Madrid was diverted to the Basque city of Vitoria, and that only around 10 "urban zones" were suffering from power cuts.

Trucks that had been stranded on the highway since Friday have been able to deliver supplies to Madrid's main food market.

However, a number of neighbourhood supermarkets have already run out of much of their fresh produce.

The storm has also taken a heavy toll on the capital's trees: officials from Madrid town hall estimated about 150,000 of the 800,000 trees in the city's parks and streets had been damaged by heavy burdens of snow and ice, which will need attending.

Carbon capture

Norway's Viking 'Longship' wages war against emissions

RICHARD MILNE — BREVIK, NORWAY

A decade ago, Norway's first attempt to capture and store carbon dioxide — grandiosely known as the country's "moon landing" — was abandoned, with huge cost overruns.

Now, as concern about global warming grows, the Scandinavian country is revisiting the scheme. This time, it is trying to cut greenhouse gas emissions with a Nkr25bn (\$3bn) carbon capture and storage (CCS) plan dubbed "Longship", after the Viking boats.

The costly flagship project is crucial for western Europe's largest petroleum producer as it aims to find ways of cutting emissions and keeping its economically important heavy industry alive, officials and analysts say. If successful, it could be replicated elsewhere in Europe.

"Norway has been working up to this for decades. They see this as one of their big offers to the world," said Stuart Haszeldine, professor of CCS at the University of Edinburgh.

Ben van Beurden, Shell's chief executive, said it was hard to "overstate how critical" Norway's support was for CCS. "It puts Norway at the forefront of

something that will only increase in importance," he added.

But there are also risks involved. The country's first attempt at CCS "was a catastrophe", according to Per Brevik, head of sustainability in northern Europe for HeidelbergCement. Its focus on coal and gas-powered electricity plants proved redundant as they could just as easily switch to renewable energy, said Mr Haszeldine.

This time round, in an effort to avoid the "moon landing" mistakes, CCS is focused on industries such as cement, glass, paper and fertiliser that emit large amounts of carbon dioxide in their production processes.

Cement accounts for about 6-8 per cent of global emissions but only a third of that is related to energy. The rest is as a result of the calcination process in which limestone is crushed and burnt, and there is no viable alternative.

"This can be a success story for Norwegian technology and business," Prime Minister Erna Solberg told the Financial Times. "It can also be an example that Norway tried but nobody followed," she added, speaking at a Norcem cement plant in the seaside town of Brevik,

owned by Germany's HeidelbergCement, which is to be the pilot for the Longship scheme.

Norway's government will cover about four-fifths of the costs of the pilot CCS project in Brevik and provide most of the Nkr3.3bn needed to build a carbon capture plant there by 2024. Norway could also help finance a second project at a waste incineration plant but — in an effort to learn the lessons from "moon landing" and share the risk of the project — only if the EU also invests.

As part of Longship, Norway is also backing Northern Lights — an initiative



HeidelbergCement's plant in Brevik plans to implement carbon capture

by oil companies Equinor, Total and Royal Dutch Shell — to transport and store carbon dioxide beneath the seabed of the North Sea from projects such as Longship. Other companies will also be able to use the storage, in what Mr Haszeldine said would be the first commercial use of CCS as a service.

CCS offered Norway "new industrial possibilities" by both using its drilling expertise to offer carbon storage in the North Sea and potentially allowing natural gas to be used to produce hydrogen, "meaning that some of our natural resources will live longer", Ms Solberg added. But it will take time for it to become profitable and critics worry about the rise in carbon taxes needed to fund the Longship project.

Norway said on Friday its carbon taxes would more than treble for non-oil companies by 2030 as part of its efforts to halve emissions from their 1990 levels by the end of this decade.

The debate over the costs reflects how Norway has long struggled to reconcile its role as a big petroleum producer with its image as a country taking bold action on climate change.

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INTERNATIONAL

Big Tech Trump crackdown stokes debate over freedom of expression

Political power of a few private companies has attracted attention of incoming Biden administration

HANNAH MURPHY — SAN FRANCISCO
KIRAN STACEY — WASHINGTON

The threat to Donald Trump's chances of returning to the White House in 2024 may not lie just in Washington, where impeachment proceedings are due to begin this week, but in Silicon Valley, where technology companies have launched an unprecedented crackdown on the president's promotion machine.

Mr Trump no longer has a Twitter or a Facebook account after both companies barred him from their platforms following the violence wreaked by his supporters at the US Capitol last week. Meanwhile, Apple, Google and Amazon have all taken steps to clamp down on Parler, the niche Twitter rival used by many of Mr Trump's most fervent rightwing supporters.

The moves have added fuel to a fierce debate about where the balance lies between a tech company's right to censor users who breach their content policies versus an individual's right to freedom of expression.

Mr Trump's critics have applauded his "deplatforming", which many say was long overdue. But others worry that the moves demonstrate how much political power has been built up by a handful of private companies.

"We understand the desire to permanently suspend [Mr Trump] now," Kate Ruane, senior legislative counsel for the American Civil Liberties Union, said.

"But it should concern everyone when companies like Facebook and Twitter wield the unchecked power to remove people from platforms that have become indispensable for the speech of billions, especially when political realities make those decisions easier."

For years, social media companies have been under pressure to take action against Mr Trump. Many on the left believe he has used the platforms to fan the flames of violence, amplify conspiracy theories and sow disinformation.

But it took the storming of Capitol Hill by a pro-Trump mob — and the president's online praise of the rioters — to persuade them to block him altogether.

First, Facebook said it would suspend the president's account indefinitely. Then Twitter, Mr Trump's favoured megaphone for speaking directly to his 88m followers, said it would ban him permanently and not allow him to tweet from associated accounts such as that of the White House. YouTube, TikTok, Pinterest and Snap have also introduced restrictions. And for the first time, tech groups responsible for some of the underlying plumbing of the internet moved to muzzle the pro-Trump apps and forums used to organise Wednesday's violence. Amazon said it would suspend its web-hosting services to Parler, in effect forcing it offline unless it can find a replacement provider. Earlier, Apple and Google also kicked Parler off their app stores.

"Just like every social



Donald Trump plays golf in Sterling, Virginia. The PGA at Bedminster would have been the first time a course owned by the president had hosted a golf 'major' Tasos Katopodis/Getty

Rough times PGA drops president's course for golf major

Donald Trump's Bedminster resort has been stripped of hosting one of the world's biggest golf tournaments, as the sporting world joins politicians and corporate groups in breaking with the increasingly isolated US president following the riot that engulfed the US Capitol last week.

The PGA of America, the body that runs professional golf events in the US, announced it would move the 2022 PGA Championship away from the New Jersey-based course.

Next year would have been the first time a course owned by Mr Trump, a keen golfer, had hosted one of the four annual "major" tournaments in men's golf.

PGA of America's chief executive Seth Waugh told the Associated Press: "We're fiduciaries for the game, for our mission and for our brand. Our feeling was given the tragic events of Wednesday that we could no longer hold it at Bedminster. The damage could have been irreparable."

The Trump Organisation said: "We have had a beautiful partnership with the PGA of America and are incredibly disappointed with their decision. This is a breach of a binding contract and they have no right to terminate the agreement. As an organization we have invested many, many millions of dollars in the 2022 PGA Championship at Trump National Golf Club, Bedminster." *Murad Ahmed*



platform, these services also have their terms of service, all of which are supposed to specifically prevent things like calls to violence and hate," said Matt Rivitz of liberal social media activist group Sleeping Giants. "Until now, they had rarely enforced these rules."

A former senior Twitter executive said the company believed it had been "incredibly patient" with Mr Trump. But it felt compelled to curb the president this week amid fears of renewed violence around the inauguration of Joe Biden on January 20. "The warnings in the announcement are clear... There is a feeling that more trouble is coming. And if they did nothing, they would be criticised for standing by."

Mr Trump and his allies reacted with anger, with the White House saying Twitter employees had "co-ordinated with the Democrats and the Radical Left" to silence him. For others, however, the clampdown was long overdue. Robert Reich, a

professor of public policy at Berkeley and a former US labour secretary under Bill Clinton, said: "Social media platforms are four years late. They let Trump's lies, conspiracy theories and hatefulness take deep root. The legacy will be with us for years."

Nevertheless, some believe the technology companies are simply acting in their own self-interest, seeking to stave off criticism from the Democrats and possible regulatory action from an incoming Biden administration.

Mr Biden has previously called for the repeal of Section 230, the part of US law that protects social media companies from being sued for content posted on their platforms. His administration will also now take on antitrust cases against Google and Facebook, while members of Congress continue to push for much stricter federal privacy laws.

Marco Rubio, the Republican senator, told Fox News on Sunday: "It's very cynical... The reason why these guys are doing it is because Democrats are about to take power and they view this as a

'There is a feeling that more trouble is coming. And if they did nothing, they would be criticised for standing by'

way to get on their good side to avoid any restrictions or any sort of laws being passed that hurt them."

Either way, last week's events heap pressure on the Biden administration to act sooner rather than later to tighten supervision of Big Tech businesses.

Meanwhile, Mr Trump is left with narrower options for communicating with supporters. He has touted the possibility of setting up his own platform, but that too could face a clampdown from web-hosting service providers.

Much hangs on whether Facebook decides to make its ban permanent. "If they don't ban and he comes back, then Facebook becomes his new Twitter and it'll become his primary vehicle for posting," said Angelo Carusone, chief executive of non-profit Media Matters. But he added: "His political power will be affected because it limits his ability to serve as the centralised voice of the opposition. Without a doubt it takes a huge amount of wind out of his sails."

See Editorial Comment/Notebook/Opinion/Lex

Inauguration fears

Mayor of Washington calls for ban on public gatherings

AIME WILLIAMS — WASHINGTON

The mayor of Washington has asked federal authorities to deny permits for public gatherings until after the inauguration of Joe Biden as the capital city tightens security amid fears of further violence after last week's rampage.

Hundreds of Trump supporters overran law enforcement officers to storm the Capitol building last Wednesday, leading to the deaths of five people and interrupting the certification of the US election results by senators.

Yesterday morning, Muriel Bowser, Democratic mayor of Washington DC, said she had asked the Department of the Interior to deny all permits for public gatherings until January 24, four days after the inauguration of Joe Biden.

The National Park Service, which oversees management of the national mall, a strip of parkland that runs from the Capitol building to the Lincoln Memorial, said it would temporarily close access to the Washington Monument due to continued threats from groups involved in the riots at the Capitol supporting the outgoing president.

It added that it would temporarily close some roads and parking areas. While all closures are scheduled to end on January 24, the park service said it would extend them if necessary.

Ms Bowser said she had written to the Republican president to request that he declare Washington to be in a state of "pre-emergency disaster" so the city can prepare a more effective security plan for Mr Biden's inauguration next week.

"This is necessary because the inauguration poses several unprecedented challenges that exceed the scope of our traditional planning processes," pointed out Ms Bowser, referring to the recent attack on the Capitol building and the continued prevalence of Covid-19 across the country.

In an interview with the Washington Post yesterday, outgoing Capitol Police chief Steven Sund said delays and refusals from officials to grant him swift help from the National Guard contributed to his forces being swiftly overwhelmed by the pro-Trump mob.

Authorities have continued to announce arrests over last week's violence, with Michael Sherwin, acting US attorney for the District of Columbia, telling National Public Radio that "hundreds" of people could ultimately face charges over the storming of the Capitol.



The National Guard outside the US Capitol in Washington yesterday

US Senate. Democratic control

Pandemic-hit regions prepare for federal aid

Cities and states are expecting fresh stimulus relief for budgets ravaged by coronavirus

COLBY SMITH AND ERIC PLATT
NEW YORK

Staring down a \$3.8bn budget hole, the man in charge of the finances of the US's largest city last year urged Congress to send billions of dollars in aid to state and local governments facing shortfalls.

Scott Stringer's call fell on deaf ears; Senate Republicans refused to include the money in the \$900bn relief package passed in late December.

Last week, the New York City Comptroller's fortunes changed when Democrats won two elections that gave them a majority in the Senate, and with it control of Congress and the White House. The win, which Citigroup called a "game changer", paves the way for an injection of federal aid to parts of the country hit as the pandemic rages on.

"New Yorkers are still in deep economic pain," Mr Stringer said. "We've spent billions on the response and we've lost billions in revenue."

Total state tax collections in the US were down 3.2 per cent from March 2020 to November 2020 compared with the same period the year before, according to data from the Urban Institute.

"There is a distinction between the haves and the have-nots," said Cooper

Howard, director of fixed income strategy at Charles Schwab.

The situation has been acute for states with large cities such as New York and California, added Lucy Dadayan, a senior research associate at the Urban-Brookings Tax Policy Center.

Sales taxes have fallen as destinations such as Broadway and Disneyland closed, lockdowns shut small businesses, workers stopped commuting and some residents moved out of the state. Urban Institute data show state tax collections fell more than 3 per cent for the pair between March and November of last year on the same period in 2019.

In states such as Hawaii and Nevada, taxes from hotels, resorts and restaurants have dried up. In Hawaii, taxes generated from companies are down nearly 80 per cent.

And as people globally stayed at home and cancelled travel plans, low demand for crude oil hit energy prices. States dependent on oil and gas such as North Dakota, Alaska and Louisiana suffered.

Yet in places such as Michigan, Washington and Arizona, budget officers report being far better off than their projections in April and May. "State revenues continue to exceed projections even with the pandemic," Kimberly Yee, the Arizona treasurer, said. "Arizonans are continuing to spend and many have stayed employed." The state reopened its economy faster than some, and a buoyant housing market also helped.

While state and local governments have avoided the worst, they will need to cut as much as \$236bn over the next 18 months or raise taxes if the Biden administration does not offer support, said Dan White, a director at Moody's Analytics. That figure, which accounts for December's stimulus bill, is expected to translate into job and service cuts.

"State and local governments have the ability to solve these problems on their own, but the economic impact of the measures they have to implement to do that are really significant," he said, especially for those who kicked off 2020 with smaller rainy-day funds.

States and cities have furloughed or laid off nearly 1.4m workers, the Center

on Budget and Policy Priorities found. The job losses and furloughs included 50,000 just last month.

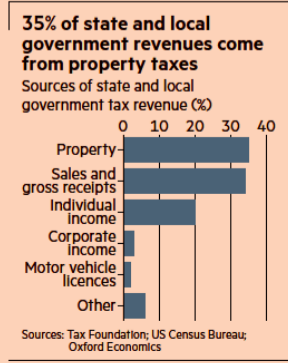
Georgia cut funding for primary education by about \$1bn. Hawaii is reducing support for the University of Hawaii and is to suspend pre-funding retiree health benefits to save \$390m. Florida, one of the few states that did not pass a law to require online retailers such as Amazon to collect sales taxes, has pushed state agencies to find savings.

Oxford Economics researchers have warned that spending cuts could dent the broader US recovery. State and local government spending accounts for about a tenth of US economic output.

Aid to state and local governments will be included in a broader rescue package, given that Senate majority leader Mitch McConnell will no longer have a say over the legislation that comes up for debate, investors and analysts said. Goldman Sachs reckons the Democratic party will pass a roughly \$750bn stimulus package in the first quarter, with \$200bn for municipalities.

The Senate win also opens the way for substantial infrastructure spending, which could take the pressure off state and local governments.

Connecticut Treasurer Shawn Wooden said the state had turned to the \$3.9tn municipal bond market and a rainy-day fund to cover its budget shortfall, but federal aid was needed for municipalities until the "pandemic threat fades".



National security

Biden picks career diplomat as nominee for CIA director

KATRINA MANSON — WASHINGTON

Joe Biden has chosen veteran diplomat William Burns as his nominee to serve as CIA director, filling one of the final national security slots before he is due to take office next week.

The decision would hoist the first career diplomat into the top job after repeated attacks and efforts to politicise the intelligence communities' institutions under Donald Trump.

Mr Biden called him an "exemplary diplomat with decades of experience on the world stage", who shared his belief that intelligence must be "apolitical".

Mr Burns has served in senior positions in Democratic and Republican administrations. Working closely with Jake Sullivan, Mr Biden's incoming national security adviser, he helped steer the 2015 Iran nuclear deal and has served in postings in Russia and Jordan.

He is currently president of the Carnegie Endowment for International Peace, an international affairs think-tank where Mr Sullivan was a non-resident senior fellow.

"Whether it's cyber attacks emanating from Moscow, the challenge China poses, or the threat we face from terrorists and other non-state actors, he has the experience and skill to marshal efforts across government and around the world to ensure the CIA is positioned

to protect the American people," the Biden team said in a statement.

Mr Burns has also worked closely with Antony Blinken — whom Mr Biden intends to nominate as secretary of state, and who succeeded Mr Burns as deputy secretary of state in 2015 — and other top members of his team.

The veteran diplomat is celebrated by his supporters as dependable, wise and discreet. Introducing Mr Burns at a Carnegie event on nuclear security in 2017, Mr Biden described him as a man of "enormous, enormous integrity" and a really effective diplomat with "prodigious" knowledge.

If confirmed, Mr Burns will replace CIA director Gina Haspel. While Ms Haspel served as a member of Mr Trump's cabinet in a break with recent precedent, Mr Burns will instead serve "as a trusted adviser to the president and his team" and as a principal on the National Security Council.

Mr Trump has regularly contradicted US intelligence assessments on North Korea, Iran and Russia, and on one occasion wrote on Twitter they should "go back to school". He later appointed a series of loyalists to top jobs.

Mr Biden announced his pick for director of national intelligence, Avril Haines, in November. She will oversee the 18 US intelligence agencies and serve as a member of Mr Biden's cabinet.

INTERNATIONAL

Territorial dispute

Beijing hits at US bid to boost ties with Taiwan

Trump administration's move to drop diplomacy guidelines angers leaders

YUAN YANG — BEIJING

China condemned the US decision to ease restrictions on diplomatic relations with Taiwan in the waning days of the Trump administration, saying the island was "the most important" part of its relations with Washington.

"Any move that harms China's core interests will be met with China's resolute counter-strike," said Zhao Lijian, foreign ministry spokesperson, yesterday, but did not elaborate further.

Mike Pompeo, US secretary of state, said on Saturday the administration would lift "self-imposed restrictions" that have governed relations between Washington and Taipei. Mr Pompeo said all "contact guidelines" should be considered "null and void".

Washington switched official diplomatic relations from Taiwan to Beijing in 1979 and maintained the internal protocols, which determine issues such as where diplomats could meet and how

correspondence was conducted. The US has firm ties with Taiwan under the Trump administration, including arms sales, bilateral exchanges and visits.

Mr Pompeo announced the decision a day after the US said Kelly Craft, its envoy to the UN, would visit Taiwan this week in a move China condemned. Beijing claims Taiwan as part of its territory under the "One China" policy and has long threatened to annex it by military force if it resists unification indefinitely.

China has increased its military provocations in recent months by stepping up military exercises close to Taiwan.

Chinese state media hit at the US decision at the weekend. CGTN, the state-run television network, said the US move "crossed a dangerous red line with China" and was "a cowardly act of sabotage of the incoming administration".

Some commentators and analysts said the announcement was inconsequential given the change of administration, with Joe Biden set to be inaugurated as US president on January 20.

"Given the few days left for the Trump administration, Beijing should take countermeasures mainly with diplomatic means supplemented by military

solutions," wrote Global Times, the Chinese tabloid.

"The important thing is to deal with the Biden administration after January 20. We can ignore clowns like Pompeo... US policy on Taiwan is relatively consistent," said Song Zhongping, a Chinese military affairs observer. "China will calmly deal with these matters, but when it comes to Taiwan, China will not stop for a moment strengthening preparations for military struggle."

Margaret Lewis, professor of Chinese and Taiwanese law at Seton Hall University, said it made sense for "Beijing to

ride out the last nine days of the administration and to see what happens", but added: "I wouldn't be surprised if we saw some increase in military aircraft activity as a way of Beijing expressing that it is very much... close by."

Wu Xinbo, dean of the Institute of International Studies at Fudan University, said Mr Pompeo's decision put the incoming Biden administration in an awkward position.

"It is actually just a way of leaving the Biden administration a big mess, to prevent him from quickly recovering and repairing relations," he said.

Wuhan Anniversary of first confirmed Covid death

Elderly residents dance in a public square in Wuhan, the Chinese city that reported the first cases of Covid-19, yesterday as the country marked the anniversary of the date it confirmed its first death from the virus

Nicolas Astour/AFP/Getty



Recovery

Higher cost of food drives surprise rise in Chinese inflation

THOMAS HALE — HONG KONG

China's consumer price index moved back into positive territory in December, raising hopes that the country's economic recovery will further bolster demand at a time when core inflation remains weak.

The consumer price index beat expectations to edge 0.2 per cent higher year on year in December after falling 0.5 per cent a month earlier, with the gains largely driven by food prices.

Price growth in China has been anaemic over recent months despite the country's rapid recovery from coronavirus, which has been powered by industrial production as new cases have remained low.

China's gross domestic product is expected to have grown 2.1 per cent last year, compared with expected contractions in other economies.

Core inflation, which excludes food and energy prices, fell to 0.4 per cent year on year in December, lower than at any point since the coronavirus outbreak began and its weakest level since early 2010.

