A tale of two parts: London and the rest of the UK

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Body

As with so many economic issues in the UK, inward investment has become a tale of two regions: London and the rest of the country. The capital sucked up half of inward investment projects in 2012 and continues to increase its share.

There is also a two-speed economy outside London: as many English regions see their ***foreign*** investment decline, Wales, Scotland and Northern Ireland are capturing more.

EY, the professional services firm, compiles an annual assessment of attractiveness. Its report on 2012 found that, discounting follow-on projects by companies already in the UK, the regions have seen year-on-year falls since 2010.

Despite a 2.6 per cent total rise in 2012, the number of investment projects in 2011'**s** most popular regions fell back, with projects in London slipping by 4 per cent, though to a still healthy 311, and those in southeast England slumping by more than a third to 55.

Scotland, Wales and the north of England had rises of 49 per cent, 244 per cent and 71 per cent respectively. Scotland recorded 76 projects, its highest total for 16 years. Wales recorded 31 projects, its highest number for five years, and Northern Ireland recorded 29 projects, its highest for 14 years. The English regions as a whole outside London secured their smallest total of new investment projects on record, only 122.

David Buckley, senior partner at EY in Leeds, says there is a simple explanation. In 2010, the incoming coalition government scrapped regional development agencies, state-run entities with annual budgets of hundreds of millions of pounds that were in charge of inward investment. Scotland, London, Wales and Northern Ireland were allowed to keep theirs, including offices around the world.

The local enterprise partnerships (Leps) that replaced them have tiny budgets and, while business led, cover smaller areas such as a single city and its hinterland. "You have to market a region and sell the story. Scotland is not just talking about Edinburgh but different places for different needs," Mr Buckley says.

Yorkshire won only 21 projects in 2012, with a population and economy of similar size to Scotland, which took home 76.

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When Leeds, Sheffield and Hull put in separate bids to host the Green Investment Bank, a government institution, they lost to Edinburgh. But when they collaborated on a bid to host the start of the 2014 Tour de France, they won.

"It is a real wake-up call because, unless the English regions have a more credible approach to international investment, the UK as a whole will lose its top spot for inward investment in Europe," Mr Buckley points out. "We are losing out to Germany."

Michael Boyd, managing director of investment at UK Trade & Investment, admits the regions need more help but denies there is a London bias. He points out that projects in the capital tend to be smaller and create fewer jobs.

"Leps took time to get up and running," he says, but they are receiving more money from government and UKTI is working more closely with them. It is more than doubling the number of staff that co-ordinate with them to 21.

"We recognise that we are working in partnership with Leps," he says. "It is their responsibility to get their offer up to date."

However, UKTI cannot hit its national targets without the regions performing better. It is helping them to create online showcases of their potential and pursuing specific companies in sectors such as automotive and renewable energy that the UK wishes to develop.

Politicians have also backed individual projects. George Osborne, the chancellor, lobbied the Chinese heavily to invest in Airport City, an £800m office park being built near Manchester airport. He is also backing the £10bn Liverpool and Wirral Waters development schemes on the Mersey, though no major Chinese ***investor*** has yet come forward.

Sir Howard Bernstein, chief executive of Manchester City council, says the lack of funding meant cities had to compete on their merits. "We can demonstrate that the fundamentals are here and investing in Manchester is a good proposition," he says.

David Cameron donned a hard hat and overalls at Hinkley Point in Somerset last month to announce the construction of the first nuclear power station in Britain for a generation.

"This is a very big day for our country," the British prime minister said. "The first time we've built a new nuclear power station for a very long time."

The £16bn deal between EDF Energy, the French utility, and two Chinese companies was hailed as a victory for the government, which had been wrangling ***over*** the extent of the subsidy for the past two years.

Although private-sector investment in infrastructure has been a key plank of the coalition'***s*** strategy for reviving the economy ever since it came to power in 2012, making progress has proved difficult.

With the government busy cost-cutting and the economy in recession, more projects were axed or scaled back than created.

The £55bn Building Schools for the Future programme was cancelled almost as soon as the government came to power. Road projects, including the proposed upgrading of the A21 near Tonbridge in Kent, were also postponed.

Although the government revealed a wishlist of more than 570 projects in the Autumn Statement of 2010, it soon emerged that there were few concrete means of delivering them.

George Osborne, the chancellor, had hoped that private ***investors*** would stump up 64 per cent of the £310bn cost of the hundreds of new energy, road, rail and water projects.

But, although pension funds made an initial show of seeming willing - setting up the £2bn pension fund infrastructure platform - they soon proved averse to construction risk, favouring already built projects with guaranteed income streams.

The government'***s*** own willingness to cancel projects at short notice did not help to win ***investor*** confidence. Nor did regulatory reforms such as the overhaul of the electricity market. The value of new orders for infrastructure dropped by 33 per cent between 2009 and 2012.

But although investment in infrastructure remained low overall, ***foreign*** money continued to pour into water, energy and rail projects. According to Infrastructure Journal, a data and specialist information provider, ***foreign investors*** took a substantial investment in 19 of 66 projects that received financing in the 21 months since January 2012. This includes some of the biggest deals of the year for the UK market - an offshore wind farm near the Lincolnshire coast, cables for a new offshore wind farm in the Thames Estuary, and new trains on the intercity and Thameslink railway lines.

Hitachi, Dong, Vinci, Veolia, Siemens and Itochu all took a stake in projects, while the Japanese banks also provided much of the backing. Bank of Tokyo Mitsubishi lent big tickets on 10 of the 66 projects closed. Sumitomo Mitsui Banking Corp lent on 12 of the 66, according to Infrastructure Journal.

This shows, says Darryl Murphy, partner in global infrastructure at KPMG, that Britain has "always been an attractive market for ***foreign investors***. The UK remains, on the face of it, very attractive to international ***investors*** because of our financial and regulatory frameworks. If you want a safe home for your capital - outside your home country - Britain ticks most of the boxes."

Nevertheless, the problem remains that, despite projects such as Hinkley moving ahead, the spades are unlikely to hit the ground for some time yet. Even if the Hinkley deal is approved by the European Commission next year, construction will not start until 2015. Other projects remain stuck at first base. Crossrail, approved by the last Labour government is going ahead, but HS2 is looking increasingly contentious.

Richard Abadie, infrastructure partner at PwC, says: "The real problem is the dearth of new investable projects. There is a lot of money out there, which people are ready to invest, but there is also real frustration that there are so few new projects ready to get off the ground."

Mr Murphy agrees. "The frustration for the Chinese has been that, when they come to the UK, there aren't projects to invest in immediately because many of the projects are in varying states of development."

Complaints by the CBI, the business lobby group, have spurred the government to take action. In 2011, the government tried to push things along by identifying 40 "nationally significant" building projects. It also launched a £40bn "UK Guarantee" aimed at helping important but stalled schemes to raise finance.

Critics say even this has failed to gain traction - it has been used for the Drax power plant (biomass conversion) and approved, though not yet closed, for the Northern Line tube extension. But analysts argue that many of the hit list of 40 priority projects that have been approved are too small. This includes Mersey Gateway, for example, a new bridge that has received the goahead.

Nevertheless, Mr Murphy remains optimistic that the market is changing.

"Eighteen months ago, you would have been hard pressed to find institutional ***investors*** willing to take construction risk," he says.

"Now they are realising the risk can be managed and they will have to take that risk if they want the yields and returns."

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Whatever challenges Britain faces as an international financial centre, it is hard to accuse the government of being bashful about promoting it.

The initiatives have come from the top down. George Osborne, the chancellor, recently announced plans for Britain to become the first non-Muslim country to issue an Islamic bond, or sukuk. He said his goal was for the City of London "to be the unrivalled centre for Islamic finance".

Meanwhile, Britain is easing regulatory requirements to allow Chinese institutions to set up wholesale banking branches rather than having to establish separate subsidiaries. In a parallel move, the government is promoting London as an overseas centre for trading in renminbi.

Nor is the drive to promote Britain as a financial centre confined to the government. In a recent speech, the governor of the Bank of England, Mark Carney, evoked an image of the UK at the centre of a renewed globalisation. His emphasis was on the Bank facilitating this role by ensuring that financial institutions remain resilient.

Despite such pronouncements, the UK faces several challenges if it wants to remain a leading centre for global finance. On a macroeconomic level there is concern that it is perpetuating a lopsided economy that is too heavily dependent on finance.

A related worry is that the beneficiaries of investment in financial services could be too concentrated in London and the investment banking sector. The City, if defined most broadly as the whole financial services sector, employs about 1m people, of whom about two-thirds work outside London. Throw in professional services - such as accounting practices, law firms and property professionals - and almost another 1m could be added.

Finally, there is increasing competition from other financial centres, especially those in Asia.

While London is generally maintaining a slight lead ***over*** New York, according to a recent report by City think-tank Z/Yen, Hong Kong and Singapore are both gaining ground on the established leaders. For Chris Cummings, the chief executive of TheCityUK, a financial services industry body, this is "absolutely a concern".

Martin Gilbert, the chief executive of Aberdeen Asset Management, is in pole position to witness some of these trends first hand. His company is based in Aberdeen and has an extensive operation in Asia, including a regional headquarters in Singapore. Mr Gilbert has also joined the government'***s*** Financial Services, Trade and Investment Board, tasked with promoting UK financial services.

He specifically defines himself as bringing a "Scottish view" to the challenges facing UK financial services. "There are vast numbers of people in financial services employed outside the M25 [London orbital motorway]", he says. "Especially in places like Glasgow and Edinburgh."

Mark Gregory, chief economist for the UK and Ireland at EY, accepts that inward investment is flowing into existing locations but says it is not going to new ones. "Where there is a historic relationship - Yorkshire, Scotland are probably good examples - there is some definite spillover there," he says.

Sue Langley, the chief executive of the Financial Services Investment Organisation, is pursuing four priorities for investment in financial services: asset management, insurance, financial technology and mid- and back-office functions.

As for international competition, the most formidable threat is seen as coming from Asia.

"Places like Singapore and Dubai are really very keen to woo people to have their financial centres there as well," says Mr Gilbert.

EY'***s*** Mr Gregory adds that while Asian centres have the potential to grow stronger, the recent turbulence in emerging economies has, at least in the short term, worked to London'***s*** advantage. "Asia probably is the new threat, but London seems to have advantages that are holding up."

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Britain'***s*** brick manufacturers are planning to work through the winter for the first time since the financial crisis as the government'***s*** Help to Buy housing scheme boosts demand for what was once considered a dying industry.

When the housing market collapsed, brickmakers closed plants and slashed their workforces as sales declined and inventories piled up. Many factories were left idle in the quiet colder months to bring down capacity well in excess of demand.

But the resurgence in UK housebuilding, fired by government incentive schemes such as Help to Buy and Funding for Lending, has jolted the industry into action.

Ibstock Brick, the UK'***s*** largest producer by market share, plans to keep all 20 of its plants open throughout winter for the first time since 2007. It plans to be "flat-out" post-Christmas to build stocks, having previously shut down many plants between November and February.

German-owned Hanson, the UK'***s*** second-biggest brickmaker, has staged two- to three-month shutdowns at about half its plants since 2009, laying off workers or paying them a nominal sum.

On December 21, it will relight the kiln in its mothballed Claughton works and keep the rest of its plants going all winter.

Noble Francis, economics director at the Construction Products Association, said: "Brickmaking had started to look like a dying industry in Britain but we are hoping that this is a sign that it could be revived for many decades to come. It'***s*** important to retain the vital manufacturing skills and infrastructure in Britain."

UK manufacturers delivered 2.4bn bricks in 2007. But since 2009, annual sales have been stuck at around 1.5bn units.

The Home Builders Federation forecasts a market of 1.7bn bricks in 2013 and 1.8bn in 2014. It believes a further 20,000 housing starts in 2015 would require an extra 120m bricks, meaning a 2bn market by 2016-17 is "clearly possible".

Among other UK brickmakers, Aim-quoted Michelmersh will be at full production across all its factories ***over*** the winter period, having idled several plants during the colder months of 2011 and 2012. Wienerberger, the world'***s*** biggest maker of bricks and the third-largest UK producer by market share, plans to have a brief Christmas stoppage before firing up in the new year - its shortest shutdown since 2008.

While private homebuilding in the UK is enjoying a resurgence, the wider construction market is still depressed. In 2012, construction was 14 per cent lower than the pre-recession peak and deteriorated even further in the first quarter of this year, though it is starting to show signs of recovery.

Jerry McClaughlin, director of the Mineral Products Association, said: "A brick is not just for Christmas. We would still like to see growth in the 85 per cent of construction which is not private housing."

Michael Steinberg, a former portfolio manager with SAC Capital, asked his analyst to get "early, proprietary information" about companies that he could trade for profits, a key government witness testified during the insider trading trial.

During the summer of 2007 after a string of losing trades, Jon Horvath, the former SAC analyst, testified that Mr Steinberg pulled him aside one evening with new marching orders.

"I can day trade the stocks and make money by myself. What I need you to do is go out and get early, proprietary information that we can use to make money in these stocks," a tense Mr Steinberg allegedly told him, according to Mr Horvath.

"You need to talk to your contacts", at companies, banks, consulting firms and peer network, to "get me that information," Mr Horvath alleged he was told.

When asked by prosecutor Antonia Apps what he understood that directive to mean, Mr Horvath said: "I thought he wanted me to cultivate sources of non-public information . . . I thought there was an emphasis on material non-public information."

Mr Horvath testified that he knew it was wrong to do at the time, but he thought he would have been fired.

Following that meeting, Mr Horvath testified that he tapped into a network of friends, including Jesse Tortora, an analyst with hedge fund Diamondback, who had a "high level" source inside Dell.

Mr Tortora began providing Mr Horvath multiple updates each quarter about the personal computer maker'***s*** earnings. Mr Horvath testified that he passed the information on to Mr Steinberg who traded based on the information.

"I had told Mike that Jesse had a contact at Dell inside the company," Mr Horvath testified.

Mr Steinberg has pleaded not guilty and maintains he did nothing wrong. At least two rows of friends and family have sat in the courtroom gallery behind Mr Steinberg since the trial started on November 21, demonstrating loyalty.

Mr Steinberg'**s** lawyer, Barry Berke, has said Mr Horvath is "rewriting history" to try to avoid prison. He also maintains that Mr Steinberg never knew or met Mr Horvath'**s** sources of allegedly inside information.

Mr Horvath has pleaded guilty to insider trading and is co-operating with the government. He was fired from SAC after his guilty plea last September. SAC was also charged criminally with insider trading and earlier this month paid $1.8bn in penalties and pleaded guilty. The firm is being unwound.

In questioning by prosecutors, Mr Horvath took the jury through notes he had made from an exchange with Mr Tortora about Dell'**s** quarterly performance. The notes were entered into a SAC system called "tamale", and at times emailed to a SAC distribution list called "Steinberg Group."

Progressively, Mr Horvath testified, he gained greater confidence with Mr Tortora'***s*** information about Dell'***s*** revenues and gross margins as it proved accurate from quarter to quarter. Mr Tortora previously testified that he received information from a friend who had a contact in Dell'***s*** ***investor*** relations department.

SAC made more than $1m in profits from trading Dell stock using inside information, prosecutors have alleged. Mr Horvath'**s** testimony is expected to continue Monday.

Mr Steinberg'**s** lawyers are expected to argue that Mr Steinberg received information from a range of sources including analyst reports.

When asked by the prosecutor if Mr Steinberg relied on external analysts, Mr Horvath testified, "Mike hated sellside research. He wouldn't trade on that."

IFRAME DO NOT REMOVE

Boris Johnson has warned that inequality in Britain is worsening after five years of recession, arguing that a decline in social mobility has led to a "freezing of the canals of opportunity".

Delivering the Margaret Thatcher memorial speech to a City audience on Tuesday night, the London mayor said some inequality was essential as a spur to economic activity, "but we cannot ignore this change in relative economic standing, and the resentment it sometimes brings".

Mr Johnson'***s*** intervention on social mobility will be seen as giving support to complaints voiced earlier this month by Sir John Major, former prime minister, who argued that it had become harder for young people from low-income groups to better themselves in the way that he had.

Adopting the metaphor of society as a cornflake packet given an occasional shake by government, Mr Johnson said "I worry that there are too many cornflakes who aren't being given a good enough chance to rustle and hustle their way to the top."

The strong performance of the London economy has driven the UK recovery and the city has attracted an influx of wealth from ***foreign investors*** following the financial crisis. Yet it also hosts some of the poorest boroughs in the UK as measured by child poverty or income levels after housing costs.

Mr Johnson said it was wrong to attack the rich or try to stamp out inequality, but the wealth gap of today could only be tolerated on two conditions: "One, that we help those who genuinely cannot compete and, two, that we provide the opportunity for those that can."

Scottish pro-union parties have assailed the nationalist government ***over*** childcare and other pledges included in its new white paper, a document aimed at framing debate ahead of next year'***s*** referendum on independence from the UK.

In testy debate in the Scottish parliament, opposition politicians demanded to know how the bold plan in an independent Scotland to offer universal childcare from the age of one to school entry would be funded - and why the Scottish government could not implement this as part of the UK.

The white paper, launched on Tuesday, set out a vision for a post-UK Scotland that would continue to use the pound and smoothly retain membership of the EU and Nato, and offer better welfare while boosting economic growth.

The paper said an independent Scotland would offer 30 hours of free childcare a week, helping around 212,000 families and creating up to 35,000 jobs. Scottish National party leaders said the scheme could raise female labour force participation, boosting tax revenue by hundreds of millions of pounds.

Labour and Conservative members of the Scottish parliament ridiculed the white paper as a long but empty read, and the child care promise as a political ruse.

"The SNP has had full powers to implement childcare reform at any time in the last six years," said Ruth Davidson, leader of the Scottish Conservative party. "Now, the SNP is in need of a referendum boost, the policy suddenly reappears."