Persistently low levels of inflation have created a conundrum for policymakers as other areas of the economy continue to heat up. The People's Bank of China cut benchmark lending rates last year, but the government has since moved to constrain the property sector.

"With economic activity set to remain strong and underlying inflation likely to rebound, we think the PBOC will tighten policy this year," said Julian Evans-Pritchard, senior China economist at Capital Economics.

He added, however, that consumer prices might return to deflation in the coming months on the back of sharp rises in pork prices last year.

The outbreak of African swine fever in summer 2018 led to millions of pigs being culled, which raised the price of pork, one of the key components in the consumer price index. In July, pork prices rose 86 per cent year on year.

Factory gate prices, in negative territory for most of last year, fell by 0.4 per cent year on year in December, beating economists' expectations. In month-on-month terms, the producer price index gained 1.1 per cent, the fastest rate in more than four years.

Latin America. Socialist state

Venezuela creeps towards market reform

Revolutionary country is deregulating to revive its dysfunctional economy

GIDEON LONG — CARACAS

Two decades after Hugo Chávez launched the Bolivarian Revolution meant to free Venezuela from capitalism and turn it into a socialist idyll, the country looks more capitalist than it has for years — at least on the surface.

The government of Nicolás Maduro still pays homage to the tenets of the revolution. Portraits of Chávez adorn the walls of government buildings, and the United Socialist party of Venezuela has recently retaken Congress from the fragmented opposition.

But squeezed by US sanctions and faced with an economy that has shrunk more than 80 per cent since he came to power in 2013, Mr Maduro is increasingly reaching into the free-market toolbox to revive the country's fortunes.

"It's a country that's deregulating rapidly," said Dimitris Pantoulas, a political analyst in Caracas, who compared Venezuela to post-Soviet Russia in the 1990s. "It's going through a violent transforma-

tion from statism to a deregulated, savage market."

The dollar, the symbol of western capitalism, is now ubiquitous in Caracas. Walk into any store and shopkeepers will gladly accept greenbacks. The bolivar has virtually disappeared, obliterated by years of hyperinflation. When the government devalued the national currency and relaunched it in 2018 there were 60 bolivares to the dollar. Now there are well over 1m.

A couple of years ago, a sack of bolivares was needed to pay even for small items. Now, a few dollar notes will do. The problem most Venezuelans face is finding denominations small enough — and salaries high enough — to get by.

Ecoanalítica, a consultancy in Caracas, estimated that two-thirds of all financial transactions now took place in foreign currencies, mainly the dollar. Far from lamenting this state of affairs, Mr Maduro welcomes it, describing dollarisation as "an escape valve".

He welcomed in the new year by claiming the dollar too would eventually disappear from Venezuela and the country would move to "an economy that is 100 per cent digital".

The strict currency controls that Chávez introduced in 2003 have largely

been dismantled. The expropriation of private companies, another hallmark of the Chávez era, has ended.

Petrol is still subsidised; Mr Maduro risks public wrath if he lets prices float freely, but there are signs of creeping free market reform.

Gone are the days when Venezuelans could fill up their tanks as often as they liked for a few US cents. They are now limited to 120 litres of cheap fuel a

"The state has ceded some ground but still holds a sword of Damocles over the market"

month, enough to fill an average car twice. If they want more, they must pay 50 cents a litre, closer to market rates and only slightly less than in the US.

Venezuela's capital markets, stymied by 21 years of socialist rule, are also showing signs of renewal. In November, the country's leading rum maker, Santa Teresa, became the first company to issue fixed-income dollar-denominated bonds on the local market. That was possible as the state changed its rules last year to allow exporters to do so,

which would have been unthinkable under Chávez.

Santa Teresa's issue was modest — \$300,000 of one-year bonds paying a return of 4 per cent — but it is a first step.

"We wanted to see how the market responded. This might open the door for other companies to do the same thing," said Alberto Vollmer, the company's chief executive. He and other business leaders had lobbied authorities "to see how we can re-engage through capital markets". While some diehard socialists were resistant, he said he had found a sympathetic ear in some quarters of government.

Equities, too, are enjoying a recovery, albeit at drastically reduced levels from their early 1990s heyday. The number of shares traded in 2019 was more than eight times higher than in 2016. The number of investors in the 27 actively traded companies on the Caracas bourse has risen fivefold in five years.

Private companies are turning to the stock market as they are finding it increasingly difficult to borrow from banks because of the government's credit squeeze. Banks are now obliged to keep 93 per cent of their deposits parked with the central bank, leaving them with precious little to lend. "Since

2018, bank credit has contracted by 90 per cent in real terms," said Andrés Olivares, head of Ecoanalítica.

Gustavo Pulido, head of the Caracas bourse, wants to turn it into a multicurrency exchange. "It's impossible to do business in bolivares," he complained. The central bank is rumoured to be considering a plan to create a clearing and settlement system in US dollars.

While economists acknowledge Venezuela has taken "a neoliberal turn" in recent years, they stressed the economy was still deeply dysfunctional and would need years to heal from the damage inflicted in the past two decades.

"I'm sceptical [about the reforms]," said Tamara Herrera, director of Sintesis Financiera in Caracas. "This does not remotely amount to an orderly, coherent plan for recovery."

Having regained control of Congress, the government has vowed to push through a new "anti-blockade law" to mitigate the impact of US sanctions. Mr Maduro describes it as "a mother law" that will spawn up to 15 more specific laws for each sector of the economy.

"I just hope these reforms are done intelligently and take into account the needs of the private sector, not just the public sector," Mr Vollmer said.

Australia

Ex-Leighton executive charged in Unaoil case

JAMIE SMYTH — SYDNEY

Australian police arrested and charged a former executive of construction group Leighton Holdings yesterday in connection with an international bribery investigation involving Monaco-based consultancy Unaoil.

David Savage, a former chief operating officer of Leighton, which has since been rebranded Cimic, was charged with knowingly providing misleading information to authorities contrary to Australian law.

The main targets of the bribery scheme were Iraqi oil ministry officials and government officials within the South Oil Company of Iraq, police said in a statement.

Investigators identified \$77.5m in suspicious payments made via third-party contractors and allege Leighton Offshore Pty Ltd funnelled bribes through Unaoil and another Middle Eastern subcontractor to guarantee contracts.

Leighton won contracts with a combined value of \$1.46bn in 2010 and 2011, which required approvals from officials at Iraq's oil ministry and South Oil

Company of Iraq, the police said. The arrest of Mr Savage is part of a long-running corruption investigation by UK, US and Australian police into allegations that agents of Unaoil paid multimillion-dollar bribes to secure oil contracts for multinational groups in war-ravaged Iraq and other nations.

David Savage is the second former Leighton executive to face charges over the alleged bribery scandal

The probe has already achieved success with two senior Unaoil managers convicted on bribery charges last year by a UK court for paying bribes to clinch more than \$1bn (\$767m) in contracts.

And in 2019, two brothers from the Ahsani family, who ran Unaoil, Saman and Cyrus, pleaded guilty in the US to being part of a 17-year scheme to pay millions of dollars in bribes to officials in nine countries.

Australian police began investigating the bribery claims in November 2011

when Leighton Holdings reported to them allegations of improper payments made by Singapore-registered operating entity Leighton Offshore Pty. The investigation revealed two contracts for the development and installation of onshore and offshore gas pipelines, which aimed to increase the capacity of Iraq's oil exports.

Mr Savage was arrested by police after his return from France to Australia and two weeks spent in hotel quarantine owing to Covid-19. The 60-year-old former executive was granted bail by a Sydney court yesterday.

Mr Savage is the second former Leighton executive to face charges over the alleged bribery scandal. In November, police arrested Russell Waugh, a former managing director of Leighton Offshore, on foreign bribery charges.

Nine newspapers, which first reported Unaoil's involvement in bribery via a big data leak, said the charges against Mr Waugh were made possible by the Ahsani brothers' decision to cooperate with authorities. Cimic said it had no comment, while Mr Savage could not be contacted for comment.

Peace push

South Korea urges Pyongyang to restart talks

EDWARD WHITE — SEOUL

South Korean president Moon Jae-in has urged Kim Jong Un to return to talks with Seoul and Washington, as uncertainty builds over how Joe Biden's incoming administration will handle the North Korean nuclear threat.

Mr Moon, who has staked his presidential legacy on building lasting peace and ultimately achieving unification of the Korean peninsula, has again extended an olive branch to the 37-year-old dictator, saying South Korea would meet North Korea "anytime, anywhere".

"The key driving force of the peace process on the Korean peninsula is dialogue and win-win co-operation," the president said in a televised new year address yesterday.

Mr Moon's overture was delivered two days after Pyongyang signalled plans to develop a series of new weapons — including shorter-range tactical missiles — and Mr Kim described the US as his country's "biggest enemy".

Mr Kim's remarks represented North Korea's sharpest broadside against the US since Mr Biden won the election. The

announcement of an expanded nuclear weapons arsenal also suggested a potential return to more regular missile tests, analysts said.

The North Korean military held a parade in Pyongyang's Kim Il Sung square on Sunday night, according to South Korea Joint Chiefs of Staff, in



another show of strength by the Kim regime after it unveiled the world's largest intercontinental ballistic missile in October.

Despite those actions, Duyeon Kim, a North Korea expert at the Center for a New American Security, a US think-tank, said the North Korean leader had not closed the door on diplomacy. But the dictator had set the "price very high" for any talks with either Seoul or Washington, she said.

"His price for the US is ending com-

bined military drills with Seoul, removing sanctions, and refraining from making human rights criticisms and name-calling before talks," Ms Kim said. "His price for talks with Seoul are also very high, demanding the South acquiesce, refrain from buying weapons, offer much bigger concessions than humanitarian aid, and return to its pan-Korean roots by breaking from the US."

South Korea's latest attempts at rapprochement came amid questions over how the Biden administration would tackle North Korea, one of many thorny foreign policy challenges at a time of unprecedented upheaval in the US.

Nuclear talks have been mostly stalled for the past two years despite three face-to-face meetings between President Donald Trump and Mr Kim.

Mr Biden has previously signalled he would not follow Mr Trump's unconventional, theatrical summitry with Mr Kim after it failed to result in a robust denuclearisation plan. Many North Korea experts expect Washington to return to more conventional attempts at lower-level diplomacy with Pyongyang. Additional reporting by Kang Busong

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Companies & Markets

BioNTech and Pfizer to add 500m shots to virus armoury

- Target of 2bn vaccine doses this year
- New factory and guidance lift output

JOE MILLER — FRANKFURT
HANNAH KUCHLER — NEW YORK

BioNTech and Pfizer plan to supply an additional 500m doses of their Covid-19 vaccine this year thanks to a new factory in Germany and adjusted European guidelines that allow for an extra shot to be extracted from each vial.

The companies had pledged to make 1.5bn doses in 2021 but now intend to provide as many as 2bn, BioNTech stated. The new production total “is based on continuous process improvements and expansion at the current facilities, and contingent upon adding more suppliers as well as contract manufacturers,” it said.

In addition to extra production from a new facility in Marburg, due to begin

Moderna has ‘to think more carefully about making a billion-dollar bet . . . than Pfizer does’

next month, European supplies have been boosted by a decision last week by the EU regulator to follow the US and UK in allowing a sixth dose to be extracted from each vial.

Previously, the containers were licensed to be diluted into only five doses in the EU but healthcare workers had noticed leftover material going to waste.

BioNTech said it had shipped almost 33m doses from six manufacturing sites in the US and Europe. The vaccine has been approved by regulators in the UK, US, EU and more than 40 other nations.

Geoffrey Porges, an analyst at SVB Leerink, said the additional supply was “very good news economically, socially and medically”.

BioNTech’s projections now far outpace those of Moderna, which has said it will produce between 600m

and 1bn doses of its vaccine in 2021.

“Working with a big pharma partner with in-market vaccine experience clearly has benefits in terms of speed of development and manufacturing scale-up,” Mr Porges said.

“It’s not as though Moderna has any shortage of cash but they certainly have to think more carefully about making a billion-dollar bet on a Covid vaccine trial or manufacturing plant than Pfizer does.”

BioNTech and Pfizer have already sold more than 1bn of the doses to be produced this year. The European Commission announced last week that it had reached an agreement to increase its BioNTech/Pfizer order from 300m to 600m doses. The UK has ordered 40m and Japan 120m, while the US has the option to buy up to 600m.

The companies are still in discussion with the World Health Organization’s Covax programme to supply the vaccine to the developing world, although no agreement has been reached. The BioNTech/Pfizer vaccine needs to be kept at minus 70C during transit, making it more difficult to distribute in countries without cold-chain infrastructure.

The companies have advised that the vaccine requires two doses 21 days apart to deliver the best protection. However, several countries, starting with the UK, have indicated they plan to delay the second dose in order to give more people at least one dose as soon as possible.

Although this regime is not supported by BioNTech or Pfizer, data from phase 3 trials of the vaccine, which involved more than 43,000 people in six countries, demonstrated that recipients gained partial protection from the virus as early as 12 days after the first dose.

The German vaccination commission has been asked to review the data and make a recommendation.

Editorial Comment page 16

Shoe shine Investors invited to fill their boots as Permira plans London listing for Dr Martens



Dr Martens, led by Kenny Wilson, expects its online shop to be the main driver of growth — Tom Stockill/The Sunday Times

PATRICIA NILSSON, KAYE WIGGINS AND OLIVER RALPH — LONDON

Dr Martens, the British boot brand, plans to float on the London Stock Exchange in what would be one of the first big initial public offerings of 2021.

The company, which sells more than 11m pairs of shoes every year in more than 60 countries, was taken over in 2013 by private equity group Permira in a £500m deal.

The investment group, which owns about 75 per cent of Dr Martens, plans to float at least 25 per cent of the group.

“The brand name has always been much bigger than the business but in the past years we have taken the business to a completely different level,” Kenny Wilson, the bootmaker’s chief executive, said.

Dr Martens, which has expanded to sell loafers and heels, made sales of £672m in the year to March 2020 and pre-tax profits of £101m. The group has 130 stores but just over half of revenues come from selling shoes to other retailers.

Its online shop, which it expects to be the driver of growth over the coming years, accounted for a fifth of sales last year. The brand’s digital operation helped it during the pandemic despite the majority of its stores being closed for months on end.

Dr Martens said it sold 700,000 more boots in the six months to the end of September compared with the same period last year, an increase of 14 per cent.

During that time, when most of its physical shops were closed, online revenues rose 74 per cent.

The brand was brought to the British high street in the 1960s by the Griggs family, which snapped up the licence for the 1460 eight-eyelet boot thinking the sturdy design would make an excellent work shoe.

The model, created by a German army doctor called Klaus Märtens, who designed the air-cushioned sole to help relieve back pain, was adopted by skinheads and punks, cementing the boots as a symbol for rebellious youth culture.

However, it has not always been smooth sailing. Changing tastes at the

turn of the millennium brought the company close to bankruptcy before the boots’ popularity picked up again.

“It was family-owned seven years ago [and], when you look at the ups and downs, it is like looking at different companies,” said Mr Wilson. “The brand was always relevant; it was just a badly managed business.”

The Griggs family left the company in 2013 when it sold its stake to Permira. The group has for much of the past year been considering a sale or a listing of the company, which executives at the buyout group hope could become one of its most successful deals.

Carlyle, which sold the premium sneaker business Golden Goose to Permira for just under €1.3bn in February, has previously considered buying Dr Martens, according to people familiar with the matter.

Dr Martens has hired Goldman Sachs and Morgan Stanley as joint coordinators and Barclays, HSBC, Merrill Lynch and RBC Europe as book-runners. Lazard is acting as a financial adviser to the company.

Lex page 18

US Treasury rule draws crypto sector opposition

MILES KRUPPA AND HANNAH MURPHY
SAN FRANCISCO

A planned US Treasury rule aimed at stamping out illicit cryptocurrency transactions has drawn strong opposition from the industry, setting up a battle that threatens to cast a shadow over the digital currency boom.

The proposal would require custodians and exchanges to collect and report identifying information about large transactions involving unhosted wallets — cryptocurrency accounts held outside financial institutions.

The Financial Crimes Enforcement Network, a unit of the Treasury, said the rule would protect national security and prevent crime, but more than 7,000 cryptocurrency groups and advocates have filed public comments on the rule, citing concerns about privacy rights and accusing the Treasury of engaging in “midnight rulemaking”.

Cryptocurrency exchange Coinbase and one of its largest investors, Andreessen Horowitz, questioned the legality of the rule in letters to the Treasury.

Jack Dorsey, chief executive of payments company Square, has claimed the proposals will “leave people out of participating fully in the economy”.

Gus Coldebella, general counsel of Paradigm, a cryptocurrency venture capital firm, said: “Everyone who touches crypto realises that this rule is substantively flawed.”

In a letter also signed by venture firms Ribbit Capital and Union Square Ventures, Paradigm said the rule would create “burdensome and unprecedented” requirements for cryptocurrency transactions and could make it harder to police bad actors.

The responses reflect the stakes for the sector, whose most lucrative applications are largely fee-based exchanges. Coinbase, the largest US cryptocurrency exchange, is preparing for a highly anticipated public listing, with Bitcoin surging this year to past the \$40,000 mark before pulling back on Sunday.

Analysts said the Treasury rule could also create unintended burdens for the fast-growing area of decentralised finance, in which software programs execute traditional financial activities using cryptocurrencies.

The proposal targets unhosted wallets — software apps that allow users to hold and transact cryptocurrencies without revealing personal details.

Markets page 9

To thrive globally, banks must ask themselves tough questions

INSIDE BUSINESS

FINANCE

Robert
Armstrong



Even before the coronavirus, globalisation was on the decline. Both international trade in goods and services and capital flows have been falling for a decade. The virus is likely to accelerate this.

Looking back, then, on what may have been the golden age of capitalism, it is remarkable that one of the industries where globalisation struggled to take hold was banking.

Its core product — capital — moves as electrons along a wire. The economies of scale are enormous, because modern banking requires huge technology investments. And big diverse global banks should also have a lower cost of capital than local competitors, too.

Yet despite gains from globalisation in the lead-up to the financial crisis, the international track record of the industry is poor. Just last week came a reminder of the challenges of a global bank, Deutsche Bank agreeing to pay US regulators \$125m to resolve allegations that it paid bribes to win clients in the Middle East and elsewhere.

The case was the latest in the long line of scandals for international banks, not just Deutsche — a bank known for chasing business that other banks found too risky. Among other notable missteps, Goldman Sachs had to pay \$3.9bn to settle the 1MDB bribery scandal in

Malaysia last year. JPMorgan has also had issues in Asia. In 2016, it agreed to pay \$264m to settle a US probe into its practice of hiring well-connected Chinese “princelings” to win business.

All of these alleged cases involved gross failures of judgment. But global banking’s problems run deeper than such wrongdoings.

The history of European banks trying to enter the big, profitable US market, in retail or investment banking, is a tale of disappointment and retreat. Credit Suisse, Deutsche Bank and Barclays have all made big investments in the US in recent decades and have mostly low league-table rankings to show for it. Spain’s BBVA is the latest European bank to abandon its retail operations in the US. HSBC may follow soon.

Heading in the opposite direction — from the US to the world — Citigroup is the telling example. It has bought, and invested in, big retail operations in Mexico and across Asia. The US group has never been able to demonstrate that having them as part of Citi contributes something to the larger enterprise. Citi’s returns and stock valuation stubbornly trail those of its peers.

There are, of course, some successful global banking businesses, primarily those that serve specific purposes. Citigroup’s excellent treasury services franchise is an example, as are the global capital markets businesses of the big US universal banks. There are even a few examples of banks with successful full-service banking operations in particular markets, such as Santander’s operations in Latin America.

But the contrast with other more

global industries, from software to cars, remains striking. Banking remains stubbornly local. Why? The first answer bankers give, and probably the most important one, is regulation. Governments like their banking industries to be thoroughly under local control. But this cannot be the whole story, and I would offer, somewhat speculatively, three other reasons.

First is that banks often expand internationally by acquisition. Management at headquarters often end up with a business they do not truly understand (HSBC’s misadventures after buying Bital in Mexico are a vivid example).

This is compounded by the second problem: the extreme cyclicality of the banking business. When the global economy catches cold, banks get the flu. And when times are tough, banks tend to cut investment in their international subsidiaries. But in banking, downturns are exactly when investment is effective. This destructive pattern of abandonment by headquarters has much to do with the failure of global investment banks in the US.

The final reason, I suspect, is that banking is fundamentally a business of judgment. It is about deciding which counterparties to lend to and trade with. There are always incentives for putting short-term gains ahead of the long-term health of the business. Far from headquarters, where a bank’s culture is built and maintained, bad judgment is less likely to be noticed and policed.

Banks will always look abroad for growth. But the ones that succeed will note the pitfalls and ask: how well do we really understand this new market? Will we keep investing in it during the tough times? And are we willing to send our best and most trusted leaders there?

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COMPANIES & MARKETS

Pharmaceuticals

Sanofi buys immunotherapy biotech

Kymab move comes as group considers making others' Covid vaccines

LEILA ABOUD — PARIS

French drugmaker Sanofi has announced a deal of up to \$1.45bn to buy UK biotech Kymab and confirmed it is studying the possibility of helping manufacture rival Covid-19 vaccines after delays in developing its own jab.