But Alex Salmond, Scottish first minister, insisted that a devolved government could not make such an offer, not least because Edinburgh'***s*** budget is set according to UK state spending and any tax revenue benefit would disappear "into the maw of the London Treasury".

"A childcare revolution is the sort of transformation impossible under devolution," Mr Salmond said. "With independence it is one that we can implement."

The SNP plans also came under fire in the UK parliament, with David Cameron, UK prime minister, saying the white paper left "a huge set of questions" unaddressed.

"We have been waiting a long time for this document. We were told that it would answer every question, yet there is no answer on the currency, no answer on the issue of EU membership, and no proper answers on Nato," Mr Cameron said.

Mr Cameron again waved aside an SNP challenge to debate Mr Salmond during the referendum campaign, prompting Pete Wishart, an SNP MP, to accuse the prime minister of being "a pathetic big feartie" [fearful].

Pro-union politicians poured scorn on the white paper'***s*** vision of a smooth retention of EU membership that might leave Scotland with its current share of the UK budget rebate.

"The hokum of the 'seamless' EU membership in 18 months does not stack up," said Michael Moore, the Liberal Democrat former Scotland secretary. "It seems to be very vulnerable to EU processes, and there is no sense of an incentive for 28 countries to meet the Scottish timetable. This is a huge gaping hole."

From Mr Anthony Robson.

Sir, Discussions in Warsaw regarding contributions to the Green Climate Fund reached an all too familiar impasse ("Green groups walk out in climate row", November 22). Perhaps this dialogue would be more productive if it was left to those likely to suffer significant consequences the longest - ie, people below the age of, say, 25? 30?

Anthony Robson, Cheltenham, Glos, UK

On the face of it, private bankers and their clients are looking at a brighter world. This year has seen the comeback of market confidence, a reduction in volatility and healthy growth in many asset prices.

Yet there is still no escaping from the word "uncertainty". Six years after the start of the financial crisis, private banks and their clients continue to operate in an environment characterised by low interest rates, lacklustre economic growth and a wave of regulation that increases costs and complexity.

It is thus no wonder that private bankers continue to be wary.

"The market trends go against everyone," says Jacques de Saussure, senior managing partner of Pictet & Cie, the Swiss private bank and fund manager.

"We have had a low interest rate environment for four to five years, market activity is low, Switzerland is seeing the end of bank secrecy and the cost of regulation is impacting everybody," he adds.

Notoriously conservative private bankers are not yet convinced that abundant talk about a return to economic growth, rising equity prices and a renewed search for yield will be enough to change the fundamental issues facing their sector.

They say that positive factors such as a prospect of rising interest rates and a shift from bond markets into equities cannot counter severe headwinds from tightened regulation, a relentless pressure on costs and clients' cautious investment patterns.

These structural issues continue to weigh on profits and are set to trigger an extensive shake-out in the sector.

Tim Monger, financial institutions partner at Boston Consulting Group, says: "The profitability of the industry will not return to pre-crisis levels, at least for the medium term, as clients tend to invest in lower-margin products and costs are continuing to rise."

Consultants at rival Roland Berger estimate that margins have fallen 20 basis points in the past five years, thanks to lower client activity, less complex products and a focus on the super-rich - a clientele notorious for demanding low fees.

At the same time, tightened regulation affecting areas from money laundering to investment advice has sent private banks' costs spiralling upwards. In the past five years, private banks globally have gone from spending 61 cents for each dollar in revenue to 73 cents, says BCG.

The global crackdown on tax evasion is another costly issue, particularly in Switzerland, where US fines have already helped force two private banks - Wegelin & Co and Frey & Co - out of business, and where a recently struck agreement between the two countries is set to cause a wave of penalties.

One banker says: "The tax issue will have a massive impact on the Swiss private banking sector next year. For aggressive banks with a high number of US clients, the financial consequences will be substantial."

With banks forced to adapt rapidly to these structural changes, the business of investing rich clients' money is undergoing a Darwinian process that will leave only the strongest.

"The smaller banks in particular realise that they are going through a period where it isn't certain if they can remain profitable," Mr de Saussure says.

"We will see more banks that will either be acquired or decide to close or abandon their banking licence and keep their client relationships as independent asset managers.

"There will be a wave of smaller banks consolidating next year and in 2015. There is always a market for domestic niche players, but it will be difficult for highly regulated cross-border groups to stay independent," Mr de Saussure adds.

Bankers are also not very hopeful of any respite as a result of an uptick in client activity.

Jürg Zeltner, chief executive of UBS'***s*** wealth management arm, says there will not be a sudden return to a "risk-on" environment. "I think we are settling into a new norm. We will see for a long time relatively high liquidity reserves for clients," the head of the largest private banking business in the world by assets says. Clients have for several years been sitting on cash levels of about 30 per cent, curbing their own and banks' ability to make higher returns.

This is one of the reasons banks are set to be forced into a wave of joint ventures, partnerships and outsourcing projects in middle and back office areas.

Examples of this trend abound. A number of large banks are in talks with various providers about outsourcing background checks on clients, while UBS has recently outsourced a large part of its procurement, and Deutsche Bank has outsourced its wealth management back office operations in Switzerland to Avaloq Group.

But beyond those support functions, even highly rewarded relationship managers are no longer sacrosanct as the efficiency of banks' client-facing parts is coming into focus.

Banks have inflated their cost structure throughout their activities and functions, says Mr Zeltner.

Many banks are moving to a system where fewer relationship managers are covering more assets.

BCG'***s*** Mr Monger says this does not necessarily work to the detriment of the client. "In the past, banks have often overserviced their clients," he says.

"They are now starting to become more sophisticated about the amount of service they provide for different clients. They are moving from a one-size-fits-all to a tailored approach."

A rapid move to mobile and online technology plays a crucial role. "Some clients might get much less face-time but a much better iPad app," he adds.

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With clients continuing to be risk averse and developed countries mired in slow growth, private banks are also forced to look towards Asia.

Mr Monger estimates that 70-75 per cent of growth in the next five years will come from emerging markets and mostly the Asia-Pacific region, despite the jitters in those markets this year. In five years, the region is set to overtake the US as a centre for wealth.

"Everyone is trying to figure out how to get into this market," he says, adding that this trend plays into the hands of the larger banks that can afford to invest in those regions.

"We will see a substantial transformation of our industry and the survivors will come out of this stronger," Mr de Saussure says. "There is still money to invest; this is certainly not the end of our business."

When it has come to selling their investment credentials, many private banks have faced an uphill struggle in the years since 2008.

The crisis experience for most private banking clients was not a pleasant one: many found themselves stuck in complex products that their bankers had pitched to them as exclusive investments. At best, these proved highly illiquid, and at worst, blew up.

As the easy liquidity rolled out of markets, it became clear that many clients had been paying hefty fees for the privilege.

Private banks insist they have now turned a corner. In an environment in which markets are dominated by the unprecedented easing actions of major central banks and growing political uncertainty around the world, the value of good financial advice has perhaps never been higher.

Private banks have wised up to the need. Organisations such as UBS now have dedicated chief investment officers to provide broad, global advice on asset allocation and strategy.

"What we are trying to do is show that we're not just salespeople any more," says one Zurich-based banker. "What we want to push are products that make sense for our clients first and us second."

Part of that process is that private banks have focused less on high-margin, complex or structured products and more on simple, broad tactical asset allocation.

Alexander Friedman, chief investment officer at UBS Wealth Management (see profile below), has advised clients to put their money into straightforward equities this year.

He has been proved right. Developed market equities, in particular, have enjoyed big returns. The ***S***&P 500 is up 26 per cent so far this year, while the FTSE 100 has risen 14 per cent.

Mr Friedman has also called for ***investors*** to slash their holdings of investment-grade bonds - corporate and sovereign - from an average of 16 per cent to just 2 per cent.

Private bank clients are, nevertheless, conservative by nature. Most still maintain a disproportionate share of their investments in cash. Private banks report that clients hold, on average, 20-30 per cent of their assets in cash or cash-like securities - and in some cases, much more.

All this exacerbates the conflict between a client'**s** wishes and those of the bank to make a profit.

The key is for banks to find products that are both suitable for their clients' low or moderate risk appetites but also offer decent fee-earning potential.

As such, banks have begun to increase the number of alternative investment products they offer clients.

Some, such as Deutsche Bank, have made big investments in hedge fund Ucits - tightly regulated, onshore versions of hedge fund products - which they believe are more palatable to risk-averse clients. Flows into these funds have surged in recent years. The sector manages around $250bn of assets, according to Eurekahedge.

But regular hedge fund and alternative investment products are coming back into vogue. With equity markets looking frothy and bonds plagued by the possibility of tapering, hedge funds have merit as a midway alternative, offering equity-like returns with bond-like volatility.

"We see opportunities in hedge funds, which have performed well in the year to date and benefit from falling correlations within many asset classes," HSBC'***s*** private bank told its clients: "We also believe that select real estate and private equity can add value to portfolios for ***investors*** who take a longer-term view, as we believe there is currently a high premium for somewhat less liquid assets."

It is not just in asset classes that banks are giving advice. Credit Suisse, Julius Baer and UBS have outlined ambitious targets to expand their private banking business in part by lending more to wealthy clients. Loans to bolster investment returns or to allow clients greater flexibility in their finances are seen as profitable areas aligned with client needs.

Private banking may have undergone a period of tranquillity and reinvention in the wake of 2008, but practitioners say now is the time for it to make its mark again as a positive and profitable line of business.

Profile Alexander Friedman, UBS

Alexander Friedman'***s*** appointment two years ago to the new role of chief investment officer at UBS Wealth Management was intended to telegraph a clear signal: the Swiss institution was putting its investing missteps and scandals behind it.

Mr Friedman has an impressive record when it comes to managing the finances of the wealthy. Until March 2010 he was the chief financial officer of the $36bn Bill and Melinda Gates Foundation and served on its management committee - a role he still performs. Mr Friedman oversaw the foundation'***s*** finances during a period when it more than doubled in size.

The foundation hired him after a five-year stint at Lazard as a mergers and acquisitions specialist. He has also held a supervisory seat on the board of Actis, an emerging-markets focused private equity firm, and set up his own investment vehicle, Asymmetry.

Mr Friedman has amassed an impressive set of business connections. He is chairman of the Seattle Art Museum investment committee, a member of the Council on ***Foreign*** Relations and a former judge for the Financial Times-Goldman Sachs Business Book of the Year awards.

Mr Friedman has made political connections, too: after gaining a BA from Princeton and a law degree from Columbia Law School, he became an adviser to the secretary of defence in the Clinton Administration.

At UBS, the establishment of the chief investment officer'***s*** office has been central to the bank'***s*** effort to compete with the likes of BlackRock and Pimco. Mr Friedman'***s*** links in the investing world have been valuable, as has his investing nous.

A dependable, institutional opinion on global financial matters - from Federal Reserve tapering to Abenomics - is something clients at UBS have until now lacked.

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Five years after the collapse of Lehman Brothers, the world'***s*** investment bankers are still suffering from the hangover - but finding solace in a switch to private banking.

With hundreds of thousands of lay-offs, the financial services industry has offered few safe havens for investment bankers who have either been fired or are living with the axe hovering above their jobs.

Even now, while economic improvement lifts hirings in some areas, firings are continuing, with declining mortgage lending and soft fixed income trading.

However, private banking and wealth management have become a familiar home for investment bankers, as their skills are increasingly relevant to a more knowledgeable client.

Over the past year, Citigroup, the third-biggest US bank by assets, has transferred some of its high-profile investment bankers into the private bank.

Eduardo Martinez-Campos, global head of investments at Citi Private Bank and So-Yon Sohn, head of investments for Asia Pacific, both moved from the capital markets business in the past year, the bank says.

Mark Mason, chief executive of Citigroup Private Bank, says: "With new emerging wealth, there has been increased interest from clients in having product expertise."

The continuing growth of private wealth is creating opportunities for the world'***s*** financial advisers.

By 2017, global private wealth could reach $171.2tn, as Latin America and Asian high net worth individuals drive growth, says Boston Consulting Group (BCG).

As a result, western private banks are boosting their expertise overseas.

Morgan Stanley recently said that its Japanese joint venture would take a majority stake in partner Mitsubishi'***s*** wealth management business, underscoring the expansion that banks see in Asian private wealth.

As the segment swells, it is new money that is driving growth. New wealth will account for about 80 per cent of growth for private banks until 2017, factoring in moderate asset returns, according to BCG.

The source of that wealth is also changing, with entrepreneurship becoming the dominant factor.

For financial advisers, that has brought a big change in the understanding that clients have concerning the management of their finances.

"For a wealthier client, their individual and personal needs often blur with their institutional needs - that'***s*** what an investment banking professional can bring," says John Mathews, head of private wealth management at UBS Wealth Management Americas.

Underscoring the changing face of clients, technology entrepreneurs have accumulated their money more quickly than those with interests in other sectors, according to analysis from Barclays Wealth and Investment Management.

The financial crisis has also changed the behaviour of many wealthy clients, bankers say. Such people are keeping a closer eye on their money, as well as demanding more from their private bankers.

"Clients are more hands-on in terms of how they think about their wealth. Hence, the rise in family offices in recent years," says Citi'***s*** Mr Mason.

Bank executives also say they have moved further towards a team model for financial advisers, as opposed to individuals serving clients' needs. Having former investment bankers on the team can help.

"[Wealthy clients] demand so much more, the only way to deliver that is to have different specialists on their teams," says Mr Mathews at UBS.

Emerging competitors such as Wells Fargo are hiring thousands into their brokerage, private banking and retirement business, creating a more competitive jobs market.

Executive search firms say the trend of hiring investment bankers into the private banks has been going on for some time, reaching its height immediately after the financial crisis.

"Private banks are keen to tap into the products of an investment bank, as customers become more sophisticated," says William Foley, partner at Hammond Partners, the executive search firm, in London.

"Having technical private bankers is also a bonus for the investment bank, as the private bank is an obvious area for them to distribute products to," he adds.

But John Thiel, head of US wealth management and private banking for Merrill Lynch Global Wealth Management, does not think investment bankers always make the best fit for wealth management, as they can be more focused on transactions than relationships.

"If you get too focused on transactions, you can destroy the relationship," he says.

Eike Batista, one-time richest man in Brazil, is not the only former billionaire in the developing world.

His spectacular rise to outrageous fortune has been followed by an even more spectacular collapse into personal bankruptcy. Mr Batista was undone when his oil company failed to find any of the black stuff, sparking a cash crunch across his network of companies.

But the wider slowdown in Brazil'**s** economy also hurt him, as it has hundreds of others in the ultra-wealthy bracket - generally defined as people with net assets of at least $30m.

It might seem unnecessarily elitist to focus only on the waxing and waning wealth of a global group of just 199,235 people, but this is exactly where the world'**s** private banks put their efforts. Individuals with just $5m or $10m do not have enough cash to play with to cover the costs of the highest level of private service.

Brazil was one of less than a dozen countries that saw the number of its super-rich decline this year, according to an annual report by Wealth-X and UBS. More than 600 people dropped out of this league in Brazil, as the total assets of this group fell almost $100bn from 2012 to $770bn.

China, the next biggest loser, lost almost 600 multimillionaires and the group'**s** total assets fell by $65bn to $1.5tn. The other two Bric nations, Russia and India, registered a small rise in ultra-rich numbers and wealth.

All the other countries that saw their ultra-wealthy populations shrink were also emerging markets, apart from Canada and Finland.

Chile, Colombia, Kazakhstan, Peru, South Africa, Syria and Tunisia all lost members of their super wealthy clubs, according to Wealth-X.

Developed countries by contrast did rather well. Germany saw more than 2,000 people join or re-enter this league, while Europe as a whole added almost 5,000 and the US gained more than that. These two blocs between them added $1.5tn in assets this year - as much as all Chinese super-rich hold. The total wealth of the US and European ultra rich is a staggering $16.76tn, out of a global total of $27.77tn.

Recovery in equity markets and other asset prices because of the flood of central bank money is behind most of this growth in wealth rather than fresh entrepreneurial success or economic growth.

For private banks, however, the emerging markets still merit close attention. Bassam Salem, chief executive of Citi'**s** private bank in Asia, says the emerging markets of the Middle East, Latin America and Asia make up roughly half the global private banking business and will pull ahead of the developed world. "The emerging economies are slowing, but they are still producing better growth than the developed world," he says.

Wealth among the rich in emerging markets has grown with great rapidity in recent years, even if it is stuttering slightly now. The Middle East has continued to boom, adding more than 700 to its super-rich population and $170bn in assets.

However, it is often harder than people expect to make money out of the wealthy in emerging markets, Mr Salem reckons, because much of their wealth is often tied up in their businesses, while the costs of running a private bank in terms of property, people and regulatory compliance are high and increasing.

Staff - especially the vital relationship managers - can be very expensive in Asia and other emerging markets, because they are in very short supply. Barend Janssens, head of emerging markets at RBC Wealth Management, says the talent shortage is a big inhibitor to private banks.

"Good private bankers who speak local languages and understand local customs are highly sought after, and with demand for their skills higher than supply, costs are going up," he says. "The industry needs to find a way to groom talent in sufficient numbers to keep up with high client demand."

The demand is there and should keep growing - in spite of this year'***s*** hiccups. Roland Berger, the strategy consultancy, predicts that global bankable assets will grow to almost EUR40tn by 2017, from EUR29tn at the end of 2012. The fastest growth, it predicts, will come from Asia-Pacific, which it forecasts will see assets increase by 10 per cent annually to reach about EUR14tn by 2017.

UBS for one still sees Asia as the most promising market in the years ahead. Kathryn Shih, head of UBS Wealth Management Asia Pacific, says it will see the fastest growth out of all the emerging markets.

"Asia-Pacific has been growing faster than other emerging markets because it has had more political stability, which promotes economic stability," she says.

It is hardly likely to trigger an outpouring of sympathy, but global banks and wealth managers are warning that a sharp increase in regulatory requirements is one of the biggest challenges they face in the post-crisis environment.

Banks say they are being bombarded with complex and time-consuming compliance requests from regulators, which are costing them tens of billions of pounds.

While few ***dispute*** that regulation was too lax before the crisis - an opportunity that many banks exploited - institutions say a tightening of the ***rules*** needs to be balanced against efforts to foster a recovery.

Some critics fear global regulators are taking too retrospective a view - burdening banks with onerous requests that are aimed at tackling past problems, such as high leverage - rather than focusing on where the next risks could emerge.

"Regulatory change is the single biggest challenge facing the wealth management industry," says David Wilson, head of strategic analysis at Capgemini Financial Services, the consultancy.

"The volume, breadth and long-term impact of regulations are significantly affecting the top and bottom line for firms, at a time when the industry is still dealing with thin margins after the crisis years."

Mr Wilson highlights the different types of costs linked to tougher regulation. First, he says, are the direct costs that come from hiring more compliance staff, producing more documentation and upgrading IT systems.

Then there are a number of indirect costs, such as the loss of revenue, as wealth managers are more restricted in the types of products they can sell and in the way they treat clients.

In addition, says Mr Wilson, wealth managers need to be braced for more punitive fines if they are found to have breached the tougher compliance ***rules***.

"The cost of non-compliance has become very significant, both in terms of fines and costs for putting mistakes right, but also in terms of reputational damage," he says.

There has been a spate of recent big fines on banks, and analysts say the penalties from regulators have harsher.

"Banks have been fined, not just for actual misconduct but for not being able to give proof they have complied," says Christine Ciriani, a partner in the Geneva office of Capco, the financial services consultancy.

She says the tougher compliance ***rules*** require an entire change in culture. "It used to be the case that as long as banks could show they had done their best to manage risks, they should be OK.

"Now they have to prove ... they have done controls. That requires huge investment to put systems in place to capture an act they may always have done but couldn't prove," says Ms Ciriani.

She says these developments mean banks are likely to reassess the kinds of operations they do in-house.

Whereas, before the financial crisis, compliance costs would typically account for about 10-20 per cent of the money set aside each year for internal investment, that has now risen to about 50 per cent, says Capco.

That expense, as well as increased nervousness about fines, has prompted some big global banks to outsource parts of their business to specialist companies.

Banks are also leaving markets.

This year, Lloyds Banking Group sold its international private banking arm to Swiss wealth management specialist Union Bancaire Privée, for example, while last year Bank of America Merrill Lynch merged part of its wealth arm with Julius Baer.

Capgemini'***s*** Mr Wilson says banks will also attempt to combat the higher costs by imposing new demands on clients, such as minimum account balances, and limiting face-to-face advice to customers with larger portfolios.

"Overall, it will be increasingly difficult for firms to offer all services to all clients in all markets," he says.

"Future leaders of the sector are likely to be agile firms with niche offerings and large firms that can ... use the compliance challenge as a catalyst for a more strategic transformation built around tech-nology and process innovation."

Called to account: European banks in line of fire

New regulations will have a particular impact on banks in Europe. KPMG, the accounting firm, identifies 10 key regulatory reforms facing the sector in 2013. These include:

Capital

EU directive CRD4, which implements the global Basel III standards for capital reserves, and the Financial Stability Board'***s*** capital surcharge ***rules*** increase the amount and quality of capital banks must hold against their assets.

Liquidity

Banks must hold more liquid assets to meet a potential run on funds. KPMG says an extension to the range of assets qualifying as high quality liquid assets may ease concerns.

Customer treatment

A series of new ***rules*** - from the European Mifid directive to the UK'***s*** Retail Distribution Review - aim to ensure customers are sold suitable products.

Systemic risk

European banks, particularly, will be affected by new proposals to reduce risks to financial stability, including the structural reforms proposed by the UK'***s*** Independent Commission on Banking (ICB) and the EU'***s*** Liikanen report.

When Vontobelsigned a preliminary agreement with ANZ bank in Singapore this month, it brought together what appeared to be two unlikely financial partners.

Vontobel is a Swiss-based private bank with heritage stretching back to the 19th century. The other is a Melbourne-based banking group that generates almost 18 per cent of its profits from Asia, outside Australia and New Zealand.

But on closer inspection, the two banks need each other in the highly competitive world of Asian private banking, where there are many players - yet few, if any, with a sufficiently established regional brand to attract a critical mass of customers.

Vontobel will obtain access to ANZ'***s*** growing presence - and thus clients - in Asia, while ANZ will be able to use Vontobel'***s*** "strong global equity asset management capability", says Stewart Brentnall, chief investment officer of ANZ Global Wealth. "Putting the two together will allow a more rapid growth than either bank would achieve on its own."

Whether other banks will emulate this kind of arrangement - so far rare in the Asian private banking business - remains to be seen. But the forces behind it are here to stay.

McKinsey, the consultancy, said in its 2013 annual global private banking survey that, while assets under management grew 17 per cent in Asia last year - which is more than double the rate for North America or western Europe - profit margins were just 17 basis points. That compares with 23bps in western Europe and 32bps in North America.

Intense competition, a tendency for wealthy Asians to use multiple private bankers, and high staff costs are likely to force consolidation in the wealth management business in Singapore and could push operators out of business, top private bankers say.

Deepak Sharma, chairman of Citi Private Bank and co-chair of the Singapore Private Banking Industry Group, says the business is "under tremendous test".

Société Générale, the French bank, is looking to sell the rest of its private banking business in Asia, following the recent disposal of its Japanese unit, according to people familiar with the process.

The move reflects the French group'***s*** cost-cutting and disposal programme, but it is also a sign of how intense the competition is in private banking in Singapore.

It may not always necessarily be the smallest banks that are forced to cut back, however. "Smaller specialist shops are far more agile than the bigger banks, because of internal inertia, compliance pressures and external headquarters making excessive demands," says Tim Gibson-Tullberg, head of southeast Asia at Sheffield Haworth, a recruitment company.

Western banks also face cultural hurdles. Their Asian rivals have been pushing into wealth management in recent years, in some cases making a virtue out of a decades-long presence servicing southeast Asia'***s*** ethnic Chinese community, which is highly entrepreneurial and accounts for a disproportionate share of the region'***s*** wealth.

United Overseas Bank, Singapore'***s*** third largest by assets, has a long history of serving the commercial banking and resulting wealth management needs of the Chinese minority in the region.

In Malaysia, where the bank opened its first branch 60 years ago, it is especially strong in cities with a higher concentration of Chinese businesses such as Ipoh, Kota Kinabalu and Penang.

That means it is well positioned to attract business from people who may have relatively modest wealth now, but that is set to grow as their businesses expand.

Jean Khong, a UOB spokeswoman, says: "We don't believe in 'suitcase bankers', because nothing can replace local knowledge and the spirit of a handshake."

The wave of scandals that has engulfed global banks since the financial crisis has created opportunities for smaller, family-focused wealth managers, as clients favour a return to simpler banking relationships.

Bankers say that some wealthy clients are dismayed by the seemingly never-ending stream of misconduct at big banks, from a series of rate-rigging investigations to the mis-selling of mortgage and insurance products.

As a result, clients are willing to sacrifice the broader investment choice offered by bigger institutions for a more personalised, traditional service at family-run businesses.

Under pressure to cut costs, clean up their operations and meet tougher regulations, many of the biggest international banks have also been forced to trim their wealth management businesses, according to analysts, giving clients further reason to look elsewhere.

"The private banking industry has lost its focus," says Matthew Parden, managing director at Duncan Lawrie Private Bank, which targets clients in the southeast of England and the Isle of Man with £500,000 to £5m of investable assets.

"It was traditionally about offering a superior service with a personal commitment to clients as individuals. But for many banks it is now about cost-income ratios and bottom-line service," he says.

One reason for the change. Mr Parden says, is that many larger private banks are tied to the fortunes of their high-street parent companies, some of which are reducing branch numbers and closing private banking operations.

A recent report from Ledbury, a market research group focused on wealthy individuals worldwide, found that a number of big banks - including Credit Suisse, Barclays, HSBC, Lloyds Banking Group and Citigroup - had outlined plans to pull back from some private banking activities in recent months.

This withdrawal is driving some clients to more traditional, family-owned wealth managers, which say they offer a more personalised service, as they are too small to need call centres and have fewer customers per manager.

The Ledbury report supports that view. James Lawson, a director at the company, says client satisfaction tends to be higher at the smaller houses.

"Our report found that client satisfaction among the smaller financial advisers was about 80 per cent - almost twice as high as the typical client of a larger international provider," he says.

Roger Weatherby, chief executive of Weatherbys Bank, a 240-year old family-owned private bank that has its roots in the British horseracing industry, says demand for more traditional banking has been amplified by the financial crisis.

"Clients who thought they had a close relationship with their bank suddenly find their wealth manager has gone - they might have three relationship managers a year and don't feel known any more."

Mr Weatherby also says the big banks have been under pressure since the crisis to reduce their loan-to-deposit ratios, meaning many have been forced to cut lending.

Boutique private banks, whose growth is limited to retained earnings because they lack a diverse shareholder base to tap for funds, have kept to more conservative lending ratios.

Another attraction of small family-owned groups is that the family'***s*** own wealth is typically managed alongside clients' investments, providing an added incentive for vigilance.

James Hoare, portfolio manager at 350-year-old C. Hoare & Co, says there has been a significant "flight to quality" since the financial crisis.

"A lot of that is based on the unique corporate structure of unlimited liability partner banks, where the family'***s*** wealth is completely aligned to customers," he says. "During the recent crisis, customers have appreciated that."

There are a number of drawbacks to family-owned private banks, however.

One pitfall is that they generally cannot compete with the dominant high-street providers on choice.

Banks such as Barclays, Credit Suisse and UBS can offer clients a far more sophisticated range of products, including access to their investment banking operations.

Indeed, Ledbury'***s*** re-search shows that, rather than deserting the big players, some clients are moving in the opposite direction, consolidating their holdings with them.

Its report showed that the proportion of wealthy clients that have at least 75 per cent of their investment portfolio with their main bank has risen from 22 per cent to 33 per cent in the past year.

"The pendulum has swung. Where before, clients wanted to mitigate risks by diversifying their portfolios, some clients are now more comfortable with the convenience of one provider," says Mr Lawson.

"Local providers may well have the ability to build and maintain strong relationships, but they won't always have the most suitable offerings."

Among the worst hit by this shift are the wealth operations of some of the UK retail banking brands, which sit in the middle ground between the biggest international banks and local family-owned banks.

Ledbury'***s*** report showed this group of banks had suffered a 7 percentage point fall in market share to 18 per cent in the past year.

Profile: C. Hoare & Co

C. Hoare & Co may have been founded during the reign of Charles II, but the once seemingly antiquated partnership structure of the world'***s*** oldest family-owned bank is regaining fresh attention, writes Daniel Schäfer.

Its owners - seven descendants of the founding family - have unlimited liability for all its actions. As a result, the London-based private bank likes to play it safe. It hoards a third of customer deposits at the Bank of England and has handed out the equivalent of only 40 per cent of its deposits as loans.

The bank also likes to stay small. It has only two branches and caters to fewer than 7,000 families and wealthy individuals.

Instead of grandiose plans, it prefers spending a sizeable amount of its profits on technology such as its mobile and online banking applications.

"Forty years ago people were wondering if two branches were really enough for us. But the rise of online banking shows that if you just wait long enough, then things come back to you," says Jeremy Marshall, chief executive.

In wealth management, big is once again beautiful. Regulators around the globe might be debating if banks are too big to fail but in private banking, the giants are becoming ever more dominant.

Last year, the top 20 wealth managers gained market share from smaller operators with an average increase in assets under management of 10.9 per cent, according to Scorpio Partnership, a consultancy and research group.

"In spite of a number of challenges - both economic and regulatory - we have seen the confirmation of a new champions' league of global wealth managers," says Sebastian Dovey, managing partner at Scorpio.

The top 20 command more than three-quarters of total assets under management, as wealthy clients often want a single bank relationship. Squeezed margins and tougher regulation, meanwhile, are hitting smaller rivals disproportionately.

"The barriers to entry have become huge," says Jürg Zeltner, head of UBS'***s*** wealth management arm, which last year overtook Bank of America as the largest private banking operation in the world measured by assets under management.

"To be able to deal with clients' cross-border demands, with regulatory compliance and to make money in an area that is under margin pressure is quite an agenda," he adds. "This is an annuity business and you need a sustainable growing asset base."

Large global banks including Morgan Stanley, Deutsche Bank and Goldman Sachs have in recent years rediscovered wealth management as profits have come under pressure in traditional areas such as investment banking. UBS itself launched a strategy to concentrate on its core wealth management business by drastically pruning the bond trading business of its investment bank.

Large and diversified banks have been more successful in containing costs than pure-play private banks. The former spend 75 cents for every dollar they earn in revenues in their wealth-management arms, while banks focused solely on wealth management had a cost-income ratio of 88 per cent in the past year.

Diversified groups can reduce costs by centralising certain administrative, compliance and portfolio management functions. They can tap into their retail banking network to build a presence in growth markets.

Smaller operators, on the other hand, are struggling to keep costs in check amid myriad regulatory and risk-management demands.

"All the trends in the market are pushing you to be bigger, whether it is regulation, service models or internationalisation," says Tim Monger, financial institutions partner at Boston Consulting Group.

Even the largest players have been forced to curb some of their activities amid relentless pressure on costs and profit margins.

Rapidly rising expenditure to make sure banks do not break anti-money laundering ***rules*** are making it particularly uneconomic for all but the leading global wealth managers to remain active in smaller markets.

Barclays this year announced it would pull out of more than 100 markets and cut staff in its wealth management business to boost the unit'***s*** feeble profitability.

The UK bank said it would reduce the number of countries in which it provides wealth and investment management services from about 200 to 70 by the end of 2016.

Its decision followed rival Credit Suisse'***s*** announcement this year that its private bank would exit or withdraw from about 50 markets worldwide by 2014 to bolster profitability. HSBC also wound down its Irish private banking arm in October last year.

"There was a dash five years ago to open up booking centres across the globe, only for the banks to realise later that they are not profitable," Mr Monger says. "Now this is reversing."

A string of other large banks including Bank of America Merrill Lynch and Morgan Stanley have sold overseas operations. This represents an attempt to concentrate on those core regions where they are among the market leaders.

"Critical mass is becoming more and more important in order to be able to achieve the right economics," says Jeroen Rijpkema, chief executive of ABN Amro Private Banking.

"Even the bigger players think about which markets they are good in and which smaller ones they won't make a difference in and where it is better to exit."

ABN Amro Private Banking is an example of this trend. It sold its Swiss private banking operation two years ago and bought LGT Bank in Germany, a market in which it already had reasonable scale.

Bankers say the consolidation trend will continue. The biggest wealth managers look likely both to spin off regional entities and act as buyers of private banking operations.

UBS'***s*** Mr Zeltner adds: "We are a natural consolidator in this industry. We are always looking for very targeted acquisitions that either give us further scale or an entry into a new market."

From Mr Stefan Rohshap.

Sir, Again, climate talks took place - and as usual without any result. You cannot call the decision to delay action until the conference in Paris in 2015 an outcome or even a success. Every year the talks - which will change everything and finally stop the environmental pollution of our beautiful planet - are reported, and every year they are unsuccessful.

What is the value of these climate talks, except to pay for participants to have a nice flight to Warsaw and a nice time there, without moving anything forward? When do you want to start to act, my dear presidents - when we have too little air for breathing?

Stefan Rohshap, Vienna, Austria

The Louis XIII casino and hotel in Macau will be something to marvel at even in the midst of one of the most gaudy and ludicrous cities in the world.

This $1bn resort is expected to have a giant ruby coloured illuminated "jewel" above its entrance and will charge a minimum HK$10,000 (US$1,290) a night for the most basic of its 236 rooms. The smallest bets on its 66 gaming tables will be HK$5,000 and shopping at the Graff Diamonds store and other luxury outlets in its mall will be by appointment only.

Welcome to the world of Asia'***s*** rich.

Asia is producing more new wealth than any other part of the world at any point in history. ***Over*** the past five years, the assets of rich individuals have grown at triple the rate of the wealthy elsewhere, while the number of rich people has increased by twice that of other regions, according to the recent annual survey by Capgemini and Royal Bank of Canada.

Their number grew by almost 10 per cent to reach 3.7m last year, according to the survey, while their wealth expanded by 12 per cent to $12tn.

For "ultra-high-net-worth" people, who have more than $30m in net assets, the story is a little different. More people from the US and Europe entered this club in the past year than from anywhere else - the population in China and Brazil actually declined slightly - according to research by Wealth-X and UBS.

There are only 199,235 such individuals in the whole world, but unsurprisingly they are the main focus of private banks and wealth managers. They will often have $20m tied in a business, with $5m in property and $5m to play with, says Mykolas Rambus, chief executive of Wealth-X.

"The reason this market is so lucrative is that a lot of the wealth is not very liquid yet," he says. "They are likely to have a monetising event within a couple of years, like a listing, and they tend to spread their wealth around among a number of banks."

There are many more potential clients among those with $5m or less, but they might only have liquid assets of $250,000 or less. "You cannot make money out of that in today'**s** high cost regimes," Mr Rambus adds.

The newly rich can be much more demanding clients for private banks and other wealth managers, partly because they can take some convincing that a service they have never used or thought about is worth paying for.

On top of this, as they are normally still tied in with their businesses, their investment expectations are for much higher returns than those who have been wealthier for longer and are more interested in preservation.

"For the new rich, investments in wealth management compete directly with their businesses for capital, so any investment needs to generate a higher return than they could get by reinvesting in the company," says Kathryn Shih, head of UBS Wealth Management Asia Pacific. "Also, they have a home bias; they like to know the companies they are going to invest in."

Of course, those whose wealth is really new are also more interested in flaunting it - or at least buying some of the trappings such as cars, watches, properties and so on.

But private banking executives say these things are bought early - and often with borrowed money - by the merely affluent, rather than the really rich.