The acquisition is the fourth since Paul Hudson took over as chief executive in September 2019, and advances his strategy of pushing Sanofi further into the fast-growing market for treatments for immune disorders.

Mr Hudson has promised a three-year overhaul to cut €2bn in costs by 2022 and to deploy more resources to growth areas such as oncology, rare diseases and immunology, while ending research into diabetes and heart disease.

Cambridge-based Kymab is studying the use of a new monoclonal antibody drug known as KY1005 for the treatment of eczema, a skin condition.

Separately yesterday, Sanofi also confirmed that it was studying the "technical feasibility" of using its manufacturing capacity to help make Covid-19 vaccines for other pharmaceutical companies whose jabs are further along in development.

French industry minister Agnès Pannier-Runacher told Europe1 radio on

Friday that the government had asked Sanofi to examine whether a "technology transfer" via some sort of contract manufacturing agreement was possible.

Such a move could help boost production of much-needed inoculations as the pandemic continues to rage in Europe. As vaccination campaigns get under way, concerns have emerged about how

to secure enough doses for everyone who needs them.

Three other French contract manufacturers had already been enlisted to help make Covid-19 jabs, the minister said: Recipharm for Moderna, Delp-harm for BioNTech/Pfizer, and Fareva for CureVac. "We are working on it," she said of enlisting Sanofi to help.

Gilead bolsters outlook Remdesivir maker eyes prospect of annual profit

Gilead Sciences, the California-based biotech group that produces remdesivir, has upgraded its full-year profit and sales guidance, reflecting demand for the drug that was administered as part of Donald Trump's coronavirus treatment.

The company's latest forecast for its sales is between \$24.3bn and \$24.35bn, up from guidance given in October of a \$23bn-\$23.5bn range, based on preliminary fourth-quarter earnings.

Gilead might also post a profit for the year.

It has increased its earnings per share guidance to a range of minus 8 cents to 2 cents. Previously it had



The biotech company's latest forecast is for sales of \$24.3bn

guided investors to expect a loss of up to 25 cents.

The improved outlook came on the back of a surge in Covid-19 cases, causing hospitalisation and treatment rates to be higher than expected.

Increased research and development costs for 2020 reflect clinical trial and manufacturing expenses because of the use of remdesivir as a Covid-19 treatment.

Initially claimed as a Covid-19 "wonder drug", experts are now divided over whether remdesivir has a role at all in the treatment of coronavirus.

Sarah Provan

Retail

Staples bids for Office Depot four years after effort blocked

JAMES FONTANELLA-KHAN, ORTENCA ALIAJ AND ALISTAIR GRAY

Staples has offered to buy the owner of Office Depot for \$2.1bn, making a third push to buy its smaller rival after regulators thwarted its previous efforts to combine the two largest US bricks-and-mortar stationery retailers.

Staples, owned by private equity firm Sycamore Partners, said it would pay \$40 per share in cash for ODP, its long-standing competitor.

The offer represents a more than 60 per cent premium to the average closing share price for ODP over the past 90 days, the group said.

Shares in ODP were up 16 per cent by mid-morning in New York.

The Federal Trade Commission ruled four years ago that the merger of Staples and Office Depot, which was then worth about \$6.3bn, would undermine the interests of corporate customers, curtailing their choice in the office equipment market.

Regulators had blocked an attempt in 1997 to combine the two companies under the proposed "Staples the Office Depot" brand.

The latest effort to revive the deal may become a test case for whether US antitrust regulators believe the meteoric rise of ecommerce group Amazon has been sufficiently game-changing for the retail industry for them now to permit such a tie-up.

Amazon's growing corporate customer base has challenged the grip that Staples and Office Depot have had on the market.

Walmart and other discount chains have also encroached on to their territory.

Changing customer needs for the modern office have added to the pressure. The rise of email has cut demand for paper and printer ink.

Staples, which was taken private almost four years ago in a \$7bn deal, said yesterday that it could lift its offer for ODP if its competitor agreed to sell some of its assets.



Show time KKR joins race for songbooks

The US investor has snapped up a stake in the catalogue of Ryan Tedder, who has penned hits for artists including Beyoncé, above

Picturegroup/Shutterstock

KKR has joined a feeding frenzy for lucrative song rights after agreeing to buy a majority stake in the catalogue of songwriter Ryan Tedder, who has penned hits for Beyoncé, Adele, Paul McCartney and Stevie Wonder.

Mr Tedder, alongside Max Martin and Jason "Poo Bear" Boyd, is one of a number of professional hitmakers behind some of the most successful songs in the streaming age. His catalogue includes nearly 500 songs that have sold more than 420m copies, or the equivalent of 63bn streams, according to KKR. No financial details of the deal were disclosed.

The value of back catalogues has boomed, with the streaming era giving hit songs a new lease of life. A number of specialist funds have emerged to scoop up rights that have become more valuable as services such as Spotify and

Apple Music have grown in size, spurring multiple deals as many artists decide to cash in.

One of the best known, London-listed Hipgnosis, has spent more than £1.2bn on acquisitions. It competes with other funds such as Round Hill and Primary Wave as well as the big music labels, which own the rights to millions of songs.

KKR has emerged as another investor on the scene. The New York-headquartered group, which made the investment through its Dislocation Opportunities Fund, has targeted music in the past. It was an original investor in music company BMG when it was relaunched in 2009, once owned DJ equipment maker AlphaTheta and now owns guitar maker Gibson.

Mr Tedder's management company Patriot Management and artist

development company mtheory will retain a minority stake in the songwriter's back catalogue. Interscope Records, owned by Universal Music, will retain the rights to the masters of his band OneRepublic.

KKR said it would work to expand the reach of Mr Tedder's music through its network of digital investments. The private equity group also has stakes in TikTok owner ByteDance, India's Jio Platforms and Fortnite game maker Epic Games.

"Streaming and all forms of digital content are not only providing new avenues for how we consume music, but also for how artists can reach new audiences in a much more immersive way," Mr Tedder said.

Nic Fildes

Transport

Signature in GIP deal but keeps options open

PHILIP GEORGIADIS AND KAYE WIGGINS

Global Infrastructure Partners has agreed to buy private jet services company Signature Aviation for £3.4bn, outbidding buyout group Blackstone and Bill Gates' wealth manager Cascade Investment.

Signature yesterday said that it had reached an agreement on a \$5.50 (£4.05) per share offer from GIP, valuing the FTSE 250 listed company at about \$4.6bn.

But the battle for control of the group is still live as Signature welcomed higher offers from rivals, including Blackstone and Cascade as well as private equity group Carlyle, which has disclosed an interest.

"For the avoidance of doubt, nothing precludes either Blackstone and Cascade or Carlyle from making an offer proposal that the board of Signature

Aviation will consider," the company said yesterday.

The GIP offer, a 51 per cent premium to Signature's share price before the takeover battle began, came days after Blackstone teamed up with Signature's largest shareholder Cascade, which manages Mr Gates' fortune, for a possible bid at \$5.17 per share.

The Signature board, led by industrialist Nigel Rudd, said in December it was minded to accept a bid at that price, having rejected an earlier lower offer from GIP. Signature also disclosed interest from Carlyle.

Mr Gates' Cascade owns 19 per cent of Signature, and has committed not to work with any other company on a takeover if Blackstone makes a formal offer, which it has not yet done.

Cascade has said that, if it and Blackstone were to make a firm offer, it would vote against any competing proposal.

Such an offer would set the stage for a prolonged battle. GIP's bid needs the support of 75 per cent of Signature shareholders, meaning that Cascade's 19 per cent stake would be a hurdle even if GIP raised its bid above any fresh offer from Blackstone and Cascade.

Signature, formerly known as BBA Aviation, does not own or run aircraft; it offers its suitors exposure to the growing US private jet market via its network of refuelling and maintenance bases.

GIP, owner of Edinburgh airport, said it was attracted by Signature's scale and customer relationships, and saw an opportunity to add acquisitions.

"The resilient performance and strong financial position through the pandemic has enabled the Signature directors to consider its future and evaluate this offer from a position of strength," Mr Rudd said.

ft.com/lombard

Technology

Pinduoduo hit by new overwork claims

BY RYAN MCMORROW — BEIJING

A social media post by a software engineer at Pinduoduo, who alleges he was fired after criticising its work practices, has added to a deepening public relations crisis at China's fastest growing ecommerce company.

A former employee whose surname is Wang released a 15-minute video on Sunday night, in which he alleged Pinduoduo staff had to work from 300 to 380 hours a month. That would equate to a longer work week than the controversial "996" approach that is common across the Chinese technology sector, with staff expected to work from 9am to 9pm, six days a week.

"[Pinduoduo's] grocery team at headquarters is required to work at least 380 hours a month and if you work less than that you'll be asked whether you have enough to do," he alleged in the video

that went viral on Chinese social media.

Mr Wang alleged he was fired on Friday after anonymously posting a picture of an ambulance outside Pinduoduo's headquarters the previous day and tagging it: "A second Pinduoduo martyr topples over."

In the video Mr Wang claimed he was called into a conference room by Pinduoduo managers and was asked to sign a voluntary resignation letter.

"I threw the paper back at them and said just fire me," he said, adding that he was escorted out of the building.

Pinduoduo denied Mr Wang's allegations. It said he had posted the ambulance picture and "improper speculation" but claimed he was fired because of other social media posts disparaging the company. It said the other allegations he made in the video were "not factual".

Mr Wang's firing was among the most talked about topics on Weibo, the Twit-

Automobiles

China's Baidu and Geely team up to make smart electric cars

CHRISTIAN SHEPHERD AND RYAN MCMORROW — BEIJING

Baidu is partnering with Geely to make smart electric cars in the tech group's latest effort to diversify away from a stagnating core business and a milestone for the carmaker's efforts to sell its vehicle technology to third parties.

China's largest search engine provider said yesterday that it would set up a subsidiary to make battery powered cars. The vehicles will be sold under a new brand, and loaded with Baidu's autonomous driving, voice assistance and mapping technology.

Geely, China's largest private automaker by sales, will invest in the venture and provide its newly launched system for building electric vehicles, making Baidu the first confirmed customer for the platform. The companies did not disclose any financial details.

As its core search business has languished, Baidu has followed rivals into crowded new businesses including short video, live streaming, gaming and food delivery, but has struggled to gain traction. Its shares have risen about 46 per cent since reports last month suggested it planned to make its own EVs.

Geely's launch in September of its global system for building battery powered cars made it one of a handful of brands

'We are seeing EV consumers demanding next-generation vehicles to be more intelligent'

selling third parties the technology that would underpin a shift from fuel-burning to electric vehicles.

Yale Zhang, founder of consultancy Automotive Foresight in Shanghai, said the tie-up was a win for both Baidu and Geely: "One is an internet company, the other is a carmaker; they complement each other".

Geely, which has ambitions to become China's first truly global automaker, has done a string of high-profile international deals. Since acquiring Sweden's Volvo in 2010, it has become the controlling shareholder of Proton and Lotus and taken a 9.69 per cent stake in Mercedes-Benz parent Daimler.

Investor interest in China's EV market, the world's largest, has soared in recent months, rebounding after a year-long downturn and fuelled by the success of industry leader Tesla.

Carmakers and tech groups have been pouring billions into developing self-driving cars. With this venture, Baidu is doubling down on its Apollo platform for AI and autonomous driving, open-source software similar to Android's approach to building operating systems for smartphones.

Robin Li, Baidu chief executive, said the company had "invested heavily" in developing self-driving technologies. "We are seeing EV consumers demanding next-generation vehicles to be more intelligent," he said.

Baidu's initiative has amassed one of the largest stores of road-testing data globally, though is behind Waymo, a sister company of Google and the industry leader. It has also signed up a number of global car brands as partners.

Yet hopes of cities soon filled with cars largely driving themselves have faded. Timelines have been repeatedly extended as crossing technical, testing and legal hurdles has proved, in the words of Waymo chief executive John Krafcik, an "extraordinary grind."

ter-like social media platform, generating more than 2m likes. A Pinduoduo post defending its decision drew 240m views. "I've uninstalled you! I've gotten my mom to uninstall you! I've gotten my sister to uninstall you!" said one popular reader comment.

The Chinese tech sector's exhausting work culture has come under fire in the past, with an "anti-996" campaign gaining support last year among workers.

The death of a Pinduoduo employee who collapsed late at night on her way home from work reignited the debate last week. Local authorities in Shanghai said they were investigating conditions at Pinduoduo.

Separately, a Pinduoduo employee surnamed Tan committed suicide on Saturday by jumping from the 27th floor of an apartment building in his hometown of Changsha.

Additional reporting by Nian Liu

COMPANIES & MARKETS

Commodity traders reap big profits in year's market chaos

Cash bonanza for staff as industry capitalises on pandemic volatility

NEIL HUME
NATURAL RESOURCES EDITOR

Commodity traders are sharing bumper spoils with their workers as the industry emerges as one of the biggest winners from the coronavirus crisis.

Trafigura's record trading results last month provided a first glimpse of a blockbuster year for an industry dominated by a small group of mostly privately owned companies that can reap huge rewards by navigating the ups and downs of volatile commodity markets.

Its 850 top staff and the family of late founder Claude Dauphin received a \$500m cash windfall, bringing to \$3.5bn the total paid out to partners since 2015.

"Covid hit the whole world but not every region at the same time," said Christophe Salmon, chief financial officer. "That meant we could divert a cargo . . . to where there was a premium."

Commodity traders are the ultimate middlemen, linking the suppliers of raw materials — often in developing countries — with consumers in wealthy and fast-growing ones, earning wafer-thin margins but on huge volumes.

Their global footprint and network of terminals, storage facilities and shipping fleets meant they were perfectly set up to capitalise when commodity prices cratered in the second quarter, according to Roland Rechsteiner, a partner at Oliver Wyman and co-author of an annual report on the industry.

In oil, the companies took advantage of panic selling to snap up cheap crude and immediately sell their cargoes forward at higher prices in the futures market, locking in almost risk-free profits.

They were also able to exploit price arbitrage caused by the spread of Covid-19. This was evident in metals too, where China's quick recovery from the pandemic boosted demand at the same time that mine production in Africa and South America was hit by lockdowns.

Trafigura's net income soared 84 per cent to \$1.6bn in the year to September, on turnover of \$147bn. In oil trading — a market whose huge swings took US crude prices briefly negative in April — gross profits surged threefold to a record \$5.3bn, while in metals they jumped 30 per cent to \$1.53bn.

Other traders are also on track to notch up big profits for 2020. Glencore's trading arm reported a doubling of earnings before interest in the six months to June to a record \$2bn, while net income at Mercuria was a record \$277m in the second quarter.

Senior traders and executives said the structure of the oil market was the biggest factor behind the industry's performance last year.

Gunvor chief executive Torbjörn Törnqvist said 2020 had been a good year for the Geneva-based company, although it had taken impairment charges on its refineries due to the pandemic. Trafigura also recorded \$1.5bn in writedowns and impairments against the value of its industrial assets.

"In terms of gross profit we did very well and our balance sheet is stronger," said Mr Törnqvist, adding that the second quarter of 2020 was probably the "best on record for the industry".

"I am not sure we will see those conditions again. Between the Opec-Russia price war and collapse in demand, it was a perfect storm. Every trading house made a lot of money."

Senior traders and executives including Russell Hardy, chief executive of the



The companies took advantage of panic selling to snap up cheap crude and immediately sell their cargoes forward at higher prices in the futures market — China Daily via Reuters

world's biggest independent oil trader Vitol, said the structure of the oil market was the biggest factor behind the industry's strong performance in 2020.

"If you had been here in 2008-09 you knew what to do because it was the same game," said Mr Hardy, referring to the oil market "contango" — when longer-dated futures prices trade at higher levels than near-term counterparts — that boosted profits across the industry after the global financial crisis.

Mr Rechsteiner said 2021 was likely to be another good year because markets remained choppy and there was a wider range of possible outcomes.

"My expectation is that we are going to see a lot of volatility over the coming quarters," he said. "We are starting to

deploy vaccines but we don't know how effective they will be and how they will change behaviour. It could be a very interesting year".

However, the industry is facing increased regulatory scrutiny and questions about business practices, in particular the use of agents to win business.

Physical commodity trading often involves operating in countries that have been hotbeds of corruption, or where it is difficult to secure business without agents who network with government officials to help land deals.

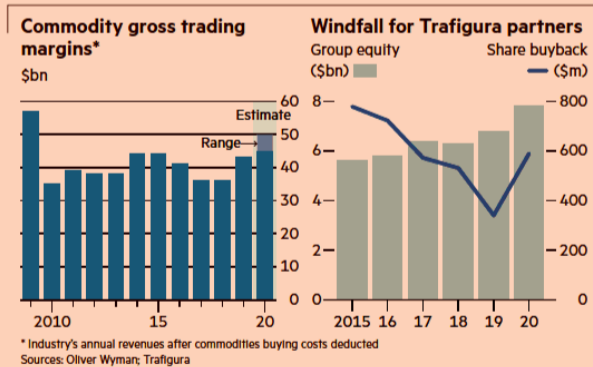
Last month Vitol agreed to pay over \$160m to authorities in the US and Brazil after admitting bribery in three countries and trying to manipulate oil benchmarks. Glencore and Trafigura are also facing corruption probes.

"Historically, corruption and bribery have no doubt been endemic across the commodity trading industry, and our investigation into Vitol and its competitors' acts in Brazil alone revealed a mass of squalid deals," said Ed Davey of campaign group Global Witness.

Although the sector is moving away from the use of middlemen, Jean-Francois Lambert, a consultant and former trade finance banker, said the investigations would be a concern for all stakeholders including banks, which extend huge amounts of credit to the sector.

"Corruption allegations involving one trading house stain the whole sector," he said. "Collective discipline is therefore no longer an option but a necessity."

'I am not sure we will see those conditions again. It was a perfect storm. [We all] made a lot of money'



Banks

HSBC under fire for fossil fuel investments

ATTRACTA MOONEY AND STEPHEN MORRIS — LONDON

HSBC has taken a hit for financing the fossil fuel industry after a group of investors including Amundi and Man Group filed a climate resolution ahead of the bank's annual meeting in April.

The lender announced in October that it would become a "net zero" carbon emissions bank by 2050, but some of Europe's biggest investors involved in the resolution said it was failing to take climate change seriously, having made no specific commitments to reduce funding for fossil fuels.

The resolution — which was filed by 15 institutional investors with \$2.4tn in assets, and 117 individual shareholders — called on HSBC to publish a strategy and targets to reduce its exposure to fossil fuel assets.

ShareAction, a responsible investment charity that brought the shareholders together, said the bank was Europe's second-largest financier of fossil fuels after Barclays.

"The message from the resolution is clear: net zero ambitions by top fossil fuel financiers are simply not credible if they fail to be backed up by fossil fuel phase-out plans," said Jeanne Martin of ShareAction.

Investors are increasingly targeting banks over their role in financing carbon-intensive projects and industries. Last year, shareholders filed a landmark climate resolution at Barclays' AGM, which received the support of a quarter of shareholders and forced the lender to strengthen its policies.

Caroline Le Meaux, head of ESG research, voting and engagement at Amundi, a top 25 shareholder in HSBC, said climate change constituted a "systemic risk".

"The financial sector has a key role to play in supporting the switch to a low-carbon economy and the alignment with the Paris agreement," she added.

In response, HSBC said it was "strongly committed to addressing climate change, in line with our clear ambition to align our financed emis-

sions of our entire business portfolio to net zero" and that it would continue to "positively engage" with customers, shareholders and ShareAction.

The bank has pledged up to \$1tn of support in the next decade to help clients become more environmentally friendly. It also cut its oil sands financing from \$1.3bn in 2017 to \$231m in 2019, leaving it only the ninth largest bank in that sector, according to Rainforest Action Network data.

However, RAIN said the bank had provided \$87bn in total to some of the world's largest fossil fuel companies since the 2016 Paris climate agreement, which aims to tackle rising temperatures.

ShareAction said HSBC provided an additional \$1.8bn to fossil fuel companies in the four months leading up to its net zero announcement, including projects to construct coal mining and tar sands infrastructure.

The investors said they hoped the bank's board would recommend shareholders vote in favour of the proposal.

Oil & gas

Shell restarts LNG cargoes at floating facility

JAMIE SMYTH — SYDNEY

Royal Dutch Shell has resumed shipping gas cargoes from the largest floating structure ever built following a year-long technical disruption that has damped industry appetite for floating LNG technology.

The restart of the huge Prelude facility — which at 488 metres is longer than four football fields — is a welcome boost for Shell as it coincides with a record surge in LNG prices fuelled by a cold snap in Asia.

But construction challenges, cost overruns and technical problems with Prelude, as well as challenging market conditions, have prompted Shell and other producers to cancel other FLNG projects.

"Prelude has been a 'white elephant'," said Neil Beveridge, an analyst at Bernstein. He said there were a large number of competing onshore LNG projects aiming to come to market that did not require Prelude's expensive, pioneering technology. As a result very few large-scale FLNG projects were going ahead.

Mining. Millennium Bulk Terminal

US coal's Asia 'pipe dream' ends as Pacific port project collapses

Hopes of an export-driven recovery fade after bankrupt owner kills west coast scheme

GREGORY MEYER — NEW YORK

US coal miners' last-ditch hope for shipping big volumes to Asia has crumbled as the developer of a sprawling export terminal abandons its project on the Pacific coast.