For those with $30m or more, the first thing they want to buy once they hit that bracket is an aircraft, according to Bassam Salem, chief executive of Citi'**s** private bank in Asia.

"The newly rich are a bit more exuberant in terms of showing their wealth initially," he says. "But it takes a little while to become ultra-wealthy for most. The richer you are, the less you want to show it in many countries."

The exception to this is mainland China, where more people have become vastly rich in a much shorter time because of the explosive pace of growth in recent years. The average age of Citi'**s** ultra-rich clients in Asia excluding Japan is about 70, according to Mr Salem, whereas in China it is 35.

Mr Rambus makes a similar observation, noting that the average age of millionaires in China is about 33, but that of the world'**s** ultra-wealthy is 52.

In spite of cathedrals to excess such as the coming Louis XIII resort in Macau, Mr Rambus says the super wealthy in Asia, as in other parts of the world, are becoming less visible in terms of splashing the cash.

"There are many countries where visibility is not good culturally and where it is becoming less advisable if you want to keep your wealth," he says.

So, once the Louis XIII opens to its exclusive clientele in 2015, it is more likely that anyone who makes a noise about having stayed there is perhaps either lying, or at the lower end of that casino'**s** clientele.

British voters could soon be allowed to cast their general election ballot online under plans being pushed by John Bercow, speaker of the House of Commons.

Revealing plans to update democracy in Britain to allow greater participation, Mr Bercow suggested the UK should follow the example set in Estonia, where a quarter of people voted online at the last election.

Mr Bercow said: "For representative democracy to thrive it has to evolve and there has to be a step-change improvement in its responsiveness to the electorate and the country at large."

Politicians have been battling for years to find ways to stop the rapid decline in voter turnout at general elections. More than 80 per cent of people voted at the 1950 general election, but by 2010 that proportion was down to 65 per cent.

Online voting has previously been proposed as a way of making it easier for people to vote and so halt that decline, but officials have been concerned about the possibility of fraud. The surge in postal voting at the last election brought about a rise in the number of complaints about fraud, and electoral experts warn the problem could be worse if online voting was allowed.

Mr Bercow was presenting his vision for making parliament more accountable via electronic means, including through e-petitions, putting bills online and getting MPs to interact more through digital media.

The speaker has established a commission to look into his proposals, which is due to report in 2015.

From Mr Robert Laidley.

Sir, It is proving very difficult to get essential supplies to all stricken areas in the Philippines. Some supplies have arrived at key ports, but damage to roads and lack of operating trucks and gasoline limit their distribution. Recent efforts are making progress, particularly due to the arrival of a US Navy carrier and its helicopters, but are insufficient.

A substantial Philippine military presence has been established, which has stopped the looting. This opens the opportunity for airdropping supplies for the military to distribute. The US is taking the lead in relief efforts, but these are too limited and, for many, too late. We must airdrop supplies to secure drop zones set up by the military away from existing airports but close to the devastated cities. Then supplies can be distributed in a disciplined manner. It is reported that America has started to use airdrops from large transport aircraft, but this is nowhere near enough. Many nations that have offered assistance operate large transport aircraft, including Australia, Japan, the US, Britain and other European countries. They have not been asked to make them available for airdrops. Food, water, tents, medical supplies and so on are available in the Manila area and do not have to be expensively imported.

There is adequate capacity for large transport aircraft at the main airports, and in addition the airports at Clark and Subic can be used.

The immediate crucial need is potable water, which Manila has in abundance. It would be preferable to drop large containers. However, I am not sure if they would survive the landing impact. It may be necessary to use smaller standard units such as five-gallon jerry jugs. That is easy to test locally and quickly.

Even at this late stage, defined drop zones and disciplined distribution would make a big difference. This approach would also lay the groundwork for effective preparation for the next typhoon, starting with placing Filipino troops at safe installations in threatened cities as soon as the course of the next typhoon is clear.

Robert Laidley, President, The Atlantic and Conservation Institute, New York, NY, US

From Mr John Willman.

Sir, I note from the FT'***s*** front page report "Osborne pressed to toughen 'inadequate' banking ***rules***" (November 26) that two men called Welby have been ***involved*** in the important debate ***over*** the regulation of banking. One, Justin Welby, is described as the Archbishop of Canterbury. The other is simply called "Mr Welby".

They cannot be the same person, since you would have called the second Welby either "the Archbishop" or "Archbishop Welby'. And by describing him in a sentence that refers to 'growing pressure at Westminster and from Mr Welby", you make clear that he cannot be the Archbishop who sits in the House of Lords in Westminster and whose full title is "Lord Archbishop".

So please, give readers more details about this evidently important "Mr Welby". He must be an important person.

John Willman, London SE24, UK

From Mr Justin Woodhouse.

Sir, With reference to "Osborne pressed to toughen 'inadequate' banking bill" (November 26): Justin Welby likes an easy target. When our churchwarden wrote to Lambeth Palace urging leadership ***over*** the Girl Guides dumping God from their promise, the response was: "It'***s*** not our job to tell the Guides what to do."

Justin Woodhouse, Crowborough, E Sussex, UK

When Sandra Raposo woke up to find a burnt-out bus outside her front door on Tuesday, she was not surprised - it was the fourth destroyed in the neighbourhood since Sunday.

While it was a response to the accidental fatal shooting of a teenage boy by police in a favela in São Paulo at the weekend, Ms Raposo believes it also was a reaction to broader discontent ***over*** issues including poor public services that triggered the mass demonstrations in June and sporadic protests since.

"People here are angry at the police but I think they are also just dissatisfied generally," she says, surveying the wreckage as she waits for her grandson to come home from school.

Economists say the root of the unrest is Brazilians' dissatisfaction with the rising cost of living, a realisation that has prompted the government to pursue the world'***s*** biggest monetary tightening cycle this year to combat inflation, they say.

When Brazil'***s*** central bank slashed the benchmark Selic rate to an all-time low of 7.25 per cent in October last year it was heralded as a political victory for President Dilma Rousseff, marking a new era for a country that has long suffered high borrowing costs.

But after holding the rate steady until April this year, Brazil has raised it six times in a row, hiking it by another 50 basis points to 10 per cent on Wednesday and pushing it into double digits for the first time in almost two years.

"It is seen as a defeat for Dilma but after the protests in the middle of the year I think she took a view that higher inflation would represent an even bigger defeat so she opted for the lesser of the two evils," says Marcelo Moura, a professor of macroeconomics and finance at Insper, a Brazilian education and research institute.

"If Brazil was seeing low inflation and growth of around 4 or 5 per cent I doubt people would come out to protest like they have been," he says.

Annual inflation broke through the 6.5 per cent ceiling of the country'***s*** tolerance band in both March and June this year, partly as a result of a surge in food prices that has hit the poorest families the hardest, and stands at 5.8 per cent. Inflation has not ended the year close to the 4.5 per cent target since 2009, also a point of concern for ***investors*** who accuse the ***ruling*** Workers' party of abusing the inflation-targeting regime that has been a cornerstone of Brazil'***s*** development.

Brazil'***s*** ***U***-turn on monetary policy this year has therefore been welcomed by many who see it as a sign of the central bank'***s*** greater autonomy. Alexandre Tombini, the bank'***s*** president, has indicated that neutral real rates (the interest rate, after deducting inflation, which neither stimulates nor contains the economy) are about 5 per cent, suggesting he would prefer to see the Selic closer to 11 per cent to compensate for inflation of nearly 6 per cent..

The tightening cycle has been a "step in the right direction", according to the OECD in a report in October in which it called for the bank to be given formal independence. However, Luciano Rostagno, chief strategist at Banco Mizuho in São Paulo, says the cycle is simply the result of international factors and a change of strategy by the government, which continues to call the shots at the central bank.

By pushing down interest rates to record lows, the government had hoped to attract private investment to boost the country'***s*** dismal investment to gross domestic product ratio of less than 20 per cent. But those billions of dollars of investment never appeared, partly because of the government'***s*** reluctance to reduce state intervention in the economy and wean the country off Brazil'***s*** state bank, BNDES, which dominates the domestic market as it lends at cheaper rates than private institutions. Expectations the US Federal Reserve would begin reducing its monetary stimulus also prompted ***investors*** to flee emerging markets worldwide, particularly those like Brazil that suffer from both budget and current account deficits.

With growth faltering, the government turned once again to higher spending, making the country'***s*** low interest rates unsustainable, says Mr Rostagno. A sharp depreciation of the real against the dollar also raised the cost of imports, adding further inflationary pressure. And when mass protests broke out in June, threatening Ms Rousseff'***s*** chances of re-election next year, the government knew it had no choice but to change tack, he says.

But if it continues to dole out vast amounts of subsidised state lending and other fiscal incentives, the effect of the tightening cycle on prices will be more limited than it might be in other economies, says Insper'***s*** Mr Moura.

It may also do little at this stage to improve the credibility of the government'***s*** economic team, which is facing growing criticism ***over*** its lack of fiscal discipline, he says. "Credibility is a tricky thing; it takes a long time to build but you can lose it in an instant".

From Mr Robert Morris.

Sir, With reference to the recent correspondence on franglais (November 20 and 22): I've dined out on the following story many times.

In the late 1950s, I was approached by a French couple sitting in their car by the side of the road in Trafalgar Square (those were the days!) waiting for someone who spoke French to tell them the way to Birmingham.

In those years the French were taught English at school in way that left them without much understanding and with little fluency. It was much the same in Germany, as I recall.

In this day and age, however, it is a common occurrence to hear French politicians, industrialists, civil servants and academics expressing themselves with force and clarity in idiomatic English, and it seems a pity to comment disparagingly in your columns on the occasional official lapse into franglais.

Most English individuals of the same rank are, it is said, still resolutely monoglot. And it is still possible to drive from France and arrive quite naturally in Trafalgar Square where it is still not obvious which exit to take for Birmingham.

Robert Morris, London N2, UK

From Prof Lothar Funk.

Sir, It has long been taboo among Germany'**s** pro-market elites to question the country'**s** export strength. The same has held true for domestic stability policies since the sweeping employment-related reforms of a decade ago.

The position of the former CDU-CSU and Free Democrat coalition was unmistakable: "The current account balance is not a political target for the federal government" (National Reform Programme 2012). Assuming more or less sound monetary policies by the supranational European Central Bank and that Germany does not support or protect its exports more than other important trading nations, everything seems fine if domestic macroeconomic goals are achieved. Economic policy can concentrate on improving supply-side conditions for better growth and higher employment in the medium term. Current account surpluses can be neglected.

However, the influential independent council of economic experts ("wise men") noted on November 13 that German banks had originally contributed substantially to the European sovereign debt problem (Annual Report 2013/14, no. 391). Thus German banks' risky loans abroad were part of the problem and, with hindsight, contributed to bad investments abroad. This was only possible due to a lasting gap between savings and investments.

Thus the head of DIW Berlin, Marcel Fratzscher ("Investment, not the surplus, is Germany'**s** big problem", November 19), is right to ask the incoming government to invest in outdated infrastructure and to increase incentives for domestic private investment. The new CDU-CSU and Social Democrat coalition will most likely lead to additional spending on education, energy transformation, pensioners and higher wages in the low-wage sector. If implemented in a reasonable way, the new approach of the government will reduce German net exports.

The hope is that the potential damage done to Germany'**s** domestic supply-side will at least be offset by the positive effects of these reforms in ensuring greater stability beyond Germany. Nevertheless, a German policy swing cannot substitute for domestic reform efforts in the countries still in crisis.

In 2009-10 Germany stimulated its economy more than average for an EU member state. Now it will again contribute to rebalancing. The new policies may improve the cyclical climate and inflation in the short term. Such demand management is played down in public statements since German officials love to respect national economic idols such as Walter Eucken, the founder of ordoliberalism, and Ludwig Erhard, the first economics minister - both definitely non-Keynesians. In practice, however, Keynesian ideas are hardly dead even in Germany. Owing to the bad side-effects, very special circumstances are necessary before any rough steering of the demand side - but these include the deep crisis of 2009-10 and today'**s** eurozone problems.

Lothar Funk, Professor of International Economic Relations, Düsseldorf University of Applied Sciences, Düsseldorf, Germany

From Dr Igor Torbakov.

Sir, Viktor Yushchenko has offered a very simplistic explanation of Kiev'**s** decision to suspend preparation for an Association Agreement with the EU, blaming it all on Moscow'**s** desire to retain a sphere of influence ("Europe needs to help Ukraine escape from Russia", November 25). Indeed, historically - in Russia'**s** debates on empire and nation in the 1910s, in the immediate aftermath of the 1917 upheaval and again following the 1991 Soviet disintegration, as well as in today'**s** discussion of the Eurasian Union - Ukraine has been perceived by Russia'**s** rulers as an absolutely pivotal state.

Without 40m-plus Ukrainians who would associate themselves with Russia-Eurasia (or, in Vladimir Putin'**s** preferred term, Russian "state-civilisation") there could be no "Eurasia" as a geopolitical reality (a crucial "Euro" element will be missing) and no Staatsvolk - the Greater Russian nation comprising also the other eastern Slavs (Ukrainians and Belarusians) - to effectively ***rule*** these vast expanses. (Note that in his recent speeches President Putin reiterated that Russians and Ukrainians are one people.)

And yet, although Russian pressure did play an important role in forcing Kiev to suspend talks with Brussels, it'**s** just one of the factors in play. For all post-Soviet elites, including the Ukrainian rulers, the paramount interest remains the perpetuation of their power. For Viktor Yanukovich, Ukraine'**s** president, this means securing his re-election in 2015. He appears to have decided that both the political demands advanced by the EU (the release of Yulia Tymoshenko) and the immediate economic consequences of the Association Agreement (clearly disadvantageous for the faltering Ukrainian economy) are too high a price to pay for Ukraine'**s** "European orientation" - precisely because they would diminish his chances to get himself re-elected. Some folks in Brussels still cannot grasp the simple truth that Mr Yanukovich and his ilk don't want to join anything: they want to balance ad infinitum and extract maximum profits from this geopolitical balancing act. In a word, they are balancers, not joiners - and this refers to their relations with Moscow too.

Igor Torbakov, Uppsala University, Sweden

From Mr Christopher Carr.

Sir, I was driving one afternoon recently in France close to the Swiss border and passed a field of maize that had been harvested about a week earlier for cattle fodder. Much to my surprise there were six men and women gleaning the cobs that had been left by the combine harvester.

The last time I was witness to such a scene was in Mali during the drought of 1984-85. Heaven only knows what this means in the middle of Europe at the beginning of winter.

Christopher Carr, Geneva, Switzerland

JPMorgan Chase drew up plans to sell part of its metals warehousing empire last year as it faced pressure to show regulators that the business fitted with the activities of a bank, according to newly released documents.

A letter from the Federal Reserve obtained by the FT shows that the bank was working on the divestiture plan, some eight months before it publicly put up for sale its physical commodities business, which includes the Henry Bath warehousing unit.

The correspondence between the Fed and JPMorgan ***over*** the past 17 months will raise doubts about other banks' ability to keep commodities assets as the Fed conducts a broad review of the connection between finance and raw materials.

It was only in July of this year that the Fed disclosed that it was reviewing whether to continue to allow large banks to hold physical commodities such as oil and copper. Days later JPMorgan announced its entire physical commodities business was for sale.

US law generally prohibits mixing banking and commerce, with broad exemptions.

In letters, emails and phone calls, bank lawyers and Fed officials discussed Henry Bath, the global warehouse empire that JPMorgan acquired as part of a $1.6bn push into commodities in 2010. The correspondence, first reported by Reuters, shows Henry Bath'***s*** future was in question far earlier than previously thought.

In June 2012, JPMorgan told the Federal Reserve Bank of New York it planned to classify Henry Bath as a "merchant banking" investment, a legal designation that allows 10 years of ownership. Goldman Sachs owns metals warehouses under the same provision, executives there have said.

In November 2012, the Fed required JPMorgan to file "a detailed plan to divest or conform the Henry Bath investment" and provide quarterly reports detailing the bank'***s*** actions "in accordance with the divestiture plan", a letter shows.

In March, JPMorgan filed a quarterly report indicating it had begun sale talks and also taken steps to cut the bank'***s*** own metals inventories inside Henry Bath'***s*** warehouses.

"Strategic discussions with third parties, including various financial institutions, regarding an outright sale of a portion of JPMC'***s*** equity interest are continuing," Mark Lenczowski, a JPMorgan lawyer, wrote.

JPMorgan declined to comment. The Fed has given it until July 2014 to divest Henry Bath or find a way to bring it in line with the ***rules***, according to the most recently dated letter.

The correspondence does not make clear whether JPMorgan has been required to sell Henry Bath or has decided to do so on its own. The value of the business will probably be far less than in 2010, as new ***rules*** from the London Metal Exchange threaten to cut warehouse profitability.

Goldman is likely to step up discussions ***over*** a sale of its metals warehousing business, having received more than a dozen expressions of interest, the FT reported last week.

Fed chair nominee Janet Yellen said at a confirmation hearing that the regulator was considering additional ***rules*** for banks that own physical commodity businesses. But the Fed is limited in what it can do for the investment banks that became Fed-regulated bank holding companies, Morgan Stanley and Goldman, in the wake of the financial crisis in 2008.

Because Congress by statute allowed those banks to have those businesses in a grandfather clause, the Fed cannot force them to back out of them. But the Fed can evaluate them based on safety and soundness standards, which could mean additional capital charges, obtaining special approval for certain activities and other regulatory hurdles.

Charter Communications has discussed a $25bn financing package that would put weight behind its increasingly public battle to acquire rival cable-TV provider Time Warner Cable.

Charter, which has been circling its larger rival since the summer, has been in talks about debt financing for the deal with banks including Barclays, Deutsche Bank, Goldman Sachs and JPMorgan, according to people familiar with the process.

The discussions with the banks are continuing and have been running since July.

Charter, which is being advised by LionTree, the investment bank, and law firm Wachtell, Lipton, Rosen & Katz, has been working with Goldman Sachs to help put together an agreeable financing package, people familiar with the process added.