The Millennium Bulk Terminal would have loaded 44m metric tonnes a year of thermal coal for export to electric utilities — a potential boost for producers reeling from the decline of coal-fired power generation in the US.

But the project's bankrupt owner pulled the plug on Saturday, making it the last of more than half a dozen proposed west coast coal ports never to be built. "It's the end of the pipe dream that Asia can save the US coal industry," said Clark Williams-Derry, analyst at the Institute for Energy Economics and Financial Analysis, a research group that favours clean energy.

The terminal's demise is a victory for climate activists who fought to hinder coal exports and their associated carbon emissions. It is a blow to the economies of Wyoming and Montana, whose open-pit mines in the Powder River Basin would have supplied the facility on the Columbia river in coastal Washington state.

It also runs counter to the pro-coal agenda of outgoing president Donald Trump.

US coal producers began to pursue deepwater export terminals as cheap natural gas and environmental rules undermined demand from domestic coal-fired power plants. Millennium was originally a joint venture of Ambre Energy of Australia and the US miner Arch Coal. "We like our competitive position going forward in the Asian markets," an Arch executive said in 2011.

The market has changed, however. Arch is now trying to sell its Powder River Basin mines and has removed the word "coal" from its name.

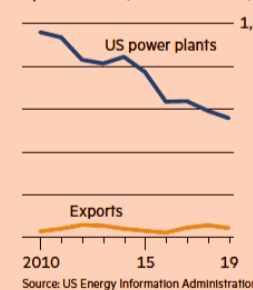
The Millennium project's current owner, the mining company Lighthouse Resources, filed for bankruptcy protection in December. The company on Saturday relinquished the site to land owner Northwest Alloys, a subsidiary of the aluminium maker Alcoa.

Alcoa said that it would evaluate plans for the location, making no mention of coal.

"About 10 years ago there were maybe a half-dozen major terminals proposed

Miners' export hopes dashed

Shipments of US thermal coal by destination (million short tons)



Shell restarts LNG cargoes at floating facility

Prelude was intended to be a flagship project for FLNG. The floating facilities liquefy gas from remote offshore fields without the need for onshore facilities to turn it into LNG, a vital fuel for energy-hungry markets in Asia. Gas is pumped from below the seabed to the floating platform, where it is cooled to turn it

Shell's Prelude platform was intended to be a flagship project for FLNG but ran into technical issues



into liquid for onward transport. But the exercise has turned out to be costly for Shell and its partners: Japan's Inpex (which has a 17.5 per cent stake), Korea's Kogas (10 per cent) and Taiwan's OPIC (5 per cent).

Shell has not revealed the cost of Prelude but analysts estimate the price tag has ballooned to as much as \$17bn (\$13bn). The Anglo-Dutch company reported \$9bn in impairment charges

for the west coast because of some excitement about PRB coal. All those have fallen through," said Matt Preston, research director for North American coal markets at Wood Mackenzie, a consultancy.

US coal exports peaked at 125.7m short tons in 2012. In 2019 they had fallen to 93.7m short tons and the majority was metallurgical coal used in steel-making, not thermal coal burnt by power plants to generate electricity, according to the US Energy Information Administration. In the first nine months of 2020 US coal exports were down 32 per cent on the year.

Pacific coast ports are the closest and cheapest route to Asia for the Powder River Basin. The basin's 16 mines produced 294.2m short tons of coal last year, or 42 per cent of US supply.

Yet existing ports on the US west coast can only export about 13m tons a year, while a nearby terminal in Vancouver, Canada, can handle another 33m tons, according to data from the National Mining Association.

New port projects encountered strong opposition. A plan to export coal from Utah through Oakland, California, was

US coal exports peaked at 125.7m short tons in 2012. In 2019 they had fallen to 93.7m short tons

blocked by the local government and its developer filed for bankruptcy late last year, IEEFA reported.

Washington state, led by the climate-activist governor Jay Inslee, denied Millennium a water-quality permit in 2017. Lighthouse Resources sued and was joined by the governments of Montana and Wyoming, which argued that Mr Inslee was unfairly restraining trade.

"Without port access, the landlocked states of Wyoming and Montana are unable to access overseas markets for one of the states' most important commodities and one of the biggest drivers of their economies," the states said in their complaint to the US Supreme Court.

"Washington is seeking to regulate coal — the export and combustion of coal in foreign markets — that is wholly outside its borders." The court is yet to rule in the case.

The collapse of the Millennium project comes as Asian thermal coal markets stage a rally driven by supply shortfalls in Colombia and a winter cold snap in east Asia.

The price of high-energy Australian coal — the benchmark for the vast Asian market — almost doubled late last year to \$90 a tonne, according to Argus Media.

Yet seaborne coal prices were well above \$100 a tonne when developers first proposed their export projects on the US west coast. The future of coal is in question as more countries pledge to shift to cleaner alternatives such as natural gas and solar power.

"Korea, Japan, the Philippines, Vietnam, Egypt and Bangladesh are just a few of the countries that have changed their vision of the role of coal power generation in the future," the International Energy Agency said in a recent electricity report.

on its Australian gas assets in the second and third quarters of 2020.

"Prelude is a multi-decade project, and our focus remains on delivering sustained performance over the long-term," Shell said yesterday.

Prelude began shipping gas in June 2019 but was forced to shut down in February last year due to problems with its diesel generators. The remote location of the facility — 475km off Australia's west coast — and its technical complexity, compounded by Covid-19 restrictions, have added to Shell's challenges in restarting operations, analysts said.

Saul Kavonic, a Credit Suisse analyst, said industry ambitions for FLNG to be the next big LNG trend were hit hard.

Shell decided not to proceed with orders for three FLNG facilities from Samsung following a decision in 2016 by Woodside to cancel its plans to jointly develop a Western Australian gasfield using the technology. FLNG projects backed by Canada's AltaGas and Belgium's Exmar in Canada and Colombia were also scrapped in 2016.

COMPANIES & MARKETS

Equities. Recovery

US bank shares on the rise after years in wilderness



Hopes for an end to pandemic and higher interest rates bring rebound in unloved sector

ROBERT ARMSTRONG — NEW YORK

Bank stocks that were stuck in the investment doghouse for years are back in favour, gaining further support after Senate run-off races last week that flipped control to the Democratic party.

The sector suffered a rough 2020 as lockdowns threatened to spark a rush of loan defaults, drawing out a period of marked underperformance since long-term interest rates began to fall in 2018, compressing profit margins.

But US bank indices have outperformed the wider market by more than 25 percentage points since BioNTech and Pfizer announced on November 9 that their Covid-19 vaccine had proven highly effective.

“The banks are going from the land of misfit toys, where they were in the summer, to being an area of interest for investors,” said Charles Peabody of Portales Partners, a research house specialising in banks. “People are picking up the phone when we call.”

Investors are now hunting for stocks likely to feel the benefit of the vaccinated rebound, while the prospect of the Democratic party controlling the White House and both chambers of Congress has also fuelled inflation expectations, triggering a rise in long-term interest rates that bodes well for banks’ profits.

On Wednesday, after the Georgia results came in, US bank shares rose almost 7 per cent — their biggest daily gain since November.

The coronavirus crisis made a run of poor performance much worse. The KBW bank index lost a quarter of its value from late 2018 to late 2020, underperforming the S&P 500 by

US banks’ big discount since vaccine breakthrough

Price-to-earnings ratio, as a percentage of the S&P 500’s ratio



Source: Autonomous

almost 50 percentage points. The valuation of the index, as measured by the price/earnings ratio, is about half of the wider market’s, Autonomous research points out.

Historically, the banks’ discount has averaged 25 per cent.

“The underperformance of banks versus the overall market in 2020 was really extreme — we had to go back to 2000 to find something similar and when that reversed, banks outperformed for eight years,” said Ben Mackovac, portfolio manager for the Strategic Value Bank Partners fund, which invests in community banks.

The shift in sentiment is most visible in the attitude towards Wells Fargo, which has not yet recovered from its 2016 fake accounts scandal.

Labouring under an asset cap imposed by regulators, it lost more than half its value early in 2020.

Since November, however, it has received five upgrades from Wall Street analysts and the shares have rallied almost 40 per cent.

Rallies are visible outside the US, too. In Europe, an index tracking bank stocks on the benchmark Stoxx Europe 600 index climbed 30 per cent in

November, its best month since 2009.

Gregory Perdon, co-chief investment officer at Arbutnot Latham, said the bullish trade for banks was squarely on in Europe as long as US 10-year government bond yields stayed at about 1 per cent or higher.

One veteran investor in financials remains sceptical. Dave Ellison, the portfolio manager of Hennessey Funds’ large and small-cap financials funds, said that, while banks have enjoyed a relief rally, very low rates and low growth were here to stay.

“A 3 per cent cost of funds and a 6 per cent return on a mortgage? Those days aren’t coming back,” he said. “How do you grow customers? Not on price — the cost of capital is already zero. Not on service — you can’t compete with Apple or Google.”

His portfolios are dominated by non-bank financial services companies, such as PayPal and Visa.

But optimists point to several factors. Some think shareholders are in line to benefit from a rush of share buybacks from banks in the coming months — a step that the US Federal Reserve reopened for lenders late last year.

Autonomous estimates big US banks’

Wells Fargo has received five upgrades from Wall Street since November, even though it is still recovering from the 2016 fake accounts scandal

Peter Foley/Bloomberg

excess capital stands, on average, at 18 per cent of their market capitalisation, suggesting they could buy back a meaningful proportion of their own shares.

Shares in smaller banks, meanwhile, could benefit from consolidation. In recent years, investors have reacted coolly to bank mergers, balking at the big premiums paid for targets. Increasingly, however, banks are doing low- or no-premium mergers of equals, on the model of the \$28bn BB&T-SunTrust deal of 2019, which created Truist.

In December, Huntington Bancshares agreed to buy TCF Financial for about \$6bn, a small premium, taking the total volume of deals in 2020 to \$32bn, in line with recent years, despite the virus.

The final catalyst is rising interest rates and a steepening yield curve — a bigger gap between short and long-term rates.

A steeper curve means higher profits, as it increases the difference between banks’ cost of funding and earnings from lending. The release of pent-up demand as the pandemic eases and supportive monetary policy should in theory lead to a steeper curve.

David Konrad, banks analyst at broker D.A. Davidson, said that, with the economy emerging from the crisis, “it’s hard to imagine that in the back half of next year we don’t have a steepening curve”.

Analysts said bank stocks had until recently been seen as a trade rather than a long-term play, except among the small fraternity of investors who specialise in the financial sector. For the group to take another leg up required generalist investors to buy in.

For much of the last year, said Mr Konrad, the bank space had been “a knife fight among hedge funds fighting for positioning”. But a recent pick-up in yields on US government bonds has started to interest generalists, he added.

‘The banks are going from the land of misfit toys to being an area of interest’

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Crypto

Spac deal will allow Bakkt platform to go public

DAVID CARNEVALI

Bakkt Holdings, a cryptocurrency platform majority owned by Intercontinental Exchange, has announced plans to go public through a combination with a blank-cheque company, bringing together two of the frothiest elements of US markets.

New York Stock Exchange parent ICE said yesterday that Bakkt had agreed to combine with a special purpose acquisition company sponsored by investment firm Victory Park Capital.

Bakkt, formed by ICE in 2018, is planning to launch an app this March that will let users buy and sell cryptocurrencies and manage other digital assets such as loyalty points and gift cards.

Its ambition is to reach more than 30m customers by 2025, from none last year, it says in its regulatory filing.

The app, currently accessible only by invitation, has garnered interest from around 400,000 people seeking early access, Bakkt said.

When listed on the NYSE, it will have an enterprise value of \$2.1bn, ICE said.

The move highlights how a rising number of mainstream companies and investors are dabbling in the cryptocurrency sector.

Bakkt’s plans for a public market debut come about a month after Coinbase, a well-known digital currency

Warning that consumers investing in crypto should ‘be prepared to lose all their money’

exchange, announced its intention to float shares in an initial public offering.

The announcement also demonstrates how Spacs offer a smoother route to public markets for companies with new technologies and earlier stage businesses.

Last year, Spacs made up almost \$76bn of the \$159bn raised by IPOs in the US, outpacing traditional listings since August.

Last month, veteran investor Jeremy Grantham described the Spacs craze as “reprehensible”, despite himself making about \$200m out of an early bet on battery maker QuantumScape after it went public through a Spac vehicle.

The rising focus on digital assets comes as bitcoin has surged in value in recent months. Volatility remains high, however, highlighting the asset’s immaturity.

Bitcoin prices dropped around a fifth at the start of this week as a top UK financial regulator renewed its warning that consumers investing in cryptocurrencies should “be prepared to lose all their money”.

Bakkt also offers a cryptocurrency storage service and bitcoin derivatives contracts. ICE’s revenues related to Bakkt are expected to be roughly \$9m for the fourth quarter of 2020 with operating expenses of about \$39m.

Gavin Michael, the former head of technology for Citigroup’s global consumer bank, will take the reins as chief executive of the combined company.

Equities

Veteran investors place opposing bets on outlook for growth and value stocks

ERIC PLATT — NEW YORK
KATIE MARTIN — LONDON

Two high-profile investors have offered differing strategies to deal with the dizzying valuation gap between growth stocks and beaten-up sectors: trust in bargains, or set aside traditional valuations.

So-called value stocks in sectors such as finance and energy — badly hit in the coronavirus crisis — have accelerated their recovery in the past week, buoyed by the Democratic party’s gains in Senate run-offs last week that point to enhanced government support for the US economy. Meanwhile, growth stocks, particularly in US tech, continue to break records with only minor setbacks.

But in a memo to clients yesterday, veteran distressed debt specialist Howard Marks warned that while it was “easy to be seduced” by low valuations, “investing on the basis of rote formulas and readily available fundamental, quantitative metrics should not be particularly profitable”.

The Oaktree Capital founder’s comments come days after Jeremy Grantham, co-founder of GMO, warned

of a “bubble that is beginning to look like a real humdinger” in stocks. For him, one solution is to avoid big tech as much as “your career and business risk will allow” and to focus instead on emerging markets and on value stocks.

The contrasting viewpoints reflect the difficulty fund managers face in reducing dependence on a small clutch of tech stocks and hedging against the risk of a market pullback while resisting cheap stocks whose valuations fail to keep pace.



Oaktree’s Howard Marks says it is ‘easy to be seduced’ by low valuations

In his memo, Mr Marks said the apparent distinction between growth and value stocks is neither “essential, natural or helpful, especially in the complex world in which we find ourselves today”. Often, he said, “if something carries a low valuation, there’s probably a good reason”.

Unlike in previous decades, granular data on companies and markets are now easy to come by, making picking out overlooked bargains more of a challenge, he said. As such it “doesn’t make sense” for value investors to avoid highly valued stocks or popular Big Tech names, he added.

Mr Grantham, meanwhile, wrote last week that he is “waiting for the last dance” in exuberant markets. “Make no mistake . . . this could very well be the most important event of your investing lives,” he said, pointing to examples of “crazy” investor behaviour.

“Value stocks have had their worst-ever relative decade [compared with growth] ending in 2019, followed by their worst ever year in 2020, with spreads between growth and value performance averaging between 20 and 30 percentage points,” he said.

Fixed Income

Fading allure of urban life for renters leaves dent in US mortgage bonds

JOE RENNISON

US cities are losing their allure for renters, placing early signs of strain on the market in bonds backed by mortgages on apartment blocks.

The coronavirus pandemic is still rolling through the global population and working from home remains the norm in many professions, pushing some city residents to pack up and leave.

Data company Trepp has identified 50 so-called multifamily loans with a balance of \$1.5bn where the occupancy rate of buildings dropped 15 percentage points last year.

Investors in the \$1.2tn market for commercial mortgage-backed securities, where loans backed by properties such as apartment buildings are bundled together to underpin the sale of fresh debt, are watching closely.

Manus Clancy, head of research at Trepp, said: “Is this the tip of the iceberg? Our thought is that the number of loans struggling with low occupancy levels has to go up.”

Trepp’s data underscores risks in the commercial mortgage market. Despite investor exuberance spurred on by the

prospect of a widely administered vaccine helping to push CMBS prices higher, it could still be some time before people return to working in office buildings in big cities where rents are steep.

“In the big urban cities, we are seeing occupancy sinking,” said Mr Clancy. “It is expensive to live in these places and right now you can’t do anything with the available amenities and you are not

‘It is expensive to live in these places and right now you can’t do anything with the available amenities’

going to the office. Those were often the reasons people stayed in their apartments. It’s not surprising these things are dwindling.”

The occupancy rate of the NEMA luxury San Francisco apartment building opposite Twitter’s corporate headquarters dropped to 70 per cent in 2020.

The \$200m loan behind it, backing a single-asset CMBS forged in 2019, has recovered in value since the darkest point of Covid-19’s blow to global

markets but it remains well below pre-pandemic levels. The triple B rated tranche of the deal is priced at 95 cents on the dollar, having traded at a premium of more than 115 cents on the dollar early in 2020.

In New York, the 75-unit Chelsea29 apartment building on 29th street, boasting a roof terrace and fitness centre, has seen its occupancy drop to 75 per cent. It makes up 2 per cent of a \$1.3bn CMBS deal from 2019 that trades close to 90 cents on the dollar, having clawed back ground since March.

The fall in occupancy tracked by Trepp affects only 4 per cent of the loans that had reported numbers by late 2020. Analysts and investors have long expected a drop-off in rent payments given dwindling fiscal stimulus support.

But the strain comes with signs that remaining tenants are struggling to pay rent. New York Fed analysts warned of an “eviction cliff” in a white paper last month. The pandemic and job losses “have limited residential and commercial renters’ ability to pay monthly expenses and landlords’ ability to keep current on mortgages,” Marisa Casellas-Barnes and Jessica Battisto wrote.

COMPANIES & MARKETS

Time to end trading conflicts that cost investors billions

Carl Levin

Markets Insight

With a new administration incoming in Washington, it is time to end a conflicted practice that siphons billions out of US investors' funds each year.

The Securities and Exchange Commission needs to stop brokers from accepting payments for routing their customers' orders to certain traders and exchanges. It is like paying a hidden, private tax on savings whether someone invests through a large mutual fund or directly through a personal brokerage account.

Here's how it works. When an investor buys or sells stocks or other securities, the investor typically turns to a broker for help. That broker is the investor's agent. His job by law is to get the investor the "best execution", which generally means the best available price.

With more than a dozen exchanges and scores of off-exchange trading venues to check, this process is complex. It also operates at great speed. The difference for an investor between getting the best available price and something worse can be decided in nanoseconds.

Rather than check multiple trading venues for the best prices, many brokers instead contract in advance to sell their customers' orders for a fee, and then pocket the fee for themselves. These fees are called "order routing incentives".

And the "incentives" for brokers can add up quickly. In the second quarter of 2020, for just Schwab and TD Ameritrade, these payments totalled over \$390m. Given the size of these payments, investors may want to ask whether their brokers are really routing orders to get them the best prices. It seems likely that brokers may instead be seeking just

the biggest payments for themselves. The biggest payers are usually ultra-high-speed trading firms and exchanges. They have figured out that, on average, they can pay brokers for customer orders and still make a profit. But how?

First, the high-speed trader needs to know what the prices are at all major venues. So it buys expensive market data delivered at lightning speeds. Second, it needs to be able to take in data, process it, and trade in fractions of a second. Then it needs to trade.

To make sure that it has a stream of opportunities to buy low and sell high, the firm will pay millions to brokers,

Investors may want to ask whether their brokers are really routing orders to get them the best prices

just to have the opportunity to trade against those brokers' customers. Lastly, in order to appear to satisfy the best execution requirements, the high-speed trader will offer "price improvement" to the customers whose orders are being routed.

Yet despite all these costs for data, infrastructure, and offering "price improvement" to customers, these traders still turn a significant profit. It can only happen if the traders are getting better prices than they are providing the brokers' customers. But if that is the case, what about the brokers' best execution obligations?

The Financial Industry Regulatory Authority has examined order routing practices and offered some guidance calling into question the propriety of



payment for order flow. But it has never fundamentally challenged this deeply conflicted practice. Neither has the Securities and Exchange Commission.

A few weeks ago, Silicon Valley-based retail broker Robinhood agreed to pay \$65m to settle SEC charges that it failed to ensure its customers were getting best execution. The regulator said the company failed to disclose payments it received from high-speed trading houses. That followed a settlement with Finra several months earlier for not fulfilling its best execution obligations. The brokerage has said in a statement that the practices under scrutiny in the settlement did "not reflect Robinhood today".

But even with this settlement, regulators have again permitted brokers to keep accepting payments for routing their customers' orders.

Essentially the same conflict harms even the world's largest investors. For nearly a decade, several large investors pleaded with the SEC to require brokers to make better disclosures, and to prohibit them from taking these payments.

In 2018, the SEC revised its rules on broker disclosures and even adopted a pilot programme to implement a ban on the payment of these incentives.

Unfortunately, the disclosures do not give investors hard data to consistently see how their orders are routed. And worse, a federal appeals court blocked the SEC's pilot programme last June.

Millions of American families and businesses are still paying the price for their brokers' conflicts of interest. I hope President Joe Biden's SEC will take simple action to protect investors by ending this practice.

Carl Levin was a US senator and chaired the Senate subcommittee on investigations

The day in the markets

What you need to know

- European bourses break winning streak with losses across the board
- US dollar rallies alongside a rise in Treasury yields
- Japanese stocks jump to highest level since 2018

Global stocks slid yesterday after their best week since November while the US dollar regained lost ground as the global coronavirus pandemic worsened.

Wall Street's benchmark S&P 500 was down 0.2 per cent at lunchtime in New York while the tech-heavy Nasdaq Composite slid 0.7 per cent.

European indices snapped last week's winning streak to post losses across the board. The pan-regional Stoxx Europe 600 index fell 0.7 per cent, London's FTSE 100 shed 1.1 per cent and Frankfurt's Xetra Dax lost 0.8 per cent.

"The first quarter of the year will be worse than expected because of [fresh European] lockdowns everywhere," said Jean-François Robin, head of global markets research at Natixis.

Yesterday's losses came after a strong start to 2021 for global equities as the prospect of further fiscal stimulus in the US added to optimism about Covid-19 vaccines and hopes of a rebound in the global economy.

But equity valuations remained elevated with a large degree of optimism already priced in, said Salman Baig, multi-asset investment manager at Unigestion.

"Earnings season is going to kick off in the next few weeks; depending on the tone set by some of these firms, that could be challenging, given where valuations are," he added.

US dollar regains some lost ground against rival currencies

US Dollar Index



Source: Refinitiv

The dollar, as measured against a basket of peers, gained 0.4 per cent — taking it 0.6 per cent higher for the year.

The dollar has been lifted since US Treasury yields rose last week on bets that Democratic party control of Congress would mean more stimulus for the US economy, feeding inflation. The yield on the 10-year US government bond rose a further 3 basis points to 1.13 per cent.

Some analysts expect the dollar rally to be short-lived with interest rates set to remain low for the foreseeable future.

Lee Hardman, an analyst at MUFG, said rising US yields were "triggering a

temporary shake-out of elevated short US dollar positions", which had increased significantly over the past month.

The euro, which has rallied strongly in recent months, slipped 0.4 per cent against the dollar to \$1.2166 while Britain's pound fell 0.2 per cent to \$1.3526.

In Asia, China's CSI 300 index slipped 1 per cent as banks and exchanges moved to adhere to the US president's executive order banning investment in companies with alleged links to China's military. However, Tokyo's Topix rose 1.6 per cent to its highest level since 2018.

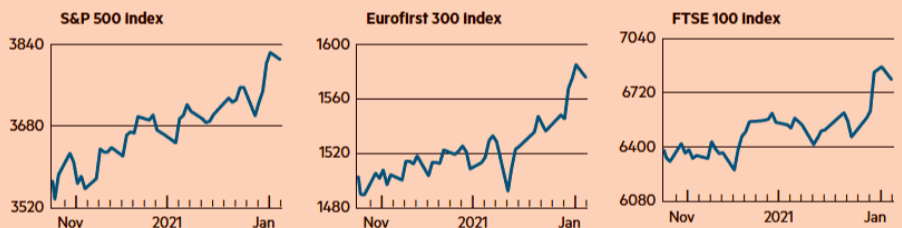
Camilla Hodgson

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	3811.01	1575.94	28139.03	6798.48	3531.50	123736.38
% change on day	-0.36	-0.59	2.36	-1.09	-1.08	-1.07
Currency	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	90.577	1.215	104.295	1.349	6.475	5.505
% change on day	0.532	-0.897	0.482	-0.736	0.053	2.152
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	1.130	-0.497	0.034	0.307	3.209	7.440
Basis point change on day	1.970	5.600	0.000	1.800	1.600	34.200
World index, Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LMEX)
Level	434.94	55.51	52.06	1862.90	26.65	3544.50
% change on day	-0.51	-1.25	-1.06	-2.98	-1.79	-0.99

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

Main equity markets



Biggest movers

	US	Eurozone	UK
Ups	Eli Lilly & Co 11.69	Jeronimo Martins 4.16	Jd Sports Fashion 3.81
	Biogen 6.36	Novozymes 2.37	Pershing Square Holdings Ltd 2.05
	Walgreens Boots Alliance 4.51	Akzo Nobel 2.18	Astrazeneca 1.14
	Advanced Micro Devices 4.49	Commerzbank 2.12	B&M Eur Value Retail S.a. 0.95
	Xilinx 4.20	Santander 1.81	Ocado 0.77
Downs	Twitter -5.52	VI -3.71	Compass -4.31
	Universal Health Services -4.87	Fresenius -2.94	Informa -3.67
	Dexcom -4.79	Cap Gemini -2.91	Land Securities -3.66
	Dxc Technology -3.77	Ing -2.91	Coca-cola Hbc Ag -3.33
	Amerisourcebergen -2.94	Sodexo -2.90	Avast -3.19

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone

All data provided by Morningstar unless otherwise noted.

Wall Street

A bullish earnings upgrade lifted upmarket athletic apparel group **Lululemon**.

Fourth-quarter growth in net revenue would be at the high end of its mid-to-high teens forecast compared with the same period a year earlier, it noted.

Online yoga classes and virtual workout sessions have helped fuel demand for Lululemon gear.

Eli Lilly rallied after the pharmaceutical group reported that its donanemab drug had slowed the decline in cognition and daily function in patients with early-stage Alzheimer's disease compared with a placebo in a phase 2 trial.

"We are extremely pleased about these positive findings for donanemab as a potential therapy for people living with Alzheimer's disease," said Mark Mintun, vice-president of pain and neurodegeneration.

Boeing retreated after its 737-500 passenger jet operated by Indonesian carrier Sriwijaya Air lost contact with air traffic control soon after take-off over the weekend.

The missing aircraft is a much older model than the 737 Max, which was involved in two fatal accidents in 2018 and 2019, and does not use the same systems that have been identified as contributing to those crashes.

Ray Douglas

Eurozone

News that **Sanofi** is buying UK biopharmaceutical group **Kymab** helped send the French drugmaker higher.

Sanofi will make an upfront payment of about \$1.1bn and up to \$350m on achievement of certain milestones.

The deal will allow Sanofi to add KY1005 to its pipeline, an antibody therapy that has the potential to treat a wide variety of immune-mediated diseases and inflammatory disorders.

"KY1005 is the jewel in the Kymab crown," said Liberum analysts, with the treatment offering "a superior profile to Sanofi's leading atopic dermatitis drug Dupixent, and could be a multibillion-dollar next-generation therapy".

Just Eat Takeaway.com climbed after JPMorgan reiterated its "overweight" rating for the meal delivery group.

The broker forecast that order growth would have accelerated in the fourth quarter, "given ongoing lockdown measures, more restaurants on the platform, efficient marketing and higher frequency".

JPMorgan added: "We argue the shares are too cheap and reiterate Just Eat as a key pick in the space."

An upgrade lifted **Lenzing**, Deutsche Bank raising the Austrian chemicals company to "buy" from "hold", saying profitability was higher than expected.

Ray Douglas

London

A positive trading update sent **JD Sports** higher with the retailer saying customer demand had remained robust throughout the second half of last year, including in the key months of November and December.

Pre-tax profit for the full year to January 30 2021 would be significantly ahead of market expectations, reaching at least £400m, added JD.

JD's revision did "not read like there is a global pandemic going on", said AJ Bell. It showed that "retail spending itself has held up reasonably well despite the [Covid-19] crisis — it's just that sales have shifted from physical stores to the internet."

Signature Aviation rallied following news that the private jet services group had agreed to be bought by Global Infrastructure Partners for £3.4bn, outbidding Blackstone and Cascade Investment.

Signature did, however, leave the door open for other bids.

"For the avoidance of doubt, nothing precludes either Blackstone and Cascade or Carlyle from making an offer proposal that the board of Signature Aviation will consider," the company said.

British Land sank after the real estate group revealed that it had collected 46 per cent of December retail rents as of January 7. Ray Douglas



I want my team to have a breadth of interests. The FT helps them start to see the correlations between what's going on in the wider world and the impact it has on prices locally.

Will Mackereth,
Supply chain director, Nestlé Vietnam Ltd.

An FT Group Subscription helps Nestlé's supply chain professionals enhance their global understanding.

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- Accessible across multiple platforms
- Used by 8,000+ organisations worldwide to make better informed decisions

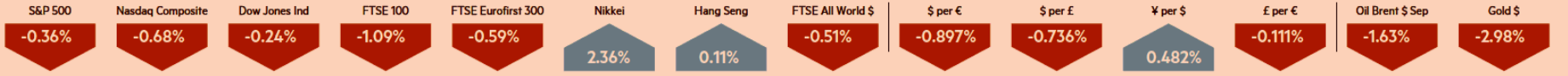
Discover how the FT's news, tools and analysis could benefit your team. Request a trial at ft.com/supplychains



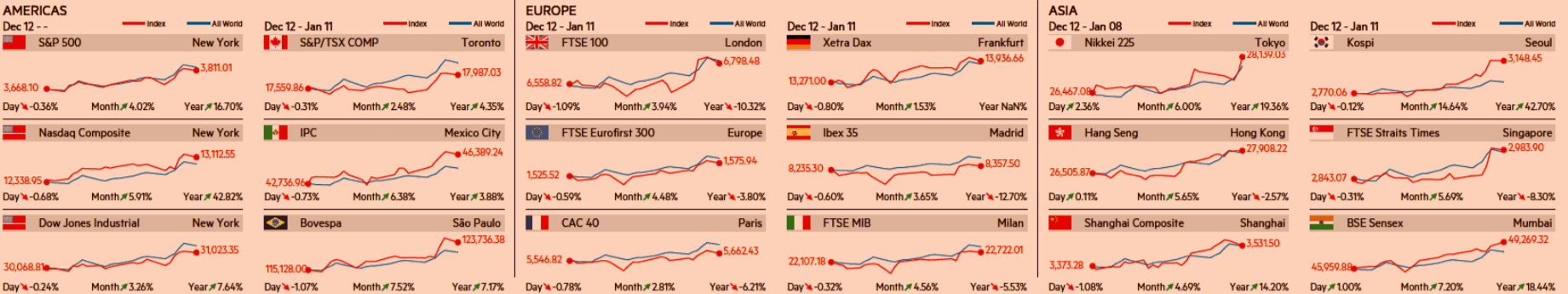
MARKET DATA

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



Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous																																																				
Argentina	Merval	5129.33	5167.37	Denmark	CSE M&P Gen	88.46	88.68	Italy	FTSE Italia All-Share	27479.19	28226.80	Philippines	Manila Comp	7304.79	7288.88	Taiwan	Weighted Pr	15557.30	15469.93	Cross-Border	DJ Global Titans (€)	446.25	449.47																																																
Australia	All Ordinaries	6950.59	7024.29	Dominican Republic	IPC	11059.51	10955.55	Japan	FTSE Japan Mid Cap	22722.01	23453.94	Poland	WIG	1462.40	1423.29	Thailand	BIST 100	1538.49	1538.49	EUROPE	FTSE 100	4126.25	4126.25	China	SSE 50 Index	3051.26	3051.26																																												
Brazil	Ibovespa	12378.38	125076.63	Egypt	EGX 30	11278.72	11213.48	South Korea	KOSPI	2112.09	2112.09	Portugal	PSI 20	5137.93	5270.94	Turkey	BIST 100	1538.49	1540.61	USA	S&P 500	3398.58	3398.58	India	Nifty 50	10926.29	10926.29																																												
Canada	S&P/TSX 60	10710.17	10732.92	Estonia	OMX Tallinn	1420.72	1427.41	Romania	BSE Index	1027.40	1014.77	Spain	IBEX 35	8255.50	8357.50	UK	FTSE 100	4126.25	4126.25	Indonesia	JCI	6526.38	6526.38	South Africa	FTSE/JSE All Share	6376.93	6318.18																																												
China	FTSE A-Share	1451.42	1457.68	France	CAC 40	6582.94	6652.84	Saudi Arabia	TADJIL All Share Index	8668.47	8617.65	Sweden	OMX Stockholm 30	1941.49	1941.49	USA	DJ Industrial	12026.58	12026.58	Colombia	BVL	1396.49	1393.68	Switzerland	SMI Index	10870.42	10787.99																																												
Colombia	BVL	1396.49	1393.68	Germany	DAX	15752.79	15752.79	Singapore	FTSE Straits Times	2983.90	2983.90	Taiwan	TSEI	3112.55	31097.97	South Korea	KOSPI	2112.09	2112.09	Vietnam	VN-INDEX	1194.89	1187.69	India	Nifty 50	10926.29	10926.29																																												
Croatia	COLCAP	1396.49	1393.68	Greece	ATHEX ASE	1907.58	1950.62	Slovenia	RSR Top	351.41	350.90	Thailand	BIST 100	1538.49	1540.61	UK	FTSE 100	4126.25	4126.25	China	SSE 50 Index	3051.26	3051.26	Indonesia	JCI	6526.38	6526.38																																												
Czechia	CROBEX	2011.29	2011.29	Hong Kong	HSCEC	27988.22	27988.22	South Africa	FTSE/JSE All Share	6376.93	6318.18	Turkey	BIST 100	1538.49	1540.61	USA	S&P 500	3398.58	3398.58	India	Nifty 50	10926.29	10926.29	South Korea	KOSPI	2112.09	2112.09																																												
Dominican Republic	IPC	11059.51	10955.55	Hungary	BUX	44175.79	44383.21	Spain	IBEX 35	8255.50	8357.50	UK	FTSE 100	4126.25	4126.25	China	SSE 50 Index	3051.26	3051.26	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09																																												
Egypt	EGX 30	11278.72	11213.48	India	Nifty 50	10926.29	10926.29	Sweden	OMX Stockholm 30	1941.49	1941.49	USA	S&P 500	3398.58	3398.58	India	Nifty 50	10926.29	10926.29	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38																																												
Estonia	OMX Tallinn	1420.72	1427.41	Indonesia	JCI	6526.38	6526.38	Switzerland	SMI Index	10870.42	10787.99	Vietnam	VN-INDEX	1194.89	1187.69	UK	FTSE 100	4126.25	4126.25	China	SSE 50 Index	3051.26	3051.26	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09																																								
France	CAC 40	6582.94	6652.84	Japan	Nikkei 225	26186.01	26186.01	Taiwan	TSEI	3112.55	31097.97	USA	S&P 500	3398.58	3398.58	China	SSE 50 Index	3051.26	3051.26	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38																																								
Germany	DAX	15752.79	15752.79	Malaysia	FTSE Bursa KL CI	1167.25	1633.19	Thailand	BIST 100	1538.49	1540.61	Vietnam	VN-INDEX	1194.89	1187.69	UK	FTSE 100	4126.25	4126.25	China	SSE 50 Index	3051.26	3051.26	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38																																				
Greece	ATHEX ASE	1907.58	1950.62	Mexico	IPC	46398.24	46728.36	Turkey	BIST 100	1538.49	1540.61	Vietnam	VN-INDEX	1194.89	1187.69	USA	S&P 500	3398.58	3398.58	China	SSE 50 Index	3051.26	3051.26	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38																																				
Hong Kong	HSCEC	27988.22	27988.22	Netherlands	AEX	642.42	645.80	UK	FTSE 100	4126.25	4126.25	Vietnam	VN-INDEX	1194.89	1187.69	China	SSE 50 Index	3051.26	3051.26	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09																																				
Hungary	BUX	44175.79	44383.21	New Zealand	ASX All Share	1055.93	929.88	USA	S&P 500	3398.58	3398.58	Vietnam	VN-INDEX	1194.89	1187.69	India	Nifty 50	10926.29	10926.29	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38																																				
India	Nifty 50	10926.29	10926.29	Norway	Oslo All Share	4017.22	4026.85	Vietnam	VN-INDEX	1194.89	1187.69	China	SSE 50 Index	3051.26	3051.26	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09																																
Indonesia	JCI	6526.38	6526.38	Philippines	Manila Comp	7304.79	7288.88	UK	FTSE 100	4126.25	4126.25	Vietnam	VN-INDEX	1194.89	1187.69	China	SSE 50 Index	3051.26	3051.26	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09																												
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Malaysia	FTSE Bursa KL CI	1167.25	1633.19	Portugal	PSI 20	5137.93	5270.94	Vietnam	VN-INDEX	1194.89	1187.69	China	SSE 50 Index	3051.26	3051.26	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09	Indonesia	JCI	6526.38	6526.38	South Korea	KOSPI	2112.09	2112.09																								
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MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Table with 12 columns: Stock, Price, Day Chg, 52 Week High/Low, Yld, P/E, MCap. Includes sections for Australia, Brazil, Canada, Hong Kong, India, Israel, Japan, Korea, Mexico, Netherlands, Russia, Singapore, South Africa, South Korea, Spain, Taiwan, Thailand, United Kingdom, United States of America, and Volatility Index.

FT 500: TOP 20

Table with 12 columns: Stock, Close, Prev, Day Change, Week Change, Month Change. Lists top 20 FT 500 companies.

FT 500: BOTTOM 20

Table with 12 columns: Stock, Close, Prev, Day Change, Week Change, Month Change. Lists bottom 20 FT 500 companies.

BONDS: HIGH YIELD & EMERGING MARKET

Table with 12 columns: Jan 11, Red, Coupon, Ratings, Bid, Bid yield, Day's chge, Mtb's spread, Prev, High, Low, US. Lists high yield and emerging market bonds.

BONDS: GLOBAL INVESTMENT GRADE

Table with 12 columns: Jan 11, Red, Coupon, Ratings, Bid, Bid yield, Day's chge, Mtb's spread, Prev, High, Low, US. Lists global investment grade bonds.

INTEREST RATES: OFFICIAL

Table with 12 columns: US, Euro, Japan, Switzerland, LIBOR, etc. Lists official interest rates.

INTEREST RATES: MARKET

Table with 12 columns: US, Euro, Japan, Switzerland, LIBOR, etc. Lists market interest rates.

COMMODITIES

Table with 12 columns: Energy, Metals, Grains, etc. Lists commodity prices.

BOND INDICES

Table with 12 columns: Market Index, Change, etc. Lists bond indices.

BONDS: INDEX-LINKED

Table with 12 columns: Index, Price, Yield, etc. Lists index-linked bonds.

BONDS: TEN YEAR GOVT SPREADS

Table with 12 columns: Country, Bid, Spread, etc. Lists ten-year government spreads.

VOLATILITY INDICES

Table with 12 columns: Index, Price, etc. Lists volatility indices.

BONDS: BENCHMARK GOVERNMENT

Table with 12 columns: Index, Price, Yield, etc. Lists benchmark government bonds.

GLTS: UK CASH MARKET

Table with 12 columns: Index, Price, etc. Lists UK cash market data.

GLTS: UK FTSE ACTUARIOS INDEX

Table with 12 columns: Index, Price, etc. Lists UK FTSE actuaries index.

RECENTLY LISTED

Table with 12 columns: Company, Price, etc. Lists recently listed companies.

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ARTS

Shining legacy of the man in the metal mask

Rapper MF DOOM's death was announced on New Year's Day. Jamie Powell pays tribute to this innovative and influential rhyme virtuoso

In a video shot at Reading Festival in 2012, two young hip-hop stars — Grammy Award-winning Tyler, the Creator and Earl Sweatshirt — stand at the side of the stage transfixed by a metal-mask-wearing MC who tells the crowd to “remember all caps when you spell the man’s name”. After the show, they chase after the rapper for a photo opportunity, giggling like two giddy teenagers who have just met their celebrity crush. The enigmatic MC obliges, but barely says a word.

MF DOOM, who died on Halloween at 49 but whose death was announced on New Year's Day, was known as the “rapper’s rapper”. Despite little mainstream success, over his 32-year career the British-American’s idiosyncratic flow and eschewing of hip-hop trends influenced an entire generation of artists in hip-hop and beyond, from Drake to Mos Def to Radiohead’s Thom Yorke, who described his rhyming style as “shocking in its genius”.

Born in London while his mother was visiting family friends, Daniel Dumile spent his formative years in New York, first emerging on the Long Island hip-hop scene in 1988 as one-third of the group KMD alongside his brother Dingilizwe (aka DJ Subroc). The band’s 1991 debut record, *Mr Hood*, garnered some attention but the trio’s career was tragically cut short after Dingilizwe, 19, was killed crossing the Nassau Expressway in 1993. Shortly afterwards, their second album was shelved. Dumile, by all accounts, disappeared from the scene, later telling *Wire Magazine* he spent the next few years “near homeless”.

In 1997, Dumile reappeared at local hip-hop nights in Atlanta. Yet something had changed. During his performances the lights were dimmed, and



Clockwise, from above: MF DOOM on stage in New York in 2004; his albums ‘MM... Food’, ‘The Mouse and the Mask’ and ‘Madvillainy’

New York Times/Redux/Eyevine

his face was covered by a stocking like an amateur bank robber. A year later, he switched to a metal mask in homage to the Marvel Comics arch-villain Dr Doom, and MF DOOM was born — a self-styled anti-hero hell-bent on global domination.