Charter, which has a market value of $14.1bn, needs to raise substantial funds to swallow Time Warner Cable, which had a market capitalisation of $38.6bn based on Wednesday'***s*** closing price of $136.80 a share.

The company has implied that it would consider a premium bid from Charter.

However last week it emerged that executives at Time Warner Cable had approached Comcast, the Philadelphia-based cable-TV market leader, to ask it to make an offer that would rival Charter'***s*** overtures.

Speculation about the consolidation of the fragmented US cable industry has been building for several months. Some industry executives, including Liberty Media'***s*** John Malone, have advocated such deals, arguing that it would reduce costs and better position the industry to compete.

Cable operators are facing increased pressure in their video businesses from so-called cord cutting, as customers cancel pay-TV subscriptions in preference of cheaper online streaming options, such as Netflix. At the same time, the industry is battling against from satellite TV and phone companies.

Some cable executives say that consolidation also could help television distributors in their battle with programmers ***over*** fee increases.

"The fact that Charter plans to finance this deal with debt increases the odds that the coming consolidation will drive cost-cutting in service, infrastructure and content," said Barry Parr, a media analyst with Outsell.

Time Warner Cable shares have climbed almost 47 per cent since the start of the year as a result of expectations of a bid.

All parties ***involved*** declined to comment.

Brazil has raised its benchmark interest rate by 50 basis points to 10 per cent, pushing it into double digits for the first time since March last year as the Latin American country grapples with stubbornly high inflation.

The central bank hiked the Selic rate late on Wednesday for the sixth time in a row, extending what has become the world'***s*** biggest tightening cycle.

"Giving continuation to the adjustment of the benchmark interest rate, which began with the meeting in April 2013, the Copom (central bank'***s*** monetary policy committee) decided unanimously to raise the Selic rate to 10 per cent a year, without bias," the bank said in an accompanying statement.

However, the brief note differed from previous statements released by the bank by omitting any references to inflation trends and reminding ***investors*** that rates have already been hiked many times this year. For economists, it appeared to be a signal that Brazil'***s*** tightening cycle could finally be nearing its end.

"It seems like a pretty neutral statement on its own but when you look at it in the sequence of other statements . . . it could be read as the first step to changing the pace of tightening in January," said Marcelo Salomon, an economist at Barclays.

Next week'***s*** gross domestic product data that are expected to show that Brazil'***s*** economy contracted in the third quarter could lead the bank to increase the Selic rate by only 25 basis points at its next meeting in January, said Mr Salomon.

Since April, the central bank has raised interest rates by a total of 275 basis points in what has been seen as a dramatic ***U***-turn in the country'***s*** monetary policy and a symbolic defeat for President Dilma Rousseff.

When Brazil pushed its Selic rate down to a record low of 7.25 per cent in October last year, it raised hopes that the country could finally rid itself of its traditionally high borrowing costs.

However, rising inflation has forced the central bank to change tack, especially as complaints ***over*** price rises and frequent protests across the country threaten to damage Ms Rousseff'***s*** popularity ahead of presidential elections next year.

Annual inflation broke through the 6.5 per cent ceiling of the country'***s*** tolerance band in both March and June this year, and still stands around 5.8 per cent - far from the country'***s*** 4.5 per cent target level.

Alliance Boots has all the characteristics a tax campaigner could ask for in a target. It is a trusted healthcare retailer, founded, like Cadbury, by philanthropic Victorians. But in its modern incarnation it is a tax-savvy group, which was purchased for £12bn in 2007 by Kohlberg Kravis Roberts and entrepreneur Stefano Pessina.

War on Want is the latest righter of perceived wrongs attracted by the contrast. The charity alleges that "entities apparently controlled by Mr Pessina have achieved exceptionally profitable results" from offshore transactions.

AB "categorically refutes" the ***claims***, which it says are defamatory. Sadly for the group, Britons are now predisposed to believe the worst of businesses. The syndrome was illustrated last year by Starbucks, forced to pay £20m in tax it did not owe to placate politicians disturbed by its transfer pricing arrangements.

The bone of contention between AB and WoW is a debt buyback. According to the charity and US affiliate Change to Win, businesses linked to Mr Pessina bought £257m of the pharmacy group'***s*** loans in 2009-2012. From 2010, AB allegedly started buying hybrid securities from companies associated with Mr Pessina.

The transactions looked oddly circular to the charities. The market value of equivalent corporate debt had jumped by the time AB repurchased one chunk of loans, they say.

People close to the company riposte that AB received the bulk of the value of well-timed debt repurchases. Mr Pessina, a multi-billionaire who made only "a small profit", was enlisted as an agent because loan covenants prohibited AB from buying directly, the people add.

The Department for Business will arbitrate on a complaint brought by the campaigners. But before then, AB and Mr Pessina should bolster their cause by disclosing how returns were distributed.

Encompassing the globe

The UK may not produce tech giants to rival Microsoft, Google, LinkedIn and Twitter. But at least a British caterer is feeding their staff. A strong showing in the US helped Compass Group cook up a 9.2 per cent increase in yearly profits before tax to £1.2bn, measured before exceptionals and at constant currencies.

The group is the large global outsourcer the public has never heard of. Non-nonsense boss Richard Cousins eschews the megamergers that make bankers swoon because he dislikes overbidding and execution risks. Compass has steered clear of controversy, unlike G4S and Serco.

Fund managers are thus the only people to whom Mr Cousins is a celebrity. His feat has been to create a culture of service and cost control across a sprawling estate of 45,000 restaurants. The shares have returned 273 per cent ***over*** five years. They edged up again on Wednesday, untroubled by an 8.6 per cent drop in bottom-line profits that reflected a £377m non-cash write-off. There will be a £500m buyback.

The shares look fully valued on a forward multiple of 18 times, unless you think some Silicon Valley pixie dust has settled on them. What was it people used to say about selling shovels for the gold rush, or indeed food to the prospectors?

Vanquished Vince

The Pathe cockerel crows. A newsreel plays. A trilbied reporter confronts Vince Cable, minister for moral indignation, on the steps of Portcullis House.Reporter: Your expression is haunted and your tie askew. Your hearing with MPs to explain the underpricing of the Royal Mail share issue must have been fraught.Cable: Nonsense, young man. I set out the situation in terms even backbenchers could understand. The price will stabilise.R: When?C: The sooner the better, from my point of view. RBC sees the stock collapsing to 50p.R: You're trying to talk down the price of a business in which the government holds a 30 per cent stake? You previously dismissed a 570p valuation from Panmure Gordon as "an outlier". The results have lifted the shares 6.5 per cent to 568p.C: Share valuations turn out to be tricky*.R: People might say this shows making business decisions is always harder than criticising those responsible. Yet your fans admire the robustness with which you deal with the "spivs" of the City, as you once denominated them. Will you pay Goldman Sachs and UBS their £4m performance fee?C: The question will be the subject of detailed consultation at a later date.R: Isn't that the kind of flannel we hear from under-pressure business executives, who you now somewhat resemble?C: If it works for them, it could work for me. Sir, I bid you Good Day.* Lombard got the Royal Mail price wrong too, but with the expenditure of far less effort than the government.

jonathan.guthrie@ft.com

The long-running effort to merge US Airways and the bankrupt parent of American Airlines looks close to success after a bankruptcy court judge threw out a last-minute private effort to block the deal and cleared it to go ahead.

US Airways and AMR Corporation said they expected the two companies to merge on December 9 before markets opened. They anticipate the merged airline to be the US'***s*** largest by sales.

Sean Lane, the judge who has handled AMR'***s*** case since it sought bankruptcy protection in November 2011, dismissed an effort by Joseph Alioto, ***attorney*** for a private group seeking to block the transaction, to delay closing.

The judge ***ruled*** that the merger could go ahead while Mr Alioto'***s*** clients pursued their private antitrust ***claim*** ***over*** the deal. He approved a deal earlier this month between the merging companies and the US Department of Justice that averted a DoJ effort to seek a complete block on the deal.

The companies agreed to give up take-off and landing slots at Washington'***s*** Reagan National Airport and New York'***s*** LaGuardia Airport and two gates at each of Boston Logan, Chicago O'Hare, Dallas Love Field, Los Angeles International and Miami International airports.

Mike Trevino, a spokesman for American Airlines, said the judge'***s*** rulings were "another important step" on the company'***s*** path towards emerging from bankruptcy and merging with US Airways.

"The new American will compete on a global scale with a network that benefits our people, our customers and the communities we serve," he said.

Mr Alioto was seeking a temporary restraining order to prevent the deal going ahead while his clients sought depositions from Doug Parker, chief executive of US Airways, and Tom Horton, AMR'***s*** chief executive. Mr Parker will become chief executive of the newly merged company, while Mr Horton will be chairman.

AMR will emerge from bankruptcy through a merger with US Airways originally announced in February. US Airways shareholders will receive 28 per cent of the shares, while AMR'***s*** creditors will receive the remainder. At Wednesday'***s*** US Airways share price of $23.89, the new company will be valued at $16.8bn.

The two companies have said they plan to start merging their operations in January. The new airline will use the American Airlines name. The merged airline will belong to the Oneworld Alliance led by Europe'***s*** International Airlines Group. US Airways will leave the Star Alliance, led by Germany'***s*** Lufthansa.

Shares in AMR, which are thinly traded on an ***over***-the-counter exchange, rose 1.25 per cent to $12.12.

Part of the stadium that will host the opening World Cup match in Brazil next year has been destroyed in an accident that killed two workers, raising further questions ***over*** the country'***s*** ability to host forthcoming major sporting events.

A giant crane carrying the last piece of metal roof covering fell ***over***, causing the structure to slice through the side of the Corinthians stadium in São Paulo and crush two men below.

The stadium, which was being built by Brazilian industrial conglomerate Odebrecht and was nearly complete, is set to host the opening match as well as five other games in the tournament in June and July. Odebrecht said it was offering assistance to the victims' families but gave no reason for the crane'***s*** collapse.

Brazil has struggled to deliver the infrastructure needed to host the World Cup next year, as well as the Olympics in 2016, and construction firms are working around the clock at stadiums and airports to get the country ready in time. The draw for the tournament takes place next Friday in Bahia.

Jerome Valcke, Fifa general secretary, said he was "extremely shocked" at the incident in a message on Twitter. "The Department of Labour and the local authorities will fully investigate the reasons behind such a tragic accident," Fifa said in a later statement.

Brazil'***s*** relationship with the football body is already under strain after violent protests broke out earlier this year during the Confederations Cup, considered to be a dress rehearsal for the World Cup.

When Brazil'***s*** government won bids to host the World Cup and the Olympics a few years ago, the events were seen as a chance to showcase the country'***s*** booming economy and recent progress. However, as growth has slowed they have instead become a focus of resentment among many Brazilians, who argue the money should be spent on improving poor public services.

Further protests are expected during next year'***s*** World Cup, especially as it takes place in the run-up to the country'***s*** presidential elections.

"Next year is going to be pretty chaotic - with the eyes of the world on us, protesters are going to want to take advantage of that," says Marcelo Moura, a professor of macroeconomics and finance at Insper, a Brazilian education and research institute.

Tuesday'***s*** accident at the stadium, officially called Arena Corinthians but known as "Itaquerão", prompted an outpouring of grief on social media from fans of Corinthians, one of the most popular teams in the football-obsessed nationq.

"It'***s*** a sad day for the victim'***s*** families and for Brazilian football," tweeted one fan, while others called for a period of national mourning.

The stadium was also known as being a pet project of former president Luiz Inácio Lula da Silva, one of the team'***s*** biggest supporters who is reported to have helped rally funding for the project.

Additional reporting by Roger Blitz in London

US Vice-President Joe Biden will tell Chinese leaders next week the recent establishment of an air defence zone is "unsettling" to its neighbours and raises questions about its broader international behaviour.

Mr Biden is expected to use a week-long visit to Asia starting on Sunday to press China about last weekend'***s*** announcement of a set of flight restrictions ***over*** an area including a ***disputed*** chain of islands in the East China Sea.

China'***s*** ***foreign*** ministry defended the decision on Wednesday, saying it was a "legitimate action taken to safeguard its legitimate rights". However, the US has already challenged the move by flying a pair of B52 bombers through the area, and the new Chinese ***rules*** are now being widely flouted by Japanese airlines. The move has also been criticised by South Korea, Taiwan and Australia.

Last weekend'***s*** announcement has opened up a new front in an increasingly bitter territorial ***dispute*** between Asia'***s*** two largest economies ***over*** a group of uninhabited islands, known as the Senkaku in Japan and the Diaoyu in China. The controversy is part of a broader contest for influence in the western Pacific between China, which has invested heavily in its navy ***over*** the past two decades, and the US and its allies.

A senior US official said on Wednesday Mr Biden, who visits Japan, China and South Korea next week, would not be "delivering a demarche" to Beijing and would focus on trying to reduce tensions in North Asia.

However, the official added: "There is an emerging pattern of [Chinese] behaviour that is unsettling to China'***s*** own neighbours and which raises questions about how China operates in international space and deals with areas of disagreement with its neighbours."

In a sign of mounting tensions, on Tuesday the US flew the unarmed B52 bombers across the zone without asking Beijing'***s*** permission in what appeared to be a direct challenge to the Chinese ***claim***.

The Pentagon said the flights were a long-planned training mission and insisted the US would continue to operate in what it considers to be international air space. China on Wednesday said it had monitored the US aircraft.

Tensions in the region were raised on Saturday, when China'***s*** civil aviation authority put out an order for all flights planning to pass through a new "air defence identification zone" (ADIZ) to notify Beijing, or risk unspecified "emergency defensive measures".

Japan'***s*** two largest long-haul carriers, JAL and ANA, instantly complied with the order - a position at odds with the Japanese government, which said it refused to recognise the unilateral imposition of a zone that overlapped with its own. It was "extremely regrettable", the government said, that China'***s*** new zone included air space ***over*** a ***disputed*** chain of islands in the East China Sea.

But on Wednesday, following instructions from Tokyo, JAL and ANA said they were no longer complying with the Chinese order, and that dozens of daily flights between Japan and Taiwan, Hong Kong and southeast Asia would proceed as normal. About 50 flights by Japanese carriers criss-cross the area every day, according to Japan'***s*** ***foreign*** ministry.

Neither airline reported any problems as the first flights travelled through the ADIZ without notifying China.

"As the establishment of the ADIZ is unilateral, we want China to retract it and we don't accept it," said Japan'***s*** defence minister Itsunori Onodera. "The US is handling the matter with the same stance as Japan."

Airlines in the region are still reviewing what the new ***rules*** from China mean for their operations, said Andrew Herdman, director-general of the Association of Asia Pacific Airlines. Still unclear, he said, are how the new zone might affect co-ordination between air traffic controllers and whether it could lead to conflicting instructions on flight plans, among other technical issues.

"Clarification is being sought from the relevant authorities," he said.

The Chinese ***claim*** is part of a broader push by Beijing to assert greater control ***over*** the seas that surround it and to push back against US influence in the western Pacific, where the US Navy has been dominant since the end of the second world war.

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The tabular content relating to this article is not available to view. Apologies in advance for the inconvenience caused.

>Some Chinese commentators on the country'***s*** Twitter-like Weibo social networking site called on Beijing to take firm action against Japan to enforce the flight restrictions but there have been no anti-Japan protests like those witnessed at the end of 2012 which damaged economic relations between the two countries.

Caroline Kennedy, the new US ambassador to Tokyo, described Japan as her country'***s*** "most important ally in Asia". In her first speech in the post in Tokyo on Wednesday, Ms Kennedy said China'**s** move to establish the ADIZ was "an attempt to change the status quo in the East China Sea", and thus served only "to increase tensions in the region".

A Japanese ***foreign*** ministry official suggested that China'***s*** recent moves were consistent with the "cabbage strategy" adopted in its spat with the Philippines, in which it tries to surround ***disputed*** territories with layers of defences, packed tight like a cabbage. The term has been traced to a May TV interview with Zhang Zhaozhong, a Chinese military scholar.

Separately, Taiwan said that it is complying with China'***s*** order.

Additional reporting by Mitsuko Matsutani and Nobuko Juji in Tokyo and Sarah Mishkin in Taipei

Mexico'***s*** trade balance widened on Wednesday thanks to growing demand for its products in the US, while the balance narrowed in Sweden and Thailand.

Americas

US: The Chicago manufacturing index came in at 63, above consensus forecasts of 60, but it was offset by a 2 per cent fall in durable goods orders, in line with expectations but a reversal from September'**s** 4.1 per cent rise.

Mexico: Adjusted for seasonal swings, there was a trade surplus of $515m in October and in non-seasonally adjusted terms there was a deficit of $129m. Seasonally adjusted, factory exports rose 0.36 per cent from September to October, reflecting strengthening US demand, to where Mexico sends nearly 80 per cent of its exports. Imports of parts used by factories to make goods also rose 0.66 per cent in compared to the previous month. However, imports of non-oil consumer goods decreased 0.19 per cent month on month, a sign of weaker consumer demand.

Europe

A tale of two parts: London and the rest of the UK

Switzerland: The UBS consumption indicator fell from 1.56 points in September to 1.28 points in October. The decrease was influenced by a lower evaluation of business conditions in the retail sector. Good figures for new car registrations and an improvement in consumer sentiment prevented a steeper drop in the consumption sentiment.

Germany: According to the GfK Consumer Climate study, households were equally optimistic in November compared with October. Although economic and income expectations registered considerable increases, and willingness to buy reached a seven-year high, the indicator remained unchanged from October to November, at 7.1 points in November. The indicator is expected to increase to 7.4 points in December.

France: Household confidence decreased slightly in November, with the index at 84 points - one point less than the 85 registered in October. While households' opinion about their current saving capacity was almost stable, their opinion about their future saving capacity decreased. Views about the general economic situation in France, both future and current, also worsened.