Released in 1999, MF DOOM’s debut *Operation Doomsday* was a landmark in

independent hip-hop. Also produced by Dumile, the record introduced his signature refractive rhyming style (“A pied piper holler a rhyme, a dollar and a dime/ Do his thing, ring around the white-collar crime”) and instrumentals that drew from superhero cartoons, jazz standards and The Beatles.

The mask was a way of shifting the conversation away from what Dumile saw as a trend in hip-hop towards, as he put it in a 2015 interview, “what things look like opposed to what they sound like”. For the next two decades, he was rarely seen in public without his metal face.

Anonymity also provided Dumile with the space to switch voices and perspectives, and he followed up *Operation Doomsday* with two critically acclaimed releases in 2003 under the aliases King Geedorah and Viktor Vaughn. Yet it wasn’t until the following year that Dumile’s loquacious flow became cemented in hip-hop legend.

Recorded over a tortuous two years, *Madvillainy*, a collaboration with crate-digging producer Madlib, is widely regarded as one of the greatest albums of the past two decades. Spanning 22



a sock with a hole”), Dumile’s elastic flow stretched the genre into shapes it didn’t know it could form.

The album’s centrepiece, *Figaro* contains some of the densest verses ever committed to tape, with Dumile’s syrupy baritone belying layers of interlocking rhyme schemes, double entendres and abstract imagery.

Riding a wave of critical acclaim, later in 2004 MF DOOM released *MM... Food*, a collection of songs riffing on culinary metaphors which ranged from the ridiculousness of rap feuds (*Beef Rapp*) to his brother’s death (*Kon Karne*). Dumile was now in demand. In 2005 he teamed up with musician and producer Danger Mouse (formerly of Gnarlz Barkley) to release *The Mouse & The Mask*,

Recorded over a tortuous two years, ‘Madvillainy’ is widely regarded as one of the greatest albums of the past two decades

and produced tracks on former Wu-Tang Clan member Ghostface Killah’s record *Fishscale*. He even contributed verses to Gorillaz’ sophomore record, *Demon Days*.

MF DOOM’s last solo release, 2009’s *Born Like This*, was met with praise but marked the beginning of a slow retreat from music. After being refused entry to the US in 2010, Dumile moved to the UK and his output became limited to guest appearances, collaborations and mooted records with famous rappers that were never released.

Dumile’s legacy, however, was already secured. To aspiring hip-hop artists in the noughties watching Kanye West and 50 Cent compete over who could sell the most albums, MF DOOM’s singular dedication to the craft of rap showed another way. For many fans and artists of this generation, the self-proclaimed “best MC with no chain you ever heard” will be remembered as just that.



Graffiti on Clydeside, Scotland, following the news of MF DOOM’s death —Alamy

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UN
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Lockdown pushes opera’s boundaries

MUSIC

Prototype Festival

New York/online
★★★★★

Richard Fairman

In less than a decade, the Prototype Festival has made a name for itself as the go-ahead promoter of new opera in the US. Hampered by the pandemic, this year it has had to turn its ingenuity up to maximum to deliver a reconfigured programme, mostly online, which includes three premieres and three new works from outside the US.

None of them is described as an opera, and one of them is — at least in the traditional sense. What we get are music and visuals, taking in social issues, digital technology and multidisciplinary forms — everything that innovative opera composers are trying their hands at.

One of the shows — *Ocean Body*, a multi-screen installation — is experienced in person only, and can be viewed live at the HERE Mainstage in New York. Performances run until January 16 by appointment.

The other two premieres, both online, also hail from the US. *Times3 (Times x Times x Times)* is a half-hour “sonic journey” through Times Square with words by Geoff Sobelle and music by Pamela Z. Forget the musical cityscapes of Gershwin and Varèse, this is more an invocation of the *genius loci* of the place, going back to its origins as unspoilt countryside (cue birdsong), like a podcast rooted in the imagination.

The third of the premieres acts like a key to this year’s online festival. Prototype invited 13 composers to address

one of three abiding concerns of the pandemic year — isolation, identity or fear. The result, *Modulation*, is a series of short filmed musical numbers accessed via interactive screens, in the manner of a digital maze.

This has become familiar stamping ground for online opera in 2020, but the presentation and range of styles give this collection a slant of its own. I enjoyed Yvette Janine Jackson’s take on “Fear”, with its threatening atmosphere and strange drawings, and Jojo Abot’s multi-tracked solo.

By contrast, the three contributions from abroad all have their roots in the theatre, where they belong. The emphasis here is more on the themes or issues.

If it had reached fruition, Ben Frost and Petter Ekman’s *The Murder of Halit Yozgat* might almost have been a conventional opera. It tells of the murder of the 21-year-old son of Turkish immigrants in Kassel, Germany, in 2006.

When lockdown stopped the production in its tracks, a film was made, blending rehearsal and documentary voiceover as the story makes its journey from drum-beating racial hatred to windswept, snowy desolation. Anger and grief are piled high here, making Valgeir Sigurosson’s *Wide Slumber for Lepidopterists* seem rather comfortably decorative by comparison.

Finally, from south-east Asia comes *The Planet — A Lament*, directed by Garin Nugroho and composed by Septina Rosalina Layan. Based on the experiences of a community devastated by a tsunami, it hymns environmental awareness with a blend of film, theatre, Papuan dancers and an Indonesian choir — a colourful and moving piece of theatre.

All streamed events are free of charge (except ‘Modulation’) and on demand until January 16, prototypefestival.org



Septina Rosalina Layan’s ‘The Planet — A Lament’
Gregory Lorenzutti

FT BIG READ. ENVIRONMENT

If successful, the legal action in the Netherlands could force oil and gas companies to hasten the transition to cleaner fuels, and nudge other polluters and investors to reassess how they can help cut emissions.

By Anjali Raval

It is five years since the Netherlands lost a court action forcing it to cut its greenhouse gas emissions. It was the first time a government had been compelled by law to take action on climate change and was upheld by an appeals court in 2019, meaning that Dutch authorities have to reduce emissions by 25 per cent compared with 1990 levels.

The case, brought by climate group Urgenda, argued that the state's lack of action was putting Dutch citizens in danger. And the court agreed.

Now the lawyer behind that 2015 case — Roger Cox — has a new target, Royal Dutch Shell, in a legal fight in The Hague that could force oil and gas companies to accelerate a shift away from fossil fuels and push other corporate polluters to reassess their carbon footprint.

In an opening statement in December, Mr Cox, acting on behalf of a group of activists including Milieudefensie, the Dutch wing of Friends of the Earth, said the Anglo-Dutch group's business model and corporate strategy "is on a collision course with global climate targets" and presented "a great danger for humanity".

The activists want Shell — valued at close to £113bn — to cut its total carbon dioxide emissions by 45 per cent by 2030, compared with 2019 levels, ultimately stopping short of an initial push to get the company to eliminate them entirely by 2050. It would force the energy group to completely overhaul its operations and corporate strategy. Mr Cox says the environmental campaigners "asked me if an Urgenda-style case could be brought against a fossil fuel company [and it] made me think that we had a realistic chance of winning a case against an oil major".

Litigation against fossil fuel companies is not new. But until now the focus has largely been on liability suits, asking

"The need to explore avenues to reduce emissions is much more important than discussion about compensation"

corporations to pay damages for past behaviour. Attention is now shifting to so-called human rights-based cases which have the potential to redraw the future business models of corporate polluters. These cases are designed to advance climate policies, say their backers, raise public awareness and drive behavioural shifts by entire industries.

"The need to explore avenues to reduce emissions is much more important than discussions about compensation," says Jaap Spier, author of *Climate Obligations of Enterprises*, which sets out the responsibilities of the corporate sector and the liability risks posed by climate change. The Shell case, he says, is helping to shift the debate from, "OK there is a problem and we need to do something," to "What needs to be done by whom and by when?".

Lawyers, environmentalists and energy analysts say if Shell loses, it and some of its rivals might preemptively adopt policies — from divestments to ramping up investment in clean energy — to avoid further legal action. They would be forced to prepare for climate litigation failure as a financial risk. It is also likely, they say, that future legal cases will target not just fossil fuel companies but also investors and related entities, such as banks extending finance to them.

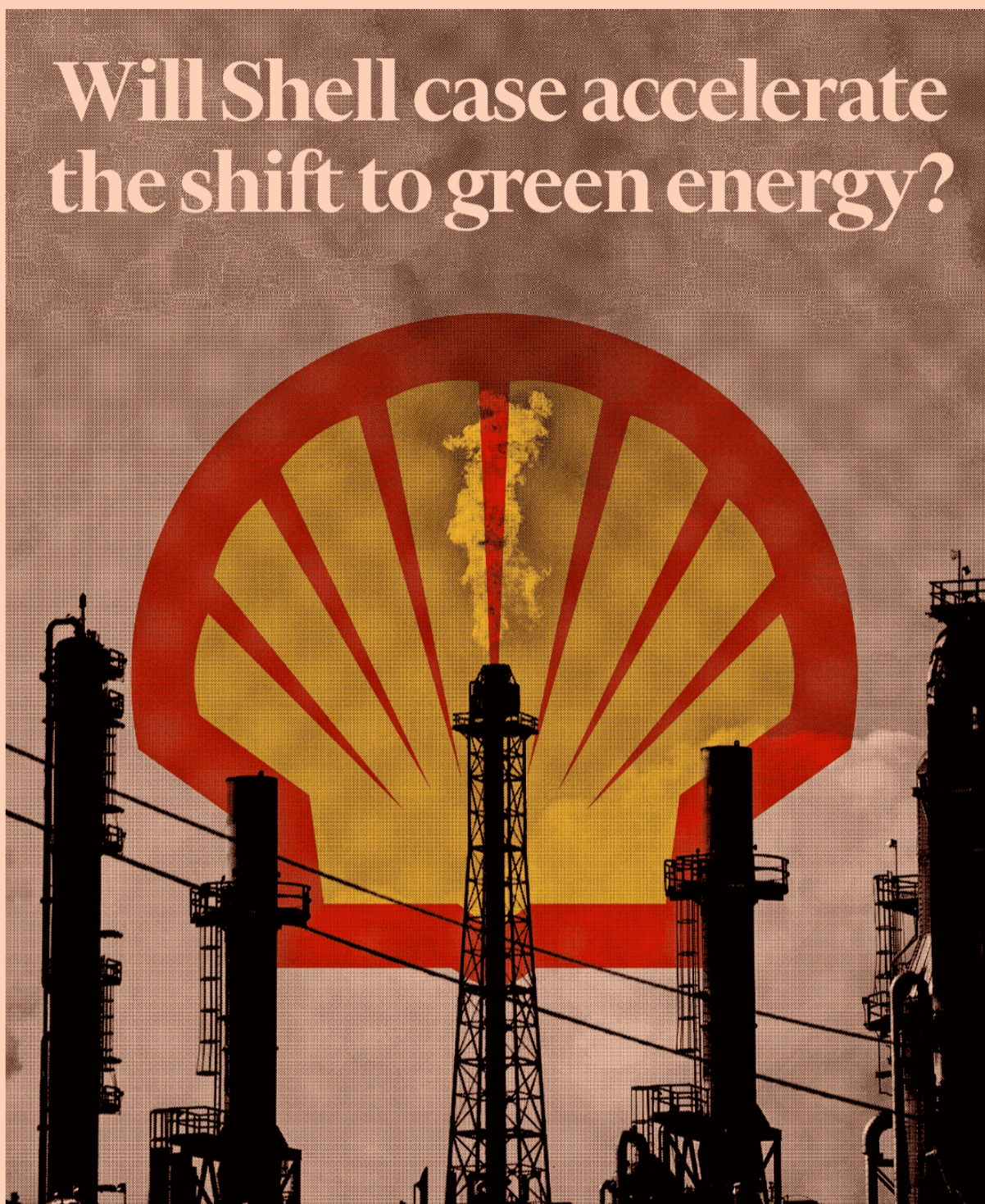
Shell has already said it will reduce the carbon intensity of the energy products it sells by around a third by 2035. It also seeks to be a "net zero" emissions company by 2050 by investing more in cleaner fuels. But climate activists say these targets — which do not include absolute emissions — amount to a tinkering around the edges. The oil company can continue to expand its fossil fuel businesses while meeting its "net zero" emissions goal.

In a series of public hearings in December, the plaintiffs argued Shell has known about the dangers of climate change for years and as a major producer of fossil fuels has played a large role in causing the detrimental effects. Therefore, they say, it needs to play a major role in the transition away from fossil fuels. A verdict in the case is expected on May 26.

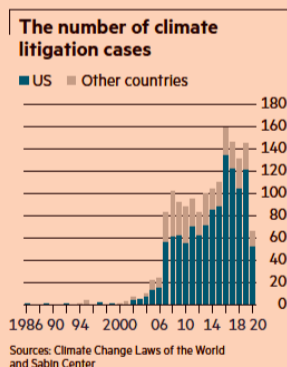
"If successful it would set a precedent. It would be the first time a court could force an oil major to change course," says Mr Cox. "That's what we're looking for here. Not damages, not compensation. A new approach."

Future proofing

Such legal actions are opening up a new front in the fight over responsibility for climate change. Over the past three years a growing number of cases in the US — filed by cities, states and counties



Will Shell case accelerate the shift to green energy?



— have sought damages from energy companies for a litany of climate-related problems.

They are based on a simple scenario. If the burning of fossil fuels creates emissions that cause climate change, then polluters should compensate public authorities for having to upgrade sea walls or retrofit storm drains to mitigate against the effects.

The template for these actions is the successful litigation brought over decades against tobacco companies. This ended with a 1998 settlement guaranteeing \$206bn in payments to 46 US states, over a period of 25 years, to cover costs of healthcare payouts and other related claims.

The action against Shell is viewed by legal experts as particularly significant because of a series of factors: the Urgenda case provides a precedent; the Netherlands has its own duty of care obligations for corporations as part of the Dutch Civil Code and Shell is based in the country.

A separate case in France, against Total, is also seeking to force the energy major to overhaul its corporate strategy to ensure operations align with the targets set out in the Paris Climate Accord. But in this instance there is no legal precedent. A case in Ireland —



Urgenda won a 2019 appeal forcing the Dutch government to cut emissions

similar to that brought by Urgenda — argued that the government's mitigation plan was not ambitious enough. The supreme court in Dublin agreed.

European oil majors have come under increasing pressure from environmentalists and investors in recent years to be more accountable for their contribution to climate change. This has forced them to take preliminary action — from investing in low carbon technologies and greener energies to announcing net-zero emissions goals. But the rising scrutiny over their operations has coincided with a pandemic that has shredded their finances, threatening their ability to make good on lofty ambitions.

Shell has repeatedly said that action to fight climate change is necessary. But it argues that, given the global nature of the problem, a battle in the courts will do little to overhaul the energy system. It also points out that the Paris Agreement obligates governments, not corporations, to act. In court the company argued consumers are just as responsible and that producers should not be penalised disproportionately.

The company has invested in biofuels, hydrogen, wind power, electric vehicle charging and smart energy storage and plans to increase investment in low carbon technologies as part of its broader net zero emissions goal. Prior to the pandemic, it planned to spend up to 10 per cent of its \$30bn annual capital expenditure on cleaner energy businesses until 2025. That fell to \$20bn last year.

"We agree with Milieudefensie that action is needed now on climate change," says Shell. "What will accelerate the energy transition is effective policy, investment in technology and changing customer behaviour, none of which will be achieved with this court action."

Growing public discontent

Oil companies also point to the world's overwhelming dependence on fossil fuels. While governments and individuals, particularly in Europe, want to shift towards renewable forms of energy, it does not change the reality of

our consumption patterns. Even at the height of coronavirus-induced lockdowns and travel bans, oil consumption only fell by around a quarter.

Shell says it seeks to move "in step with society". But critics argue the world and even peers, like BP, are moving faster than Shell is willing to go, which has seen a string of top clean energy executives leave the company.

Despite those consumption numbers, the legal actions are tapping into growing public discontent with governments over climate change, putting pressure

"Lawyers who bring these kinds of cases know it may end in failure. [But] with climate litigation . . . we don't have the time"

on them to pursue cleaner energy goals and net-zero policies as part of the Paris Agreement. Frustration with politicians is partly driven by the feeling that they are not going far enough to mitigate the realities of climate change but also that they are failing to regulate company behaviour effectively, or impose binding targets on polluters.

"There is really just one fundamental question," says Donald Pols, chief executive of Milieudefensie. "Is it possible to meet the Paris goals without regulating the emissions of corporations?"

Shell and 24 other major companies are responsible for over half of all global industrial emissions since 1988, he says citing data from not-for-profit group CDP. Until now these companies have set broad goals to reduce emissions rather than legally enforceable targets. Mr Pols says he hopes the Shell case will have a "ripple effect" — not only would it shift Shell's plans, but it could prompt other companies to bolster their defences against similar litigation.

Activism against energy companies has already gone far beyond green campaigners scaling oil rigs and blockading corporate headquarters.

Environmentalists are now targeting the oil industry's lobbying tactics and challenging their corporate advertising. Client Earth, an environmental charity, filed a 2019 legal complaint against oil company BP claiming it was misleading consumers about its focus on low carbon energy through its multimillion-pound advertising campaign. Chief executive Bernard Looney scrapped the advertising shortly after taking over in February 2020. Meanwhile, investors are filing a growing number of shareholder resolutions to force change.

"There is pressure growing from all sides," says Joana Setzer at the Grantham Research Institute on Climate Change and the Environment at the London School of Economics, who focuses on climate litigation. "There are lots of different strategies being tried. People are saying — how can we push the boundaries even further?"

Increasing litigation

The Grantham Institute recorded 1,587 cases of climate litigation between 1986 and the end of May 2020: 1,213 in the US and 374 in 36 other countries and eight regional or international jurisdictions. An analysis of 534 US cases between 1990 and 2016 found that 42 per cent had outcomes favourable to climate change action. Outside the US, 58 per cent of the 187 cases between 1994 and May 2020 were successful.

"We are still seeing many, many more failures of high-profile strategic litigation — like the liability cases against carbon majors or cases against governments challenging their lack of ambitious targets — than successes," says Ms Setzer. "Lawyers who bring these kinds of cases know it will take many years and may end in failure. [But] with climate litigation . . . we don't have the time."

Mark McVeigh won a case in Australia, accusing a pension fund of failing to protect him against climate change risk



Experts counter that even in defeat there are successes. Cases that raise awareness may influence future action. Companies can see the momentum and are beginning to build legal defences.

"It's no longer a secret. Businesses that are complicit in enabling climate change, while ignoring the ramifications, are going to face higher legal risks going forward," says Carroll Muffett, chief executive at the Center for International Environmental Law, a non-profit organisation. "It is exceptionally rare that a single case changes corporate behaviour. But we're already in a place where Shell, ExxonMobil, Total and BP are all facing litigation."

She adds: "It took three decades to turn tobacco litigation into a transformative moment, when plaintiffs began winning cases. With climate litigation we have covered the same ground in a decade. Plaintiffs are not going to limit themselves to the carbon majors."

Oil companies are already being forced by investors, regulators and the public to make greater disclosures about their environmental footprints. And at the same time are being confronted by better climate science and more granular emissions data.

Nigel Brook, a London-based lawyer at Clyde & Co who leads the firm's climate change risk business, says it is inevitable that there will be more legal cases and more victories for those who bring them. "The duty of care obligation for top managers will only grow," he says. "This is happening and will grow significantly over the next decade."

Pension funds and asset managers are particularly in focus for campaigners. One of Australia's largest pension funds late last year agreed to settle a climate risk case brought by 23-year-old Mark McVeigh in 2018. He alleged that the Retail Employees Superannuation Trust was failing to protect his retirement savings against climate change. As part of the settlement the pension fund agreed to incorporate climate change financial risks in its investments.

David Barnden, at Equity Generation Lawyers which represented Mr McVeigh, says the impact of the case will be far reaching. "This is the first time that a pension fund has been taken to task in this way," says Mr Barnden. "In the future, we may see trustees and asset owners go after individual pension fund managers."

Mark Clarke, a partner in legal firm White & Case's dispute resolution department, says the Shell case could provide a turning point that stretches well beyond the energy sector if it establishes that a corporation has a duty of care. "Clearly that will have ramifications and will likely encourage similar claims against other corporations," he says. "Climate change litigation is on the rise — there is no doubt about that."



FINANCIAL TIMES

“Without fear and without favour”

TUESDAY 12 JANUARY 2021

The limits on free speech in the internet era

Social media groups had no choice but to suspend, for now, Trump

How quickly, in a crisis, the unthinkable can become reality. If it might have seemed fanciful a week ago that a US president could incite insurrection or face a second impeachment in a single term, so, too, would the prospect of social media platforms barring the “leader of the free world”. The bans by Twitter, Facebook and Instagram on President Donald Trump raise profound issues — of freedom of speech, and the precedents they may set for less free societies. While the “permanent” nature of Twitter’s suspension is questionable, however, not acting would have created even bigger risks.

In the exceptional circumstances of America today, platform companies were right to suspend Mr Trump’s access at least until the end of his presidential term. The president has glorified violence and egged on a challenge to US institutions that left five dead. Critics are right to say the move came cynically late. The president has repeatedly flouted the platforms’ user rules. Had the platforms acted earlier to remove offending presidential posts selectively, the need for tougher actions might have been averted.