Spain: In October, the seasonally-adjusted general retail trade index rate went down 1.8 per cent compared to September and 0.5 per cent year on year, after going up 2.1 per cent in September. Seasonally adjusted, the retail sales index went down for almost all products year on year, especially personal equipment, which decreased 3.5 per cent.

Sweden: The trade balance decreased 24.1 per cent from September to October, from $882m to $669m. Both imports and exports increased in October compared to the previous month, 6.9 per cent and 4.9 per cent, respectively.

Norway: Unemployment fell from 3.5 per cent in the second quarter to 3.1 per cent in the third quarter.

UK: The economy grew 0.8 per cent in the third quarter, according to the Office for National Statistics' second estimate of gross domestic product. The estimate confirmed the UK'***s*** recovery gathered pace in the three months to September, following growth of 0.7 per cent in the second quarter and 0.4 per cent in the first three months of the year.

Asia-Pacific

China: Oil demand rose 0.9 per cent year on year, after an end-September price cut. October inventory adjusted oil demand was driven by petrol demand growth, which rebounded to 14.5 per cent year on year. Year to date oil demand is up 3.6 per cent year on year, marginally higher than September.

Thailand: After going up 0.47 per cent in September, trade balance decreased 1.77 per cent in October year on year, registering a $1.77bn deficit. Exports slipped 0.7 per cent from October last year, going down for the second month in a row. Imports were also lower for the third month in a row, shrinking 5.37 per cent.

Australia: After a 0.1 per cent rise in the second quarter, real construction rose by 2.7 per cent in the third quarter - the strongest rise since 2012. Although total private residential investment had been responding to lower interest rates, it fell 1.2 per cent after a 1.4 per cent rise in the second quarter. The construction of new homes went up 0.3 per cent. Meanwhile, private engineering construction increased 6.9 per cent in the third quarter, after sliding ***over*** the past three quarters.

With additional reporting by Robin Harding in Washington and Claire Jones in London

Excess and luxury are not normally something Moscow has a problem with. But on Wednesday, the Russian government banned an exhibit by Louis Vuitton, the brand seen by many as the incarnation of luxury, in Red Square for being too ***over***-the-top.

The 34-metre-long pavilion in the trademark form of an LV suitcase had already become a tourist attraction in its own right since it was set up 10 days ago in the heart of a city that boasts the second highest number of billionaires in the world.

Last weekend, tourists were queuing to have their picture taken in front of it. Just a few steps from Lenin'***s*** mausoleum - Russian bloggers have joked that LV stands for "Lenin, Vladimir" - it had been meant to house an exhibition on the history of travel as of next week.

But following an outcry from politicians and some civic groups, GUM, the luxury department store through which the French group organised the display, pulled the event, citing objections from the Kremlin. Dmitry Peskov, spokesman for President Vladimir Putin, explained the pavilion was seen as "out of proportion".

Louis Vuitton said it was not yet in a position to comment. A source close to the group'***s*** Russian arm said: "This is a bit of an outlandish campaign. And it'***s*** a real pity because it'***s*** a project linked to charity." The proceeds from the planned exhibition had been earmarked for a children'***s***' charity headed by Natalya Vodyanova, the model and girlfriend of the son of Bernard Arnault, head of LVMH.

For Louis Vuitton, the backlash comes as a surprise as it has held similar shows in other countries. This summer, Dior, another top French brand, held a fashion show on Red Square without any problem.

But it is not the first time the bold display of western brands in former, or currently Communist countries has raised hackles. In June 2011, a Louis Vuitton-organised exhibition in China'***s*** National Museum, normally a venue of patriotic education, triggered a wave of criticism and mockery.

The US coffee shop chain Starbucks was thrown out of the Forbidden City amid complaints that it was desecrating Chinese traditional culture.

Some Muscovites expressed similar feelings. "I think it is an ill fit here. I think in general there are far too many stalls and stages on Red Square all the time," said Nadezhda Semyonova, an elderly woman looking at the installation on Wednesday night.

But inside GUM, Russia'***s*** own luxury retail palace whose façade contributes to the splendour of the Unesco heritage site on Red Square, many were unimpressed by the fuss. "Everyone in Moscow loves the good life, even if there are a lot of things wrong with our country," said a young woman in a mink jacket at a café under the department store'***s*** glass domes.

"So now you're going to condemn a display of that - how hypocritical can you get?"

Catalan nationalists looked with envy to Glasgow this week, where Scottish leaders unveiled a 667-page blueprint detailing their vision for an independent Scotland.

Over the past year, their own calls for a break with Spain and an independent Catalan state have grown more insistent by the day. They have held demonstrations attended by hundreds of thousands, and seen a steady rise in popular support for independence in the region.

Unlike the national movement in Scotland, however, they have yet to publish a detailed blueprint spelling out what a breakaway state would look like. More importantly, they have also yet to work out how - or when - to hold a referendum on Catalan independence.

"It seems we have two categories of Europeans here - some who are allowed to vote and some who are not," said Ricard Gené, a senior member of the Catalan National Assembly (ANC), the grassroots movement that has led the popular push for independence. "The Scottish path is the one we want to follow. The problem is that Spain will not allow a referendum."

The ANC and other pro-independence forces in Catalonia insist that a referendum, or a more informal consultation, should go ahead next year. In the Catalan parliament, however, the main nationalist parties continue to squabble ***over*** when exactly to hold a plebiscite, and what precise question to put to voters. On Tuesday, the pro-independence parties in parliament decided to postpone a motion spelling out the referendum timetable.

The national government in Madrid is fiercely opposed to creating a Catalan state, and argues that even a referendum would violate the Spanish constitution.

The hope among Catalan activists now is that the build-up to the Scottish referendum on September 18 next year will raise the pressure on the Spanish government to follow the UK example and allow a vote to go ahead. What is more, the Scottish process could help provide answers to some of the deep political and economic challenges that would be faced by a Catalan breakaway from Spain. These include division of the national debt burden, how and when to re-enter the EU and what currency the new state would use.

Both Scottish and Catalan nationalists have made clear they want to remain part of the EU, and want to continue using the British pound and the euro as before. But both the European Commission and national governments have made clear repeatedly that any breakaway state will have formally to apply for re-entry and will need the backing from all national capitals, including Madrid.

For the moment, the Spanish government is reluctant to spell out publicly what it thinks of the Scottish independence push, describing it as an "internal" British affair. But, speaking at a press conference on Wednesday night, Mariano Rajoy offered a note of caution to Scots and Catalans alike.

He stressed again that any breakaway state would automatically end up outside the EU, and added: "It does not help Europeans when they embark on go-it-alone adventures, where the point of departure is clear but the point of arrival is uncertain."

José Ignacio Torreblanca, a senior fellow at the European Council on ***Foreign*** Relations, said: "The Spanish government sees this with a bit of fear and apprehension."

"In the case of Scotland, you have a process that is managed with a high degree of consensus and calm and with a completely open end. Secession is a possible outcome and both actors are willing to accept this as an outcome. That is a big contrast with the Spanish situation," Mr Torreblanca said.

Government officials insist that the Scottish referendum will not serve as a precedent for Catalonia. They argue that Spain'***s*** constitution, with its emphasis on the "indissoluble unity of the Spanish Nation", allows no flexibility on territorial sovereignty. "You cannot divide sovereignty within Spain," the government official said.

Catalan nationalists, meanwhile, are convinced that their own quest would not be derailed should the Scots decide to remain part of Britain, as polls suggest they will. "Some people argue that it could affect us [negatively]," said Mr Gené. "But all the polls suggest that there is stronger backing for independence in Catalonia than in Scotland. I don't think the Scottish referendum will be decisive for Catalonia."

The Commodity Futures Trading Commission and the Federal Deposit Insurance Corporation are among the regulators scheduling dates for a vote on the highly anticipated Volcker ***rule***, according to people familiar with the matter.

The FDIC plans to meet on December 10 to consider the ***rule*** aimed at banning proprietary trading, which ***involves*** banks trading from their own accounts. The CFTC has tentatively marked the same day to vote on Volcker, but that could be delayed depending on whether the ***rule*** is finalised by then.

The Securities and Exchange Commission had been considering December 18 for a vote on Volcker but that could be moved up by a week. The scheduling shows that despite disagreements among regulators ***over*** the substance of the ***rule*** that has resulted in continued work on the measure, they are moving forward.

Treasury secretary Jack Lew has been putting pressure on the five regulatory agencies ***involved*** in writing the measure to finish it by the end of the year. The officials, including those at the Federal Reserve and the Office of the Comptroller of the Currency, are in the process of adding their comments and suggested changes to come up with a finalised version.

The Volcker ***rule*** is one of the most controversial mandates to come out of the Dodd-Frank financial reform legislation. It must ban proprietary trading but still allow for legitimate banking activities, such as market making and hedging, which are often hard to distinguish from proprietary trading.

CFTC chairman Gary Gensler has called the ***rule*** the most challenging of the Dodd-Frank issues. Republican CFTC commissioner Scott O'Malia has accused Mr Gensler of giving the commissioners a Volcker draft that he is pitching, instead of the version that the four other regulators are using to make comments.

A person familiar with the matter denied that ***claim***, saying the CFTC is using the same basic draft that other regulators have, but has included revisions and comments just as the other agencies are doing.

The person added that the CFTC was moving forward with the ***rule*** and was working with other regulatory agencies to help ensure it was resolved by the end of the year. The CFTC is seen as one of the most active in Dodd-Frank rulemaking, and has completed 67 proposals since the legislation was passed in 2010.

Criticisms about the Volcker ***rule*** and the process for drafting it have also arisen at the SEC. Democratic commissioner Kara Stein said last week that the measure in its present form "is not the ***rule*** I would have written" but hoped that it could be strengthened before it was finalised.

The two Republican commissioners on the SEC, Dan Gallagher and Michael Piwowar, plan to vote against the proposal. The US Chamber of Commerce has called for a re-proposal of the ***rule*** before regulators vote on it.

Germany and France have joined David Cameron in announcing new curbs on EU migrants, fuelling tensions ahead of a summit on eastern European issues in Lithuania on Thursday.

Berlin and Paris share Mr Cameron'***s*** fears that a wave of migration by Romanian and Bulgarian workers next year could boost support for populist, rightwing parties in next year'***s*** European parliament elections.

Angela Merkel'***s*** new grand coalition on Wednesday committed to a crackdown on "unjust ***claims*** of social security benefits" to reduce incentives for migration, while France demanded tougher controls on temporary cross-border workers.

The issue of migration will hang ***over*** an EU meeting in Vilnius, at which Mr Cameron will explain his plan for a comprehensive overhaul of migration policy - first set out in an article for the Financial Times on Wednesday.

Mr Cameron'***s*** plan to place limits on migration has been criticised in eastern Europe and drew warnings from Laszlo Andor, EU employment commissioner, that Britain risked being seen as a "nasty country".

Paris and Berlin do not support Mr Cameron'***s*** ambition to unpick the EU'***s*** treaty-enshrined right to free movement across the bloc. But Downing St drew comfort from the fact that Ms Merkel'***s*** new coalition agreement proposes restrictions on benefit ***claims*** by migrant workers, saying that "migration due to poverty" was causing social problems in some cities.

François Hollande'***s*** socialist government in Paris said on Wednesday it was taking steps to crackdown on what it called abuse of EU ***rules*** governing the temporary employment of workers from other countries.

The issue has been picked up France'***s*** far right National Front, which polls show could come top in next May'***s*** European elections; the UK Independence party is also expected to do well in Britain, with its focus on migration.

Mr Cameron will explain his plan - including proposals for longer-term curbs on migration by future EU members - at a meeting of the Eastern Partnership, which aims to foster EU relations with neighbours to the east, including Ukraine.

The tone of debate has caused concern in the east. Monica Macovei, a senior Romanian politician and MEP, said: "You cannot have the right to establish your companies in Bucharest or Sofia to benefit from low production costs without accepting workers from Romania and Bulgaria in your country."

Jose Manuel Barroso, European Commission president, said after talks with Mr Cameron that "free movement is a fundamental treaty principle that must be upheld". He acknowledged that migration flows were bringing "challenges" but said that European ***rules*** already made provision to prevent abuse of welfare systems.

Mr Cameron wants EU leaders to discuss changes to the treaty to prevent "vast migrations" in future when poorer countries join the 28 member bloc, but that idea has yet to gather support in other capitals.

Additional reporting by James Fontanella-Khan

Wednesday 19:45 GMT. A broadly encouraging batch of economic data helped nudge US stocks towards record highs and pushed the dollar to a six-month peak against the yen, although activity remained subdued ahead of the Thanksgiving Day break.

US markets will be closed on Thursday and reopen for just half a day on Friday.

By midday in New York, the ***S***&P 500 equity index was up 0.2 per cent and on track to eclipse Friday'***s*** record close of 1,804.76. The Dow Jones Industrial Average also looked poised to secure a record finish.

In Europe, the FTSE Eurofirst 300 rose 0.5 per cent, but the Nikkei 225 in Tokyo slipped 0.4 per cent.

The dollar, meanwhile, was up 0.8 per cent against the yen at Y102.23 - the highest since late May.

Although some observers regarded the day'***s*** host of economic releases as "second tier", they assumed greater importance given uncertainty about when the Federal Reserve might start scaling back, or "tapering", its economic stimulus measures.

The Chicago purchasing managers' index - regarded by many as having a strong correlation with the closely watched national Institute for Supply Management manufacturing survey - eased to 63.0 this month, after a sharp rise to 65.9 in October.

However, the November reading was higher than most economists had expected - and there was a further healthy improvement in the employment sub-index.

Further positive news on the labour market front came from news of a drop in initial jobless ***claims*** last week which fell to the lowest level since late September - although there were some concerns that the data may have been distorted by the timing of public holidays.

Meanwhile, an upward revision to the final reading of the University of Michigan'***s*** November consumer confidence index boded well for the forthcoming holiday shopping season.

On a gloomier note, durable goods orders dropped 2 per cent on a headline basis in October, and - worryingly - a second successive drop in core capital goods orders ex-aircraft suggested business investment had started the fourth quarter on a soft note.

"All in all, labour market conditions are steadily improving but companies remain cautious towards investment due to ongoing political uncertainty," said Nick Stamenkovic, macro strategist at RIA Capital Markets.

"We expect Fed tapering in March but another solid payrolls in November would increase the odds of a move as early as December."

Indeed, there were some fairly upbeat forecasts for the November payrolls report, due out on December 6. Barclays is looking for a 200,000 increase in headline payrolls and for the unemployment rate to fall to a post-crisis low of 7.1 per cent.

Capital Economics, meanwhile, expects a 180,000 rise and a jobless rate of 7.2 per cent. "If jobs growth was broadly in line with our forecast, then the case for tapering in December would strengthen," said Capital'***s*** Paul Dales. "But equally, if the recent improvement proves to be nothing more than a mirage, the Fed would be more likely to hold fire for longer."

US government bond prices fell in the wake of the data releases. The 10-year Treasury yield was up 4 basis points at 2.74 per cent.

The German Bund yield rose a more modest 2bp to 1.71 per cent, as the GfK consumer confidence index rose more than expected in December - suggesting households could offer more support to growth in the last quarter of the year.

The euro, meanwhile, initially rose above $1.36 after Angela Merkel'***s*** CDU/CSU alliance finally concluded an agreement with the main opposition SPD on a policy programme for a new 'grand coalition' government in Germany.

But the single currency subsequently gave back its advance to trade flat at $1.3573, although it held at a four-year high against the yen at Y138.53.

Sterling trimmed an early rise against the dollar but was still up 0.4 per cent at $1.6274 after UK third-quarter GDP growth was confirmed at 0.8 per cent, following 0.7 per cent growth in the second quarter.

The moderate rally for the dollar - the US currency was up 0.2 per cent against a weighted basket of counterparts - knocked the price of gold from an early high of $1,255 an ounce. The metal was down $3 at $1,239, not far off a recent four-month low.

Brent oil settled 43 cents higher at $111.31 a barrel, while US West Texas Intermediate fell to its lowest since June. Copper eased 0.6 per cent in London to $7,020 a tonne.

David Cameron will travel to eastern Europe on Thursday to urge EU leaders to put an end to the era of "vast migrations" from poor countries to the west, leaving behind a trail of criticism in his wake.

Brussels accused him of an "overreaction" and of making Britain look "nasty", while rightwingers in his Conservative party accused him of being too weak: they want him to ban Romanian and Bulgarian migrants from Britain until 2019.

Mr Cameron'***s*** call for a debate on migration came in a Financial Times article on Wednesday, as he sought to allay British concerns of a wave of migrants from Bulgaria and Romania when controls are lifted on January 1.

Along with proposed new curbs on access to benefits, Mr Cameron also proposed a wider review of free-movement ***rules***, insisting that this most basic of EU rights should not be seen as "unqualified".

With an eye to future EU enlargements into the western Balkans and, perhaps, Turkey, Mr Cameron suggested ***rules*** to prevent an exodus of workers from new member states until their GDP per head reached a certain level.

Ministers admit Mr Cameron has yet to win public backing from leaders elsewhere in the EU for such a fundamental change, which he hopes to negotiate ahead of his proposed in/out referendum in 2017.

But he believes he will receive a good hearing from the European leaders gathered in the Lithuanian capital of Vilnius on Thursday to discuss the EU'***s*** relations with its eastern neighbours.

His proposal has caused concern in the east and provoked a rebuke from Viviane Reding, EU justice commissioner, who said: "If Britain wants to leave the single market you should say so. But if Britain wants to stay a part of the single market, free movement applies. You cannot have your cake and eat it, Mr Cameron."

The announcement by Berlin of benefit curbs on migrant workers and by Paris of restrictions on temporary cross-border workers has encouraged the view in Downing St that Mr Cameron is working with the grain of European opinion.

With the threat of the UK Independence party looming, Mr Cameron will not mind a high-profile spat with "eurocrats" and it was noticeable that the European Commission did not immediately brand Britain'***s*** benefit curbs illegal.