Police had good reason for concern, moreover, that the president’s supporters were using both mainstream and more niche platforms to plot further violence. That justifies moves by Apple, Google and Amazon to restrict access to Parler, the “alt-tech” Twitter alternative beloved of the radical right.

These are, without doubt, complex ethical issues. German chancellor Angela Merkel criticised Twitter’s indefinite suspension of Mr Trump as a breach of the “fundamental right to free speech”. Alexei Navalny, the Russian anti-corruption blogger, said it could be “exploited by the enemies of freedom of speech around the world”.

Yet America’s ability to promote democracy and political freedoms else-

where collapses if it cannot defend its own. While some question why US enemies retain Twitter access while Mr Trump is barred, the president has unique power to undermine American democracy, should he so choose. It is misleading to suggest Mr Trump has been “silenced” when he retains access to the powerful US presidential pulpit.

Free speech, moreover, cannot be wholly untrammelled. Liberals should be wary of their own arguments being misused to undermine what they believe in. Constraints are legitimate on hate speech and online incitement. Though the cultural context is very different, Ms Merkel notes the US would be better to follow Germany in passing laws restricting such behaviour than leaving it to social media platforms to devise and police their own rules.

Such legal restraints in the US might run into First Amendment problems. Yet recent days highlight above all the need for debate on the limits of American free speech and the power of the tech companies. Clearer regulation must be a priority for the incoming Biden administration and for Congress.

That may not mean repealing Section 230 of the Communications Decency Act, which gives internet companies immunity for user-generated content on their sites. But it should at least be reformed, with exemptions extended to cover, for example, incitement to violence or terrorist propaganda. A more effective redress mechanism is needed.

What cannot be overlooked, either, is the responsibility of conventional TV outlets such as Rupert Murdoch’s Fox News, which has enabled Mr Trump for too long, and according to one study has been more influential in spreading false beliefs than social media. The UK, which has given approval for a Murdoch-owned “opinionated” news channel, should pay careful heed.

Europe’s faltering start in the vaccine race

The political damage from a botched rollout could be severe

The almost miraculous development of effective coronavirus vaccines offers a route out of a pandemic that many countries are otherwise struggling to control. So it is all the more baffling that European governments that have long awaited light at the end of the tunnel can now only crawl towards it. Even countries like Germany and Finland that had a relatively good record of managing infections and limiting mortality last year are now way behind global pacesetters such as Israel and the UK in the vaccine rollout. The sluggishness could prove more damaging to political incumbents in Europe than the curtailment of civil liberties or economic paralysis inflicted on populations for the past 10 months.

So far the political recriminations have been most marked in Germany, with the centre-left Social Democrats eager to pin blame on their coalition partners, the Christian Democrats. Some politicians and media outlets have blasted Berlin for failing to protect its own citizens after delegating the job of vaccine procurement to the European Commission. They say the EU was too slow in placing its orders and that it spread its bets too widely buying six (soon to be seven) different vaccines, only two of which have so far received EU regulatory approval. They also complain it did not purchase enough of the most promising vaccine candidate, from BioNTech/Pfizer.

It is true that the EU took longer to place orders than the UK or US, but this was partly because they required sign-off by (some) member states. Furthermore, the talks dragged on because pharmaceutical companies wanted to limit their civil liability stemming from a product that had been developed in record time. The European Medicines Agency also took longer to approve the BioNTech/Pfizer vaccine because it adopted a lengthier procedure,

whereas the US and UK chose a quicker one in return for assuming more liability.

The fact that Brussels doubled its BioNTech/Pfizer purchase last week to 600m doses is a tacit admission that it could have ordered more given the earlier signs of its success. That is the benefit of hindsight. It applies equally to the EU’s bet on a vaccine from French firm Sanofi, which is several months away at best. But the EU should have plenty of doses once other vaccines, including the one from Oxford university and AstraZeneca, have been approved. There is a lack of clarity over the timing of delivery of orders but that applies to the US and UK also.

A far bigger reason behind Europe’s slow vaccine rollout is the lack of preparation by national and local governments and their health authorities. So far, most European countries have only used a fraction of the vaccine doses available to them. Mostly, officials have been slow to grasp the magnitude of the task. In some places, the slow pace was deliberate.

In France, the rollout was actually intended to be slow in a misguided effort to appease vaccine sceptics. The French government reversed course, under orders from President Emmanuel Macron, but its credibility has been badly undermined.

Denmark’s creditable performance, just ahead of the UK on a per capita basis, shows that EU centralised procurement is not responsible for Europe’s faltering start. A joint approach has helped to avoid ugly vaccine nationalism in Europe — although so far it has not helped the developing world, where a lack of vaccines could prove even more deadly. Rolling out the vaccine will take months if not years. Europe has, by and large, had a poor start. It must throw all necessary resources at getting back on track.

Letters

Standing in the way of the Federal Reserve, as you say, is “an indomitable bull market” (FT View, January 9) but after recent events in Washington it may be better to ask: “Where is the Fed going?”

The answer is, of course, wherever its political masters want it to go. Can you really imagine the Fed pricking the current bubble on its own initiative? For that matter would any democratic government — or even any dictator — do it? Probably not. The independence of central banks may only be skin deep, but political ideals are also delicate creatures that perish easily.

However, post-Trump there is hope: the scales must have fallen from the eyes of all but the most hot-blooded populists. None of us, now, has any excuse to believe that a mob will ever take us anywhere good. That glimpse of the abyss gives us the incentive to rethink the way we manage our democracies.

These days we are too worldly-wise to think (as the ancients did) that there can be such things as ethically “good” policies. But no matter: we can, at least, try to improve the standard of debate — and be prepared, à la Keynes, to change our minds if needed.

A model for the future that Joe Biden might like to consider is the Charlottetown Conference of 1864 that established modern Canada.

It was remarkable for two things — the vast quantities of champagne drunk, and also the fact that each colony was represented by both government and opposition members. One (or possibly both) of these factors kept the debate focused on finding answers, not differences. Our modern parliaments fail miserably on that score.

So could Charlottetown be the model for the future? If voters appointed pairs

of delegates from opposing sides, and made them sit side by side in their respective houses in debates and committees then, in time, would we see policymaking improve? Who knows, policies might eventually be based on reason and practical common sense in such a system.

We Brits could try the approach as well. We cannot do much worse. Mustn’t forget the champagne though — it could be vital. Anyone for a trade agreement with France, to make sure that supplies are maintained?

David Boorer
Llandoverly, Carmarthenshire, UK

Buffalo Bill’s role in mob who stormed the Capitol

The FT Big Read on Saturday “A coup d’état attempted by Trump” (FT Weekend, January 9) was wrong to say that one of the mob that stormed the US Capitol on January 6 had a hat with Viking horns.

The hat quite deliberately depicted a buffalo head and horns and was a tribute, as such, to William “Buffalo Bill” Cody, a US white supremacist par excellence, who earned his name in the 1870s because in one 18-month stretch he claimed to have slaughtered 4,280 buffalo.

He was one of several buffalo hunters, along with Major General Phillip Sheridan — the man who had the task of forcing Native Americans off the Great Plains and on to reservations. He is alleged to have said: “Kill every buffalo you can! Every buffalo dead is an Indian gone.” That is because the Plains Indians — the Comanche, Cheyenne and Lakota among other Indian Nations — depended on buffalo for just about everything.

They used their hides for their shelters, or wigwags, and clothes; their meat for food; their horns when moulded in fires for the bows of their bow and arrow weapons. That is why I think it is silly to see just Donald Trump, the outgoing US president as behind the insurgents. The origins and values of these people go back ages, even to the time of the US’s founding.

Jane Monahan
Washington, DC, US

The misplaced confidence of English exceptionalism

Again Camilla Cavendish shows wisdom (“Now Brexit is ‘done’, Britain must rebuild trust with Europe”, Opinion, FT Weekend, January 2).

It is a pity that current Tory ministers do not have her sagacity. She quotes Gavin Williamson, education secretary, as suggesting we have the first vaccine because we are a “much better country”.

This English exceptionalism sends shivers down the spine. But worse by far for icy shivers is the quote (Report, January 2) on the front page from Iain Duncan Smith of “dominating the world again”.

The results of our previous domination are only now being articulated and they make grim reading. These are not Tories misspeaking. This is what they believe. We should all take note.

Jane Phillips
Cambridge, Cambridgeshire, UK

History shows Trump’s options after power are narrow



“THERE’S TALK OF TIGHTENING LOCKDOWN RULES EVEN FURTHER.”

Two UK politicians who took a stand on president

Let history record that two British parliamentarians were consistently unequivocal about their opinion on Donald Trump. Jeremy Corbyn, who refused to attend the royal banquet in Mr Trump’s honour, and John Bercow, who refused to allow him to speak in the House of Commons.

Izhar Khan
Aberdeen, Aberdeenshire, UK

India needs to dust off its privatisation plans

Indian prime minister Narendra Modi’s reformist agenda need not be stymied by the farmers’ agitations (Report, December 31). The spectre of staggering fiscal imbalances will nonetheless necessitate another “big bang” of market reforms.

India’s federal and consolidated state budget deficits are approaching more than 12 per cent of gross domestic product. Tax hikes will be counterproductive to growth. As a result, the gaping revenue shortfall will need to be plugged by an aggressive divestment of state-owned enterprises. In fact, the Indian government has announced a privatisation drive for public sector undertakings in petroleum, airlines and commercial shipping. Such restructurings would engender long-term operating efficiency for the unshackled firms and generate sorely needed revenues, which could then be recycled back into the economy in the form of tax cuts and additional government spending.

The proceeds could be used to shore up India’s threadbare social safety net.

Nathan Punwani
Los Angeles, CA, US

Washington Notebook

by Courtney Weaver



William Howard Taft, the 27th US president, had choice words for describing what should become of former occupants of the White House once they left office.

“A dose of chloroform”, Mr Taft reportedly said — to protect the nation “from the troublesome fear” they would ever return.

Mr Taft — who went on to become a Supreme Court justice — was thinking not of himself, presumably, but of his White House predecessor and former ally Theodore Roosevelt. At the end of Taft’s first term, Roosevelt challenged him first for the Republican nomination and then the presidency; both men ultimately ended up losing to Woodrow Wilson.

It is hard not to think of Taft’s advice when contemplating the future of Donald Trump. Though he must leave the White House next week, he has done nothing to suggest — even after he was blamed for last week’s riot — he will retreat from the public sphere.

At the “save America march” last Wednesday that morphed into a siege of the Capitol, Mr Trump, his family and remaining top aides appeared not to be looking back on his four-year White House term, but ahead to the next phase of a movement that has splintered the Republican party and rattled American democracy.

A video posted by the president’s eldest son, Donald Trump Jr, last week showed members of the president’s inner circle dancing backstage to the 1982 pop hit “Gloria” ahead of the event, as if it were just another

campaign rally. Mr Trump and his advisers have repeatedly hinted at another run in 2024. But he now faces a significantly more challenging path. The House of Representatives is moving towards the second impeachment proceedings against him in a year.

A raft of potentially devastating legal challenges await him as the former president. Both federal and local prosecutors in New York are already investigating him, and there are calls for probes of his phone call asking Georgia’s secretary of state to “find” votes for him, as well as his role in the January 6 violence.

A small but growing number of Republican lawmakers have called on the president to resign or be impeached. Twitter has permanently suspended Mr Trump’s account, cutting the president off from his 88m followers.

It would be naive to write off Mr Trump’s political prospects or to assume that he has lost the bulk of his devoted fan base. Yet he will be rallying them from a diminished pulpit, and not just because of his shuttered social media accounts.

“There is no way Donald Trump realises how overnight you go from being the most powerful human on the planet to becoming a nobody,” Douglas Brinkley, the presidential historian, notes.

“You think: ‘I’m a big celebrity and I have followers and I’ll come back in 2024. But now you’re fighting with no official power around you. None. Even

Countries must not ignore natural Covid immunity

Reading your leader “The pandemic’s biggest tests still lie ahead” (FT View, January 6), one aspect not mentioned was the role of the immunity passport which will have far-reaching implications.

Back in April, the World Health Organization (WHO) warned against the creation of an immunity passport because there was “no evidence” that people who have recovered and have antibodies are protected from a second infection.

But the situation has since dramatically changed. Rigorous scientific observations have shown that spontaneously acquired immunity after infection with Covid-19 lasts at least as long as the immunity generated by the best vaccines.

This applies in particular to poor countries in Africa and Asia that are still asking how they can find the financial and logistical means to vaccinate even a small part of their populations. Covax, the globally-pooled vaccine procurement and distribution effort to help poor countries, reportedly aims to secure vaccines for only 20 per cent of the population in each participating country by the end of the year.

In such a dire situation, ignoring the immunological status of the millions of people who have recovered and do not need to be vaccinated would be a serious mistake.

Sam Rainsy
Former Finance Minister of Cambodia, Living in exile in Paris, France

Why is vending machine industry not supported?

Ensuring that keyworkers have access to food and drink while carrying out their essential work has been at the forefront of thinking for those in the vending and “food to go” industry since to start of the Covid-19 pandemic.

Local authorities have been allocated specific funds — “additional restrictions grants” — to support businesses hit by closures in the leisure and hospitality sector. Despite this, the majority of applications by our members have been rejected.

Notwithstanding further assertions from the chancellor that financial assistance is available (Report, January 6), the vending industry and its contribution appears to have either been forgotten or disregarded.

David Llewellyn
Chief Executive, Automatic Vending Association
Wetherby, West Yorkshire, UK

Action against Parler is not a victory to celebrate

In “Tech companies kick Twitter rival Parler off their platforms” (FT.com, January 10), we learn that pressure has led Amazon, Apple and Google to end their distribution of the smaller social media platform Parler. You can dislike Parler; you can distrust the people behind it. But this isn’t a victory worth celebrating.

Internet infrastructure of the sort which Amazon, Apple and Google offer is critical to the success of an open and free global internet.

Websites used to be an infinite resource: if you disliked one, you could start your own and host it on your home computer. Buy a few servers in a co-location facility if traffic grew. You’d scale progressively.

But this is no longer the case. Starting a website of the scale of Parler today simply isn’t done without relying on the private infrastructure owned and operated by a few dominant tech companies.

Parler, if it wishes to survive, must now rapidly build out its own distributed server infrastructure, maintain this at great expense and buy transit from an upstream provider — of which there are only a handful. And these too will face pressure to refuse service to Parler.

It might seem a good idea to ban Parler given the moment we are in. I personally lose no sleep over it. But the slippery slope argument here is real. What will be banned next?

This is all a consequence of our failures as a society to rein in Big Tech and recognise that cloud services of the kind Amazon offers are really analogous to a public utility.

These companies do not need to be publicly owned, however just like other utility providers such as electricity suppliers that are subject to public oversight, our digital infrastructure providers need transparent and accountable governance mechanisms so that their policies are developed fairly and in the public interest — and not made on a whim in order to avoid bad press.

Ayden Férdeleine
Public Interest Technologist
Berlin, Germany

An escape from the gospel of consumption

I noticed, with some relief, that there was no New Year edition of your gospel of consumption, How To Spend It magazine. Have they spent it?

Keith Wheatley
Wellington, Somerset, UK

ones that don’t have big egos, like Jimmy Carter and George H W Bush, have a hard time adjusting to [civilian] life.”

The elder Bush dipped back into White House politics after his defeat, following the election of his son, whom he would occasionally join for the classified President’s Daily Brief on his visits back to Washington.

Mr Carter, meanwhile, was at times criticised for meddling too much in the affairs of his successors, such as when he was seen to be interfering with Bill Clinton’s policies towards North Korea, and the elder Bush’s with regards to Kuwait.

For some ex-presidents who left on less than ideal terms, the post-presidential period has offered a chance at redemption, financial or otherwise. But the PGA has just stripped Mr Trump’s Bedminster golf course of a major 2022 tournament and his hotels business may face broader fallout.

Furthermore, the most content ex-president right now appears to be George W Bush, who moved back to Texas and happily took up painting. If Mr Trump does push ahead with another White House run, he will not be the first former office-holder to do so. Martin Van Buren, Millard Fillmore, Ulysses S Grant, Grover Cleveland, Herbert Hoover and Roosevelt all tried to recapture the White House after leaving office. Only one — Cleveland — succeeded.

courtneyweaver@ft.com

Opinion

Workplace surveillance may hurt us more than it helps

EMPLOYMENT
Sarah O'Connor



You can't fault Amazon's timing. In the middle of a global pandemic, the online retailer has launched a new workplace surveillance tool that could help to slow Covid's spread. Called AWS Panorama, it uses computer vision technology to analyse footage from security cameras in workplaces. It can detect when employees are not complying with social distancing rules, for example.

Amazon, which plans to sell the tool to other employers, says it can improve workplace safety in other ways, too. "Are people walking in spaces where they shouldn't be? Is there an oil spill? Are they not wearing hard hats? These are real-world problems," a senior executive told the FT.

It's easy to see how the technology could help in the fight against Covid-19, since workplaces are a major source of transmission. It could reveal pinch points in factories where social distancing isn't possible, for instance, which might prompt companies to redesign work processes. But, like any tool, the outcomes will depend on the people who wield it.

Having read a lot of corporate safety incident reports over the years, I'm struck by how often CCTV footage is used to blame the worker who was hurt. In a recent example from a British meat factory (an industry where work pressures are often intense), a man fractured his hand when running to fetch a metal plate. "This is a behavioural safety issue [because he shouldn't have run] and he will be disciplined upon his return," the company wrote in the report to the UK's health and safety regulator. There was no mention of why he felt the need to run in the first place.

In this context, it's not hard to imagine a future scenario where workers are blamed for contracting Covid-19, possibly with implications for their sick pay,

by employers unwilling to consider their own role and responsibilities.

There is also the possibility of mission creep. A testimonial on the AWS Panorama website from guitar-maker Fender enthused: "We can track how long it takes for an associate to complete each task in the assembly of a guitar so that we're able to optimise efficiency

Supervisors are given dashboards that show 'who's a superstar and who's slacking off'

and track key metrics." The comment has now been deleted from the site.

Many employers are exploring how to use technological surveillance to drive productivity and measure performance. In 2018, the research company Gartner surveyed 239 big companies and found more than half were using non-traditional monitoring techniques, up from 30 per cent in 2015. Gartner defines monitoring as things such as "analysing

the text of emails and social-media messages, scrutinising who's meeting with whom, gathering biometric data and understanding how employees are utilising their workspace".

Walmart, the US retailer, has filed a patent for a system of sound sensors placed near cashiers which could "determine a performance metric for the employee based on the audio data".

In the white-collar world, an array of companies are selling software that enables employers to monitor what workers do on their computers. Time Doctor, for instance, will take regular screenshots of each employee's screen, measure their breaks and send nudges if they stray on to non-work related sites. Supervisors are given dashboards that show "who's a superstar and who's slacking off".

But you don't have to be a slacker to recoil at the idea of constant monitoring. Humans are hard-wired to feel uncomfortable being watched all the time, especially when under pressure to meet stretching targets. "It makes me afraid, physically and mentally exhausted," Hibaq Mohamed, an

Amazon warehouse worker, told researchers at the Open Markets Institute of the monitoring at work.

A body of research suggests jobs that combine high demands (concentration requirements, workload, time pressure) and low control (discretion to make decisions and schedule one's own work) are ruinous for human health. Our metabolic, cardiovascular and neuroendocrine systems produce short-term responses to stressful situations, but when the stress is chronic, it can damage our bodies or tempt us to self-medicate. One study in the US, published last year, found that people in high-demand jobs with low control were more likely to die than people in high-demand jobs with high control.

Workplace surveillance should be subject to regulatory oversight and ideally collective bargaining, since individuals will be better placed to negotiate the details en masse. It would be a dispiriting irony if technology brought in to protect our health in a pandemic made us sicker in the end.

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Here's how the Fed can do more to support small businesses

Hal Scott

The US economy is reeling from the virus surge, new business shutdown orders, continued high unemployment and reduced consumer spending, though vaccination is under way. Small businesses have been among those hit hardest. Treasury secretary nominee Janet Yellen tweeted this weekend that we need to invest in small businesses as they will be at the centre of the economic recovery. Here is how to make it happen:

To start with, the \$284.45bn funding extension for the Paycheck Protection Program, enacted in December, is not nearly enough. Expanding it would require legislation. The first order of business should be to activate a new Federal Reserve lending facility – call it Dream Street – to replace the now expired Main Street programme.

The limitations of PPP are extensive. While first-time borrowers can employ up to 500 employees and borrow up to \$10m, second-time borrowers are limited to 300 employees and a maximum of \$2m. The scheme sets aside \$75bn – about 26 per cent of the total – for first-time borrowers, the smallest firms and those in low- or moderate-income areas. And it requires that \$30bn of funds be lent through community financial institutions and smaller banks. These limits, however justified, leave less money for other borrowers.

The PPP also adds a head-scratching qualification requirement for second-time borrowers: they must show a 25 per cent loss in gross revenue in any 2020 quarter comparable to the same

The bottom line is that the Paycheck Protection Program is not enough to help many borrowers

quarter a year earlier. That means firms with relative losses of 20 per cent in two successive 2020 quarters would not qualify. The programme is geared towards payroll retention. Although it significantly expands covered expenses for all borrowers, it still does not cover maintenance, liability insurance or real estate taxes. The bottom line is that the PPP is not enough to help many needy borrowers.