The prime minister insisted that "British people expect fairness" and said that his move to restrict access to benefits for migrants - backed by his pro-European Liberal Democrat coalition partners - was fully justified.

He said the message was going out to Romanians, Bulgarians and other EU nationals that they should not come to Britain thinking that it was easier to ***claim*** benefits.

But Mr Cameron'***s*** plan to restrict benefits - including a three-month qualification period and a time limit of six months - was dubbed a "panic measure" by the Labour opposition.

Downing St admitted that the three-month ***rule*** for ***claiming*** benefits might not be in place before January 1, but said that other changes - including plans to deport beggars and rough sleepers - would be in force by that date.

Some Conservative MPs believe that Romanians and Bulgarians should be excluded from the British labour market for a further five years and have urged Mr Cameron to defy Brussels and accept an EU fine if necessary.

An estimated 121,000 EU nationals from outside the UK ***claim*** jobseekers allowance - according to official figures from August - and all must first pass a habitual residence test to prove that they have had a job and a rental lease.

The Department of Work and Pensions has no data about how long this typically takes, although it is usually a matter of weeks at least.

Labour ***claimed*** that the coalition had stolen its idea, first proposed in the spring by Yvette Cooper, shadow home secretary, to make this test tougher.

The commission has challenged the UK'***s*** use of a "right to reside" test as an additional condition for entitlement to benefits.

Additional reporting by Neil Buckley

UBS has become the latest bank to crack down on the use of chat rooms by its staff, as global probes into alleged benchmark manipulation force banks to rethink how they police employees' communications.

In an internal memo, the investment banking division'***s*** executive committee told staff that use of social chat rooms was prohibited "with immediate effect", and that such groups should be closed down straight away.

The use of multi-bank and dealer chat rooms, used by traders to talk to their counterparts at other finance houses, is also prohibited. Requests for exceptions, which can only be for "business-critical use" will have to be signed off by both the executive committee member and the compliance officer for the relevant business.

Staff will still be allowed to use single client chat rooms, but only with "specific written approval" from a managing director or above. However, such chats will have to be permanently moderated by a managing director, according to the memo. Staff who fail to comply with the new ***rules*** face "disciplinary action, including dismissal".

UBS'***s*** move comes one week after the Financial Times revealed that Barclays, Citi and Royal Bank of Scotland have banned the use of most chat rooms on trading floors.

Barclays and RBS introduced reforms last year, while Citi two months ago banned chat rooms with multiple banks, restricting instant messages to conversations with traders from one institution at a time.

The clampdown on traders' favourite communication tools is a reaction to the running global Libor and ***foreign*** exchange rate-rigging investigations. In both cases, banks are being confronted with potentially problematic chatroom conversations.

In the long-running Libor scandal, investigators have seized on trails of incriminating messages that have subsequently proved a public-relations nightmare for those banks that have agreed to pay fines to authorities in the UK and US.

UBS'***s*** memo alluded to this, warning staff that "recent events within our industry serve as a serious reminder to be mindful at all times to use appropriate language and behavioural standards in all of our communication, no matter the channel".

Chat rooms are also seen as pivotal in the fledgling global probe into potential manipulation of the $5.3tn a day currencies markets.

So far at least a dozen traders at banks that include UBS have been suspended amid suspicions that chat rooms were used to share sensitive client information.

From William Dartmouth MEP.

Sir, With reference to David Cameron'***s*** article "Free movement within Europe needs to be less free" (November 27): the Conservative party manifesto for the last European election in 2009 stated: "Our MEPs will support the further enlargement of the EU, including to Ukraine, Belarus, Turkey, Georgia and the countries of the Balkans, if they wish to achieve EU membership, however distant that prospect may be in some cases."

Does Mr Cameron'***s*** article mean that these reckless policies - in their present form - have been formally and publicly repudiated?

By the way, somebody should explain to Mr Cameron that "Europe" and the EU are not the same.

William Dartmouth, UK Independence Party, European Parliament

Commodity traders Glencore, Vitol and Mercuria have separately joined with local Nigerian companies bidding for oilfields worth $2bn-$3bn that Royal Dutch Shell has put up for sale.

The conversations between the Swiss-based commodity trading houses and local Nigerian oil companies to provide finance and offtake agreements for a bid are still preliminary, said people familiar with the situation.

The discussions highlight a dramatic shift in the Nigerian oil industry as majors including Shell, Total of France, Eni of Italy and Chevron and ConocoPhillips of the US sell onshore oilfields worth billions of dollars in a retreat from Africa'**s** biggest and oldest oil industry.

The majors are leaving onshore oilfields and concentrating instead on offshore operations to avoid widespread sabotage and oil theft. Nigeria'**s** oil industry is facing its worst crisis since 2009 when an insurgency in the delta brought many operations to a standstill, with production dropping below 2m barrels a day this summer because of theft, compared with capacity of about 2.4m b/d.

Industry executives and bankers said the commodity traders are key to the success of a sale between the Shell-led consortium and local Nigerian oil companies, which in the past have struggled to wrap up deals.

"Shell wants to see the foundations of a bankable deal, and an offtake agreement [with a commodity trader] is critical for that", a person familiar with the talks said. Often banks refuse to finance oilfields deals unless a reputable firm in the commodity trading industry provides a guarantee to buy the oil.

But people close to the situation cautioned that the talks between the traders and the Nigerian domestic oil companies were "preliminary" and noted that dozens of different consortiums were bidding for the assets put on sale by Shell.

ConocoPhillips last year agreed to sell its Nigerian operations to Oando, a local oil company, for $1.8bn, but the deal has yet to close as the company has struggled to raise enough finance in Nigeria and the international market.

Chevron is also in the process of selling three onshore oil blocks in Nigeria to domestic companies.

Domestic Nigerian companies including Seplat and Shoreline Natural Resources have spent more than $5bn in recent years buying onshore fields from the majors.

Commodity traders are targeting west Africa as key area of expansion for their oil exploration and production businesses. Vitol owns several exploration licences in Ivory Coast, Ghana, Nigeria, Cameroon and Congo Brazzaville, while Glencore is producing oil in Equatorial Guinea, Cameroon and Chad.

The Swiss-based commodity houses are moving from their traditional role as middleman - selling and buying raw materials in a business of large volumes but razor-thin margins - to become vertically integrated groups, with interest spanning production, logistics, trading and processing.

Glencore and Vitol declined to comment, while Mercuria could not be reached. Mercuria earlier this year bought a 6 per cent stake in Seplat, an independent Nigeria company which has bought oilfields in the past from Shell-led consortiums.

Additional reporting by Ajay Makan in London

US retailers will kick off holiday shopping earlier than ever this year on a day analysts have dubbed "Red Thursday" as stores prepare to sell some discounted items at a loss in a battle for consumers.

Holiday shopping traditionally begins the day after Thanksgiving on Black Friday, so named because it was when retailers historically moved from the red into the black and became profitable for the year.

But now that has changed. In a fragile post-crisis economy where ecommerce is booming, retailers such as Walmart, Best Buy and Macy'**s** have become so desperate to woo consumers that they are discounting their Christmas wares earlier and more aggressively than ever.

Selling a few items at a loss does not mean retailers will plunge into the red overall, but Retail Metrics, a research group, says earnings at the 120 retailers it follows are forecast by analysts to rise by just 2.2 per cent year on year in November, December and January.

The expected earnings growth has dwindled gradually since July - when analysts were forecasting 10 per cent growth year on year for those three months - as retailers have made their willingness to sacrifice profits for sales increasingly clear.

"When you see a precipitous decline like that, it usually is the discounting," said Ken Perkins, president of Retail Metrics. In the same period last year retailers' earnings increased by 11.8 per cent from the previous year.

The long weekend that begins with Thanksgiving accounts for about 10 per cent of total retail sales in November and December, according to analysts at Cowen & Co.

The phrase "Red Thursday" was coined by Gary Balter, retail analyst at Credit Suisse, who said that by opening early on the evening of Thanksgiving retailers were shifting losses that would have come on Friday into Thursday.

Toys R Us, the toy store, is opening at 5pm on Thanksgiving, and Best Buy, the electronics chain, is opening at 6pm. The department stores Macy'**s**, JC Penney and Sears are opening at 8pm, as is Target, the style-oriented discount chain.

Target has come up with one of the season'**s** most eye-catching deals by offering the iPad Air for $479 - $20 below its normal price - plus a $100 gift card. Such gift cards enable retailers to circumvent manufacturers' restrictions on discounting.

Most Walmart stores have been open all day on Thanksgiving for years, but the company is unveiling its holiday discounts this year at 6pm and 8pm on the day rather than waiting until Friday. On a New Jersey store tour for journalists last week, the deals it highlighted included a 32-inch Funai television for $98 and the board game Monopoly for $5.

Retailers' "Red Thursday" discounts will have been planned carefully, but profitability often takes the biggest hit later in the season when retailers are forced into big unplanned discounts to offload products that have flopped.

"Someone'**s** going to miscalculate and figure out around December 20 that they've got too much," Mr Balter said.

There may, or may not, be a great rotation under way from bonds to equities. But ***investors*** are definitely rotating out of gold into cash, shares, bonds and - perhaps - Bitcoins.

Gold was down to $1,245 an ounce on Wednesday afternoon - a loss of a quarter in 12 months and more than a third down from its peak two years ago.

Meanwhile, Bitcoins - an electronic alternative to gold for those wanting a currency immune to government debasing - have gone parabolic. The price of one Bitcoin on the Mt Gox exchange has passed $1,000 for the first time, having risen fivefold in a month. The total value of all Bitcoins is up from $131m to $12bn in a year.

But the story is not just of goldbugs abandoning the metal for another overpriced asset. Gold is falling for good reason.

First, the world looks a safer place. Washington avoided default, the eurozone has hung together (Italy'***s*** senate even ejected the troublesome Silvio Berlusconi) and Iran is negotiating.

Second, the cost of holding gold is rising. Holding a chunk of metal is cheap if the money could do little elsewhere. But the opportunity cost is going up as real yields rise - and the price of gold has long been inversely related to the real yield, as measured by inflation-linked bonds.

Finally, the inflation that gold buyers feared would follow from massive money printing by central banks has failed to materialise - in fact, quite the opposite. In the US and Europe, inflation has fallen to worryingly low levels. Equities are partying in the hope of yet more stimulus and ***investors*** seem unconcerned that lower inflation implies lower profit growth. Holding gold in fear of hyperinflation is now ranked with having a bunker of tinned food and 20,000 rounds of ammunition.

There is one hope. Gold moves suspiciously closely with the latest inflation number (both gold and US inflation had a post-crisis peak in September 2011). The 1970s showed inflation can vary radically in just a few years. Goldbugs will have their fingers crossed.

Business investment has been the missing ingredient in Britain'***s*** economic recovery. As long as companies have refused to invest in new machines, buildings and IT systems, economists have remained nervous about the sustainability of the UK'***s*** sudden growth spurt.

So news that business investment rose 1.4 per cent between the second and third quarters, part of an overall 0.8 per cent rise in economic output, was greeted enthusiastically by some City economists on Wednesday.

Samuel Tombs at Capital Economics, a consultancy, saw the increase as "reassurance that the recovery is beginning to broaden out". Howard Archer, an economist at IHS Global Insight consultancy, said it was "the most welcome development" in data on gross domestic product.

A closer look at the numbers suggests it is too soon to celebrate. Total investment, of which about half is business investment, contributed just 0.2 percentage points to the economy'***s*** 0.8 per cent growth. The rest came from household consumption and a build-up of unsold stocks within companies, offset by a drag from falling net exports.

Why is investment still so weak? Many assume "investment" is about the installation of new machines on factory production lines but, in fact, less than a fifth of total investment is on machinery and equipment. Moreover, this sort of investment spending has been remarkably stable in real terms since the data began in 1997 (though it has been falling as a share of gross domestic product).

The bulk of investment goes on new and refurbished houses, offices, warehouses and other structures. Statisticians count estate agents fees as a type of investment spending, because they are a necessary part of buying a house. It is this sort of investment that boomed before the financial crisis and has plunged in its aftermath.

But there are reasons to believe total investment should start to pick up soon. The recovery in the housing market, boosted by the government'***s*** "Help to Buy" mortgage guarantees, should boost investment in housing and estate agents' fees. In fact, this month'***s*** Bank of England Inflation Report said the outlook for housing investment was stronger than it had anticipated three months earlier.

Economists do not expect homebuyers to be the only contributors to an investment recovery. "Demand is returning and paralysing uncertainty is dissipating, which should get companies out investing more, if only to initially replace clapped-out equipment rather than expanding," says Robert Wood, an economist at Berenberg.

In a recent BoE survey, the net balance of businesses who said that uncertainty was discouraging investment was about 5 per cent, down from about 50 per cent in a similar survey a year earlier. And while small businesses are still struggling to borrow money on reasonable terms, rebounding demand should make it easier for them to spare some of their own money for investment.

Businesses themselves say they are planning to invest more. The latest forecast from the CBI business lobby group, informed by the reports of its members, is for business investment to fall 4.9 per cent ***over*** this year as a whole, and then grow 6.9 per cent in 2014 and 8.3 per cent in 2015.

Given the volatility of the official data, and the BoE'**s** doubts about its reliability, it is possible that investment is already recovering more swiftly than it appears. But economic history offers a note of caution about just how much to expect from Britain'**s** businesses. Weak business investment is nothing new in the UK: it started to decline as a share of GDP at the turn of the century and has been the second-lowest among advanced economies ***over*** the last decade. That suggests there are deeper issues, on top of the downturn, shaping the behaviour of corporate Britain.

Additional reporting by Brian Groom

Vale has agreed to pay Brazilian authorities R$22.3bn ($9.6bn) to settle a decade-long ***dispute*** ***over*** back taxes, bringing an end to an issue that has scared away ***investors*** from the world'**s** largest iron ore miner.

The Rio de Janeiro-based company said late on Wednesday that it would accept the terms of the government'***s*** Refis tax amnesty programme, reducing an initial $14bn ***claim*** against the miner by about 30 per cent.

After paying just under R$6bn upfront this week, it will have to pay the remaining R$16.4bn in monthly instalments ***over*** the next 15 years, the company said.

The charges stem from ***claims*** by Brazil'**s** tax authorities that Vale owes around $14bn in unpaid taxes on profits at ***foreign*** subsidiaries from 1996 to 2008.

Vale had been fighting the ***claims*** in the courts. But after the government sweetened the terms of its Refis programme this month, the miner agreed to settle in an apparent bid to remove uncertainty ***over*** the company.

"The decision to participate in the Refis is consistent with our goal of eliminating uncertainties and directing managerial focus on Vale'**s** businesses," said chief executive Murilo Ferreira.

Shares in the company have slumped about 24 per cent this year and are trading at a discount to fellow miners such as Rio Tinto.

Mr Ferreira said the payments would come from operating cash flow, adding that it would not require the company to take on more debt. In a conference call later on Wednesday, the company also said that Vale had accumulated enough profit from recent years to allow it to continue paying dividends in spite of its back tax obligations.

After ***disputing*** tax ***claims*** with Vale and some of Brazil'**s** other largest companies, the government moved to settle the cases in a revision to the amnesty programme'***s*** ***rules*** this month. The government is under pressure to find ready sources of cash to plug a widening budget shortfall as presidential elections loom next year.

At this time of year Geronimo Dawat, a 48-year old farmer from Ormoc city in the central Philippines, would normally be preparing to harvest rice - the country'**s** main agricultural crop - from a small rented farm that yields about 150 sacks of the grain.

Typhoon Haiyan changed all that. Almost three weeks after the Philippines' most deadly storm struck, Mr Dawat and his family are in a temporary government evacuation centre in Manila - 340 miles from home. His is one of more than 2,000 families airlifted to the capital to escape the hunger and chaos in areas hit hard by the storm that left at least 5,500 people dead, thousands more injured and hundreds of thousands without food and shelter.

"I would have wanted to begin farming again but we have no money to buy seeds and fertilisers. We don't even have anything to eat," says Mr Dawat sitting inside a big makeshift open tent near the air force base in Manila.

Mr Dawat is not alone. The storm washed away his livelihood and that of many other farmers. The UN Food and Agriculture Organisation estimates that Typhoon Haiyan affected a third of the Philippines' rice growing areas, destroying almost a million metric tons of wet-season rice harvests - in a country where more than a quarter of the 95m population live below the poverty line.

The FAO scaled back its forecast for Philippine rice production from 18.9m metric tons to 18m, prompting the government to increase rice imports this year to rebuild stocks.

Third-quarter GDP data released on Thursday shows that the country continued to see healthy growth in the period before Haiyan hit - it rose 7 per cent in the three months to September from a year earlier. But Mr Dawat'***s*** plight, as a farmer who cannot feed himself, highlights the multiple challenges facing the Philippines as it seeks to sustain the rapid economic growth that has wooed ***foreign investors*** in the past 18 months.

Government economic planners predict that fourth-quarter GDP growth could slow to 4.1-5.9 per cent because of the damage to the agriculture and fishing grounds. Farming and fisheries account for about 11 per cent of GDP but crucially employ a third of the country'***s*** workforce.

However, the impact on full-year growth is seen to be minimal because of rapid growth in the first three quarters of the year. Annual GDP growth averaged 7.6 per cent in the first half of 2013.

"There will be some negative impact on growth this year but it will likely be shortlived and won't be enough to bring growth below 7 per cent," says Euben Paracuelles, southeast Asian economist at Nomura Securities in Singapore.

The simple truth is that the worst-hit region of Eastern Visayas, which reported 95 per cent of the fatalities from the storm, accounts for just 2.2 per cent of Philippines GDP, he adds. The typhoon spared southern Luzon, the country'***s*** main hub for manufacturing, which accounts for 22 per cent of the economy, as well as Metro Manila, home to the country'***s*** business and financial districts.

While output losses will likely persist early in to next year - the storm caused infrastructure and agricultural damages worth 24.5bn pesos ($563m) - economists believe this will be partly offset by reconstruction efforts.