Immediate help can come from a new Fed facility to replace the now ended Main Street programme. While it did not offer forgiveness, it did cover businesses with up to 15,000 employees and all expenses. But it fell extremely short of its goal of \$600bn of loans backed by \$75bn from the Treasury. As of January 6 it had made only \$17.3bn in loans, although the take-up in December did rise by about \$10.5bn.

The Treasury's desire to avoid credit risk helped cause the shortfall. This led to a requirement that borrowers not only be solvent but meet bank credit standards, since banks were required to retain 5 per cent of every loan they made. Borrowers that could meet these standards, however, did not need Main Street. Borrowers were also deterred by the facilities' onerous terms – interest rates above 3 per cent, fees and a relatively short repayment period.

While Main Street is dead, a new and different Dream Street facility should rise from its ashes. The Fed should buy 100 per cent of all loans, thus absorbing all credit risk, and offer more favourable terms such as lower interest and longer repayment periods. Financial institutions would be merely processors as under PPP, receiving similar fees and liability protection.

Dream Street would be different enough from Main Street that it would not be hit by the ban in the Cares Act on providing the "same" programme.

While Dream Street would still legally have to be backed by Treasury funds, and the Covid relief legislation clearly rules out using the old Cares Act funds, backing can come from the around \$95bn in the Exchange Stabilization Fund.

The new legislation would allow that because the ESF can back any facility that is not the same as an existing Cares act programme. It could be leveraged to back \$300bn in new loans. This should be done immediately to help needy borrowers and our economy.

The writer is an emeritus Harvard Law School professor and directs the Committee on Capital Markets Regulation

Europe is not immune from US-style unrest

GLOBAL AFFAIRS

Gideon Rachman



A crowd of far-right activists break through police lines. Cheering and waving flags, they prepare to storm the legislature. In Washington DC, last week, the mob broke through. In Berlin, last August, they were stopped on the steps of the Reichstag. If the demonstrators had broken into the building, they would have found some walls still adorned with carefully preserved graffiti from when the Reichstag was sacked by Russian troops, in 1945.

Germany's near-miss over the summer, the *gilets jaunes* demonstrations in France and the passions aroused in Britain by Brexit and Covid-19 – all underline the same point. Europeans cannot assume that they are immune to the political passions that have engulfed America. Many of the elements that destabilised the US are also present in Europe – in particular, the spread of conspiracy theories, online radicalisation and extremist political movements.

The crucial missing element is Donald Trump. The fact that America's conspiracy-theorist in chief is also president makes the country's situation uniquely dangerous. It was Mr Trump's efforts to overturn the election that motivated

crackpots from all over America to descend on the nation's capital and storm Congress.

But it would be a mistake for Europeans to believe that the absence of a Trump figure makes them safe from dangerous political unrest – particularly given the economic distress and social dislocation caused by Covid-19. The Reichstag crowds were smaller than those that attacked the Capitol. But they represented a wide cross-section of groups, with the far-right mingling with anti-vaxxers and believers in the QAnon conspiracy theory that is rampant in America (and holds that Mr Trump is leading an effort to defeat a global conspiracy led by paedophiles).

Opinion polls taken afterwards suggested that 9 per cent of the German population supported the Reichstag rioters. This is a narrower base than the far-right enjoys in America, where polls immediately after the storming of Congress suggested nearly half of Republican voters approved – which would be 20-25 per cent of Americans. (Later polls suggested less support.)

Support for the political extremes is closer to 25 per cent in the former East Germany. Officials in Angela Merkel's government worry that the military, intelligence services and police have been penetrated by the far-right, and some elite military units have been disbanded because of links to political extremism. There have also been several deadly terrorist attacks by far-right extremists.

France also has cause to worry. The



gilets jaunes movement, which began in 2018, brought hundreds of thousands on to the streets for demonstrations that frequently spilled over into violence and vandalism. Nonetheless, opinion polls suggested that a majority of the French population sympathised with a diffuse movement, united only by its rage with the country's governing elite.

France also has the highest levels of anti-vax sentiment in the Europe, with polls suggesting that almost half the population plans to refuse an inoculation against Covid-19. This deep level of suspicion helps to account for the disastrously slow official rollout of vaccines there. Since anti-vaccine sentiment is closely linked to suspicion of science and experts, and to a belief in conspiracy theories, its prevalence in

Conspiracy theories and political extremism are flourishing across the continent

France points to an underlying political malaise. President Emmanuel Macron looked rather haunted when he recorded a special address denouncing the storming of the Capitol.

The nearest Europe has to the American situation, in which conspiracy theorists are actually in charge of a government, is probably Poland – where Jaroslaw Kaczynski, the leading figure in the ruling Law and Justice party, has promoted the idea that the Smolensk air disaster, which killed much of the Polish elite, including his brother, was not an accident – but a deliberate plot. The arrival of Law and Justice in power has seen a serious erosion of democratic safeguards in Poland, prompting action from the rest of the EU.

Far-right extremism, stoked up on the internet, led to the murder of Jo Cox, a Labour MP, during Britain's Brexit campaign. Neil O'Brien, a Conservative MP who has spent much time battling lockdown sceptics online, warns that dangerous political fantasies, including QAnon, are spreading fast in the UK, fuelled by a "combination of social

media and mainstream media prepared to flirt with the extremes". The disorientation of the Covid-19 lockdowns has increased the number of people with little to do but surf the internet for explanations for the crisis – making them susceptible to radicalisation.

Anti-vaxxers have managed to draw thousands of people to Trafalgar Square in London for rallies addressed by the likes of David Icke, who has claimed that he is the son of God and that the world is run by an order of shape-shifting reptiles.

The ludicrous nature of these conspiracy theories makes it tempting to dismiss their exponents as fringe crackpots, who will never have real influence. But, as events in Washington have demonstrated, they can win the adherence of millions of people – and become a danger to democracy.

The rule that what starts in America eventually ends up in Europe is not confined to popular culture and technology. It can also apply in politics.

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France's anti-vaxxers show a deepening distrust of elites

Cécile Guerin

Back in November, when BioNTech and Pfizer unveiled a Covid-19 vaccine with more than 90 per cent efficacy, the news was welcomed internationally. In the country of vaccination pioneer Louis Pasteur, however, distrust ran high from day one. According to recent polls, only 40 per cent of French people say they will get vaccinated. By comparison, UK polls show the proportion of Brits willing to take the vaccine stands at 77 per cent.

This scepticism has affected the French fight against the virus. The nation was slow to start vaccinating but has now inoculated 93,000 people, according to health ministry figures. Health minister Olivier Veran has been accused of pandering to anti-vaxxers after saying the government needed to be "educational" in its approach.

But France's hesitancy towards vaccines predates Covid-19. A 2019 Gallup poll conducted in 144 countries showed it was already home to some of the strongest anti-vaccine sentiment in the world. The pandemic has only reinforced this and enabled the nation's online anti-vax communities to be more successful in wooing the "vaccine hesitant" than its health authorities.

French rejection of vaccination reflects a years-long erosion of trust in both political and medical elites.

Distrust of medical institutions has been fuelled by a series of high-profile scandals, from the contaminated blood cases of the 1990s to the more recent trial over Mediator diabetes pill deaths. In 2009, controversies surrounding trials for the H1N1 flu vaccine, including concerns over conflicts of interest between experts and pharmaceutical groups, also damaged French faith in medical authorities.

Political trust meanwhile continues to be undermined by anti-establishment groups. The yellow vest movement, which has enjoyed a revival during the pandemic, now talks less about tax

and inequalities and more about the government using virus fears to cow its citizens. Indeed, research by the Institute for Strategic Dialogue has found that online disinformation about Covid-19 in France primarily takes the form of these conspiracy theories – and the anti-establishment movement

This scepticism has affected the country's fight against coronavirus

has become a major propagator of disinformation about vaccination.

In November, *Hold-Up* – a crowd-funded documentary exploring conspiracy theories about the pandemic – was watched by millions of French people within a week of its release. It attacked vaccines, "big pharma", medical institutions at home and abroad and tapped into existing popular grievances towards the Paris government.

While this combination of online dis-

information and distrust of elites may not be specific to France, the depth and longevity of feeling would appear to be.

Successive governments' unpopularity – the last two presidents did not secure re-election – had already dented trust in politics. Perceived contradictory messages during the pandemic harmed trust more. Ministers said mask-wearing was "useless" only weeks before masks were made compulsory on city streets. While the messaging adapted quickly to medical advice, the inconsistency has had an impact.

As suspicion of medical institutions has grown, so have contrarian figures in the medical world emerged, depicted as underdogs fighting a corrupt system. Didier Raoult, the Marseille doctor who achieved notoriety after becoming a proponent of the use of chloroquine to treat Covid-19, has become a rallying figure for online anti-vax groups and gained support from the yellow vests. Pro-Raoult Facebook groups have been among the most active in discussing the pandemic during the second wave.

The French government's vow to speed up vaccination may therefore

depend on rebuilding trust in its politicians and medical experts. It needs to ensure people receive fact-based information – and it needs to compete with online anti-vax content.

Faced with mounting pressure, tech companies including Facebook and TikTok are taking steps to remove the most harmful anti-vaccine disinformation from their platforms. But anti-vax communities, in France as elsewhere, have been allowed to build their audience on social media for years.

Anti-vaccine groups intersect with other online communities, making them hard to dislodge. Retroactively removing harmful anti-vax content, while necessary, can also be fraught with difficulties. That means the French government needs to continue putting pressure on tech companies to remove disinformation and highlight the official advice, while also providing more decisive messaging of its own. In short, the politicians need to be as convincing as the conspiracy theorists they battle.

The writer is a researcher at the Institute for Strategic Dialogue

Lex.

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Political donations: PAC animals

US corporations have earnestly tried to remain bi-partisan over the years. It is a shrewd position, as the stature of Republicans and Democrats ebbs and flows over time. But that equilibrium may have been shattered along with the glass windows at the US Capitol.

In recent days, several CEOs and boards have announced that they will suspend political donations either to politicians challenging presidential election results, or simply across the board. The influence of big money is not a laudable feature of US democracy. More critical thinking about donations is long overdue.

The most common way companies donate to campaigns is through so-called political action committees. PACs bundle together employee donations and then disburse them. For example, a JP Morgan PAC for federal elections candidates raised \$1.1m between the start of 2019 and late 2020 and included \$5,000 from Jamie Dimon. The PAC then gave money to various candidates and congressional groups from across party lines.

Influence-peddling extends far beyond simple corporate PAC contributions. Individual donations, contributions routed via so-called "dark money" non-profits and increasingly small dollar mass fundraising are also crucial to candidate fundraising. But companies provide a reliable drip feed of cash.

JP Morgan has said it will now halt all donations for six months. Others, like Dow Corporation, have specifically targeted those Congresspeople and Senators who were promoting efforts to nullify Joe Biden's victory.

In some sense, these moves are performative. Many of the politicians targeted advocated overturning the election results for weeks without eliciting such responses. A big election cycle has just ended. The next is more than a year away. That leaves plenty of time to grease future palms. For companies, pressing pause now is no great loss. The newfound morality also coincides with a new administration.

The uncomfortable truth is that if fomenting sedition is a red line, the Republican Party will be the only victim of this newfound conscience. But dilemmas created by corporate

America's attempts to wield influence extends to Democrats too. Executives ultimately want a say. In spite of the hiatus, the donations will return. The tension between corporate interests and the public interest will persist.

Sanofi/Kymab: reliance on science

Sanofi boss Paul Hudson pitched last year's sell-down of its stake in US biotech Regeneron as an opportunity to redeploy capital to do good science. The French pharmaceutical group's acquisition of UK biotech Kymab for an upfront \$1.1bn fits that brief.

About half of the outlay is for a promising eczema treatment that is still going through trials. The rest is largely for Kymab's expertise at engineering mice that can produce human antibodies to treat cancer, infections and other diseases. It is a technology that Kymab knows well from its Regeneron partnership. It was similar enough for the US company to sue Kymab — unsuccessfully — for violating its patents.

This is the latest in a string of acquisitions that have given Sanofi access to new technologies. Ablynx brought expertise in antibody fragments known as nanobodies. Principia's knowhow concerned molecules which curb attacks against healthy tissues by white blood cells. Kiadis's angle was natural killer cells.

But Sanofi has a lot to prove as it tries to reduce its dependence on mass-market cardiovascular and diabetes drugs. There were setbacks last year in the trials of a haemophilia treatment and the Covid-19 vaccine it is developing with GlaxoSmithKline. The latter was delayed after failing to work well enough in older people because of a dosing error. It is now studying the possibility of manufacturing rivals' vaccines — a worthwhile but inglorious move for one of the top job makers.

A share price fall of 12 per cent in 2020 partly reflected the market's shift away from defensive sectors. But the shares trade at a discount to peers. They are priced at 13 times 2021 earnings, compared with an average of 16 times for large European peers.

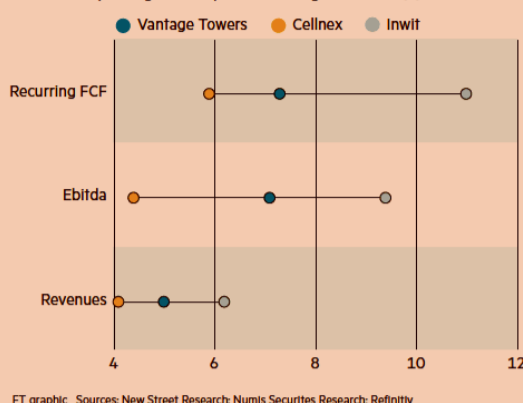
Sanofi's strategy of buying science, not sales, bodes well. But to narrow the discount to peers, it will need to change

Vodafone/Vantage: tower power

Vodafone plans to sell part of its cell towers infrastructure subsidiary, Vantage, in an initial public offering later this quarter. Compared with its more sluggish parent business, Vantage offers faster cash flow and earnings growth. New funds raised should go to debt reduction. That possibility has boosted its share price.

Vantage Towers offers good growth

Estimated 5-year organic compound annual growth rates (%)



FT graphic Sources: New Street Research; Numis Securities Research; Refinitiv

Analysts once nicknamed the legacy telecoms companies POTS — plain ordinary telephone systems.

Back then, mobile groups such as Vodafone were the rage. After POTS became Poms, investors went looking for higher growth alternatives.

Telecoms tower owners emerged with the priciest valuations. For this reason, Vodafone plans to list its own infrastructure company, Vantage Towers, later this quarter.

In a bit of housekeeping to prepare for the IPO, Vodafone announced yesterday that it would add its half of a UK cell tower joint venture to Vantage. Vodafone has formally agreed with partner Telefonica of Spain to lease the infrastructure from its JV, known as Cornerstone. The

latter is the largest tower owner in the UK with 14,200 towers plus smaller sites. The news makes sense. It confirms a plan that Vodafone hinted at when it publicly launched Vantage as a separate business in November.

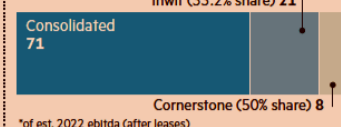
The injection of assets tacks on another €62m of ebitda (after lease expenses) to Vantage's income statement. That addition lifts its pre-IPO valuation by €1bn to €15bn, thinks New Street Research.

Every penny counts for Vodafone. Even if Vantage receives a discount to the average 25 times multiple of adjusted ebitda that peers Spain's Cellnex and Inwit of Italy are priced at, that far exceeds Vodafone's six times.

Moreover, Vantage not only controls one of the largest tower portfolios in

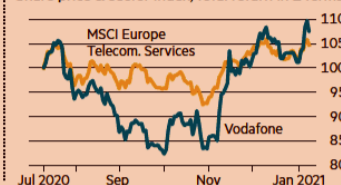
Cornerstone's contribution is meaningful

Per cent*



Vodafone has outpaced its peers in recent months

Share price & sector index, total return in £ terms



Europe but should match its peers for free cash flow and earnings growth.

Both of these should climb at a 7 per cent pace in the coming five years to March 2026.

No surprise, then, that plain old Vodafone has looked a little sparkier of late. Its stock price has outrun the MSCI European telecoms benchmark in recent months. Nick Read, Vodafone chief executive, has sought to crystallise the value in its tower business partly to reduce debt.

Depending on how much of Vantage is sold — probably about a quarter — expect Vodafone's net debt to ebitda ratio to fall a tenth or so from the current three times. All this is very good news for value hunters keen on portfolio alternatives.

the minds of those sceptical of its ability to develop drugs. Trial results due this year will be closely watched.

Dr Martens: London calling

Nothing screams rebellious youth quite like a pair of boots manufactured in low-wage countries and financed by the private equity industry. Dr Martens lace-up boots became a symbol of British counterculture in the 1970s and fashionable footwear in the 1990s. Permira has used that legacy to boost profits and sales. The buyout firm hopes to capitalise on its success with plans to exit via a London listing.

Permira's timing is as acute as Clash

member Joe Strummer, who helped the shoe brand attain prominence. A 1990s fashion revival plus Dr Martens' anti-authority pedigree boosted sales in the recent spike in cultural activism.

Corporations have been quick to back such movements — profits might be at risk otherwise. At the same time, buoyant markets will help Dr Martens achieve a high valuation. But investors with a longer view should question the sustainability of all three trends.

Under its leather, Dr Martens exemplifies modern capitalism. Outsourcing has raised profits as well as concerns over product quality. The latter does seem not to have a material impact so far. Sales of £672m in the year to March 2020 were almost double the result from two years previous. Operating profits more than

trebled to £143m. Investment in new stores has helped boost the proportion of more profitable direct-to-consumer sales. Online sales are also rising, now at around 30 per cent of total.

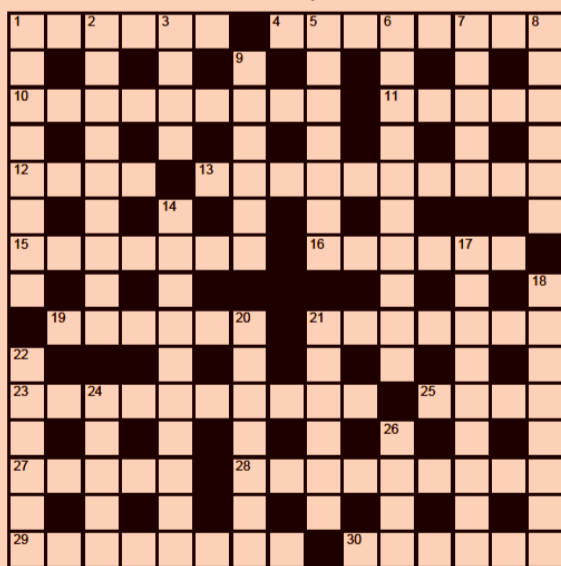
Ebitda margins of 27 per cent have doubled over the past two years, besting Adidas and Nike by as much as 10 percentage points. Shares in the two trainer makers trade at between 20 and 30 times forward ebitda respectively. Dr Martens would command an enterprise value approaching £4bn if valued at the lower boundary of that range. Not a bad return for Permira, which bought Dr Martens for £300m in 2014.

Sellers claim plenty of future growth. But fashions are difficult to predict. Dr Martens are as susceptible to cyclical gyrations as any pop culture token.

NIKKEI Asia The voice of the Asian century

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No 16,681 Set by BASILISK



- ACROSS**
- Great role identified by diminutive actor? (6)
 - Valuable piece that sums up Oxford University dons (8)
 - Trace exclusive feature I found in shoot (9)
 - Strange article about fake news? (5)
 - Flag piece in *The Observer* (4)
 - Finance centre's rule about disposal of letters (4,6)
 - Force uses ill-gotten gains to control Congress (7)
 - Gang member returned cannabis to staff nurses (6)
 - New clubs split costs for professional security measures (6)
 - Relation's about to go over to the other side in haunting image (7)
 - A fine line divides romance and suffering (10)
 - Squeal as insect's tail is removed from bite (4)
 - Take steps to administer beating and vanish (5)
 - Agreed with auditor's intended compensation (9)
 - Military location hosted individual (8)
 - Commanding officer and company working in secure location (6)
- DOWN**
- America objects after husband is promoted in election campaign (8)
 - Make use of *Jaws* with international cast at sea in China (9)
 - Lead character in extravagant film like *The Greatest Story Ever Told*? (4)
 - Characteristic sound associated with *Rent* and *Hair* (7)
 - Wife leaves educator who edited and wrote joint work (10)
 - Suppose authentication code is used instead of one's name (5)
 - Holy state banishes court for good reason (6)
 - Quick to cover up Royal Institution's copyright infringement (6)
 - Current route exposed bad roundabout (10)
 - Start blazing row to curb enthusiasm (3,4,2)
 - Women-only screening of *Cube* and *Up* (8)
 - Model quickly gets saddle sore (7)
 - Court accepting jurist's conclusion is accurate (4,2)
 - Partner backed up Excel files on this? (6)
 - Comparatively sensitive whistleblower's upset about heartless intimidation (5)
 - Supporting part gets Oscar for *Child's Play* (4)

JOTTER PAD

Solution 16,680

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PUTON SPAGHETTI
ERSUKORIN
ECOWARRIOR WORM
VSENP
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