"We think the recovery will be relatively quick, starting early in 2014. This tends to be the case, particularly in more recent episodes," says Mr Paracuelles. Rebuilding efforts after destructive floods in Metro Manila and Central Luzon in late September and early October 2009 helped propel economic growth to 7.6 per cent the following year, the highest in more than three decades.

The government is preparing a reconstruction programme, initially estimated at $5bn, that aims to rebuild and upgrade damaged houses, buildings and infrastructure to withstand the next natural disaster while helping survivors restart their livelihoods.

"There is plenty of fiscal space available to fund not only relief operations but also infrastructure spending," says Mr Paracuelles. The government debt as a proportion of GDP dropped from 91 per cent in 2004 to just 56 per cent last year. That almost halved interest payments from 31 per cent of the government budget to 17.6 per cent ***over*** the same period.

Money sent home by overseas Filipinos also tends to rise after a disaster, he adds. Though remittances make up just a tenth of the economy, these help boost consumer spending that accounts for 70 per cent of GDP. In the past two years, faster growth was driven mainly by investments - particularly private construction and public infrastructures projects.

A bigger challenge, however, facing the government is preventing most of the 4.2m people displaced by the typhoon from sinking further into poverty.

"It is far easier for GDP growth to subsequently recover than for people who have become poor or poorer as a result of the disaster to get out of poverty," says Emmanuel Esguerra, the deputy head of the state planning agency. "The latter is of more urgent concern to the government at the present time."

The government is preparing to hand out cash and supplies to help farmers and fishermen displaced by the typhoon to resume their livelihoods.

But for Mr Dawat, and other heavily indebted landless farmers like him, the need is for more than fresh working capital for the next production cycle. "I also have to worry about paying land rent and the loan that financed the purchase of seeds and fertilisers last cropping season," he says. "The landlord and the lender are insisting on getting fully paid despite the typhoon."

The expected end of the US international bond-buying programme poses more of a threat to Thai financial markets than this week'***s*** mass anti-government protests in Bangkok, according to the stock exchange chief.

Charamporn Jotikasthira said that cuts to Washington'***s*** spending on so-called quantitative easing would likely lead ***foreign investors*** to take money out of Thailand, but he insisted that both the country'***s*** political system and economy were strong enough to cope.

His remarks in an interview come after the benchmark SET index climbed 1 per cent during protests between Monday and Wednesday, even before Yingluck Shinawatra, the prime minister, survived a parliamentary no-confidence vote on Thursday morning

Mr Charamporn said the sharpest recent index falls seemed to be tied to ***investor*** worries about the end of QE, rather than fears ***over*** demonstrators occupying the finance ministry and other official buildings in an effort to oust the government.

"The impact on the market that comes from QE seems to be much greater," Mr Charamporn said, speaking before Ms Yingluck'***s*** Puea Thai party and her coalition partners defeated the no-confidence motion, as expected, by 297 votes to 134. "This round of protests has been quite calm . . . so that'***s*** a good sign in the development of democracy, at least."

He said Thai companies had proved resilient since the calamity of the late 1990s regional financial crisis, although he acknowledged domestic and international concerns ***over*** the weakness of the broader economy.

Sluggish growth, investment and exports led the Thai central bank to make a surprise interest rate cut this week. "The prospects long-term look good, but medium term we will see some fund flow [out]," Mr Charamporn said. "We still have a lot of work to do from now on."

While Thailand'***s*** bourse has underperformed some other Asian markets ***over*** the past decade, Mr Charamporn - who took ***over*** the stock exchange in May 2010 - urged ***investors*** to look at it ***over*** the shorter term. The SET index has risen almost 90 per cent since January 2010, even though protests that year paralysed parts of the capital for two months and ended in scores of deaths as the military intervened.

Mr Charamporn said the stock exchange would notch up about 40 initial public offerings worth $6bn this year - compared with 24 totalling $3.6bn last year - as a two-pronged international growth strategy paid off.

The exchange was profiting from companies such as BTS - the operator of Bangkok'***s*** elevated rail system - setting up listed funds to raise money for big infrastructure projects, he said, adding that he expected government agencies to do the same.

The bourse has also benefited from listings by companies from neighbouring countries such as Vietnam and Laos, echoing a government plan to make Thailand a regional trade hub as southeast Asia integrates economically.

While analysts say the twin ambitions make sense, they are also both vulnerable to the long-running Thai domestic political conflict between supporters and opponents of Thaksin Shinawatra, a fugitive former prime minister who is also Ms Yingluck'***s*** older brother.

The on-off battles in parliament and the streets have hobbled government moves for investment in infrastructure and logistics, threatening its plans for the country to become the regional economic focal point that its geography allows.

Nearly 1,400 companies have registered in Shanghai'***s*** free trade zone within two months of its launch, allowing the official in charge of the new area to ***claim*** progress at this crucial testing ground for Chinese economic reforms was on track.

Expectations jumped ahead of the launch of Shanghai'***s*** free trade zone in late September, but companies were initially disappointed when they found that a long list of sectors were still out of bounds for investment.

A lack of clarity about promised measures for lightening China'***s*** financial regulations also deterred banks from entering the zone at its inception.

But Ai Baojun, head of the free trade zone'***s*** administrative committee, dismissed the view that it had been a disappointing start, saying his office had been inundated by visits from companies interested in setting up shop there.

He said that 1,396 companies had already registered in the zone, with a further 6,000 in the process of applying. Just two ***foreign*** banks established branches in the zone on its opening day, but that has risen to 12, with HSBC and Deutsche Bank among the recent entrants, he added.

"We're doing things according to our plans, and progress has been smooth so far. In some areas we're actually ahead of our expectations," said Mr Ai.

Reforms have so far focused on easing the path for ***foreign investors*** looking to enter China and Chinese companies going abroad. ***Foreign*** companies are now able to obtain business licenses in four days, down from an average of 29 days outside the zone.

Chinese companies investing in projects have won approval within five days, down from the multi-month wait that had previously been the norm in China.

Mr Ai emphasised the broader significance of the Shanghai free trade zone, saying it was being used by China'***s*** top leaders as a vehicle to experiment with aggressive reforms that are designed to be rolled out on a nationwide basis if successful.

Rather than preferential policies such as lower taxes, the main purpose was to experiment with administrative innovations, Mr Ai said. He expected to see results "within two or three years, or even less than that," he added.

A "negative list" for ***foreign*** companies had been touted as one of the zone'***s*** major innovations, specifying the sectors in which they cannot invest, with the rest theoretically left open to them. That approach had been expected to give them more freedom than China'***s*** existing system of permitting investment in a defined range of sectors.

But with 190 industries still on the negative list, companies have complained that the free trade zone looks much like the rest of the country. Mr Ai said the negative list was merely its first iteration and that next year'***s*** version would be shorter.

Companies are also still waiting for more details about financial reforms in the free trade zone. The government has said it will be used to push forward China'***s*** capital account opening and currency convertibility, but the central bank has yet to issue detailed ***rules*** governing the zone.

Mr Ai said a draft was under discussion and would be published soon. Bankers in Shanghai have said they expect the ***rules*** will make it easier for companies to take renminbi out of the country, but that there are likely to be extensive controls in place to limit the inbound flow of ***foreign*** currencies.

KKR, the private equity firm, said it would spend $200m on a minority stake in an Indian maker of generic drugs for the US market, in the latest in a series of acquisitions by ***foreign investors*** into India'***s*** export-oriented pharmaceutical industry.

Hyderabad-based Gland Pharma produces anticoagulants - used in dialysis or heart bypass surgery to prevent blood clotting - anaesthetics and other injectable medicines from five different manufacturing facilities in the southern state of Andhra Pradesh.

The privately-held company, which was founded by Indian chemist PVN Raju in 1978, is in the process of building a large-scale facility that will nearly double its capacity, allowing it to expand both its overseas and domestic sales.

India'***s*** large generic pharmaceutical industry - which developed in the context a weak patent regime that allowed Indian companies to copy drugs that were protected elsewhere - has been drawing interest from international drug companies looking to secure generic supplies for western markets.

In the past few years, several large Indian generic drug companies have been acquired by global players, including Daiichi Sankyo, Sanofi, and Abbott Laboratories.

Most recently, Mylan, the US-based generic maker, was given the Indian regulatory go ahead for the $1.6bn acquisition of Agila Specialties, the Indian vaccine and injectables producer.

But India'***s*** Congress party-led government has become anxious about the growing ***foreign*** control of India'***s*** drug producers, which they believe could lead to companies staunching domestic sales and instead turning their production to more lucrative overseas markets.

The government is now considering new restrictions on ***foreign*** takeovers of Indian drugmakers to prevent supply shortages in the domestic market.

Approval for Mylan'***s*** takeover of Agila Specialties was delayed for months, but India'***s*** need for ***foreign*** currency to bridge its current account deficit appeared to tip the balance in favour of the transaction. However, the debate on new restrictions is still active within the government.

Dr Penmetsa said he did not believe that KKR'***s*** acquisition in Gland would face any major regulatory difficulties from Indian authorities.

Gland, which will remain majority Indian owned, did not reveal the size of KKR'***s*** stake.

Ravi Penmetsa, the company'***s*** vice-chairman and managing director, said that Gland Pharma exported roughly 70 per cent of its production, but that it would continue to sell in India after its expansion, in spite of receiving higher margins overseas.

"We are committed to the Indian market - it is our home market," he said. "Why would we stop supplying our family and friends?"

With its investment, KKR is buying a stake in the company previously held by Evolvence India Life Sciences, a fund operated by an India and Middle East-focused private equity player. But KKR is also injecting fresh capital that will help finance construction of Gland'***s*** new manufacturing facility.

Before Bitcoin, there was e-gold. In 1999, the Financial Times called it "the only electronic currency that has achieved critical mass on the web".

As it kept growing through the next decade, users ultimately opened more than 4 million accounts, with more than $60m in deposits, backed by almost 4 million metric tonnes of precious metal, and millions of dollars of transactions on a typical day.

And then it all stopped.

The founder of e-gold, an oncologist and economic history buff in Florida called Douglas Jackson, had hoped his gold-backed electronic currency would become a new base money to rival flawed fiat currencies. Instead, it became a tool for hackers and drug dealers. The FBI and Secret Service raided his offices in December 2005, and he wound up spending three years on probation, including six months under house arrest, after pleading guilty to running an unlicensed money transmitter business and aiding money laundering.

Mr Jackson has spent months tracking down former e-gold customers in order to return cash from their accounts, even calling up parish priests to chase down relatives of deceased customers. Under the eye of a court-appointed administrator, users are often getting back far more than they put in, since the gold price has soared ***over*** the past decade.

And as he has wound down e-gold and consulted for a 2.0 version, he has watched with some irritation as a new generation of entrepreneurs evangelised Bitcoin, and Ripple, and Litecoin and other innovations.

Despite being one of the pioneers of alternative currencies, Mr Jackson has rarely spoken publicly since his conviction and never before on Bitcoin. In an email interview with the Financial Times he had a blunt answer to whether he thought any of the virtual currencies since e-gold hold particular promise: "No."

The story of e-gold provides a cautionary tale and a slew of lessons for virtual currency entrepreneurs, as they wrestle with how to operate legally amid a thicket of financial regulations and regulators.

The fatal flaw that doomed e-gold, Mr Jackson says, is that it would sign up new users without checking their identities.

"It had things backwards. Permissions would be restricted or revoked reactively in the event unusual activity was detected. It was great at finding bad guys after they did something."

The US Treasury has been warning Bitcoin businesses since March that they must comply with "know your customer" (KYC) laws that require stringent identity checks, monitoring of accounts and reporting of suspicious activity. They must also register as money transmitters with most of the 50 US states.

The difficulty and expense of meeting those obligations has led to several Bitcoin US exchanges and brokers shutting down, including Tradehill and Bitinstant. Regulators in New York and California are among those to have subpoenaed early Bitcoin companies for investigations into the currency.

"It appears many digital-currency firms may have underestimated their regulatory obligations, the anti-money laundering risks presented by their business models, and the degree of law-enforcement concern surrounding those risks," Adam Shapiro, consultant at Promontory, wrote in a recent client note.

The ***rules*** have also made banks and other companies wary about dealing with Bitcoin companies. Jaron Lukasiewicz, whose Bitcoin derivatives trading platform Coinsetter is due to launch around New Year, took many months to find a bank willing to take his firm as a customer, but he is optimistic that entrepreneurs have absorbed the lessons of e-gold and the pronouncements of regulators.

"The entrepreneurs have moved. Bitcoin companies are taking steps towards compliance and introducing KYC," Mr Lukasiewicz said.

Bitcoin, whose price topped $1,000 for the first time this week, differs from e-gold in that it does not rely on a single company to manage the system. Transactions are recorded instead on a peer-to-peer network of computers.

Mr Jackson believes that currencies and payments systems with central management authorities are more likely to succeed, since regulators and customers demand protections against hacking, fraud and errors.

And this, he argues, is the biggest lesson from e-gold: the superior value of an asset-backed currency. His company has begun paying out what will be more than $20m of ***claims***, after liquidating vaults full of gold that backed the currency, something that will not be happening for users of today'***s*** virtual currencies, should anything go wrong.

"Suppose that someone has 1 Bitcoin in their wallet, which they regard as having the equivalent value of $500 or $900 or, give it another day or two, $20,000, and then suppose that some circumstance emerged that effectively prevented it from ever circulating again," Mr Jackson says.

"Who, after six years of non-circulation, would pay that $500 or $20,000 or even so much as a nickel?"

Thomas Cook posted its first full-year operating profit since 2010 as the tour operator continued its journey back from the brink.

The lossmaking travel group, which came close to collapse two years ago, is part way through a three-year recovery plan to cut debt by shedding a fifth of its staff, closing almost 200 shops and selling off non-core assets.

In July, it completed a £1.6bn capital restructuring, which included raising £431m through a rights issue. Net debt stood at £421m at the end of September, compared with £788m at the same point in 2012.

Thomas Cook said on Thursday it had identified a further £40m of cost cuts, taking the target for the first part of its savings plan to £440m by the end of 2015. The company also announced a second wave of cost savings, which would end in 2018.

Harriet Green, chief executive, said she could give no details about potential job losses.

Revenues at the tour operator came in about 1 per cent higher at £9.3bn, while earnings before interest and tax were £13m, compared with a loss of £170m last year.

Underlying operating profit, which adjusts for exceptional items such as disposals and shop closures, was up 48.6 per cent on last year at £263m - ahead of a company supplied consensus forecast of £251m.

There was also good news on cash flow, which in the year to September was £53m, compared with outflow of £103m last year.

On a reported basis, the pre-tax loss was £207m, compared with a loss of £590m last year.

The company, which operates in 42 countries, said that the political and social upheaval in Egypt had reduced full-year revenues by about £40m, though the country was starting to recover as a tourist destination.

Turmoil in Egypt and other popular destinations, such as Greece, had caused a collapse in Thomas Cook'**s** sales ***over*** the past two years, compounding the effects of the eurozone debt crisis and high fuel costs.

The shares rose 10 per cent in early London trading to 169p, bringing the gains for the year to date to 220 per cent this year.

Ms Green said: "It'**s** been quite a momentous year for the group, moving from the early stages of turnround to full transformation."

Reiterating their "buy" recommendation, analysts at Jefferies said Thomas Cook'**s** results would positively surprise the market. "Margins are improving, net debt has fallen and the balance sheet considerably strengthened, more cost savings are promised and, importantly, trading is robust," they said.

The Philippine government has warned that Typhoon Haiyan could crimp year end growth even as it unveiled third-quarter data that showed the economy growing at 7 per cent year on year in the three months to the end of September.

Economic planning secretary Arsenio Balisacan said he expects full-year gross domestic product growth in 2013 to come in at about 7 per cent, lower than the government'**s** earlier forecast of 7.3 per cent following the devastating typhoon which hit the country'**s** central islands on November 8.

The economy, almost half of which is accounted for by services and less than a fifth by manufacturing, grew 7.4 per cent year on year in the first nine months of 2013 compared to 6.7 per cent in the same period last year. Apart from consumer spending, which accounts for more than two-thirds of GDP, growth was driven mainly by investments in durable equipment.

Mr Balisacan said economic policy makers are reviewing next year'**s** economic growth target of 6.5-7.5 per cent to take into account the impact of the most destructive typhoon to hit the country, adding that the government is keen to minimise the economic fallout from the disaster by embarking on a large-scale reconstruction programme in the typhoon-hit areas.

"How long will the impact linger in the coming months and years will depend on how quickly we can restore economic activity and livelihood in those areas," he said.

Some analysts expect next year'**s** GDP growth to be higher because of the government'**s** planned rebuilding programme. Nomura Securities in Singapore raised its 2014 GDP forecast from 6.2 per cent to 6.7 per cent on expectations that "reconstruction will spur economic activity in the months ahead".

While the latest GDP numbers were in line with expectations, analysts were surprised by a slump in private construction activity, an important source of overall output growth in previous quarters, where year-on-year growth fell from 17.3 per cent in the second quarter to only 4.7 per cent in the third quarter.

"I'm not sure what'**s** driven it. Based on high frequency numbers such as cement sales, it'**s** still fairly strong. Maybe it'**s** just a temporary slowdown," said Euben Paracuelles, southeast Asia economist at Nomura. "But as we go into next year, with more construction after the typhoon, the growth momentum could bounce back."

Annual growth in regular government spending slowed as well from 18 per cent in the second quarter to only 4.6 per cent in the third quarter even as public infrastructure outlays surged during the period.

Europe'***s*** main stock markets climbed on Thursday, with Germany'***s*** Xetra Dax pushing further into record territory, led by banks and industrial stocks, as ***investors*** continued to welcome the new coalition government in Berlin.

But volumes across Europe were expected to be thin, with US markets closed for the Thanksgiving public holiday.

The Dax was up 0.2 per cent at 9,367.55, with Commerzbank the best gainer, up 2 per cent at EUR10.75 after Morgan Stanley raised its rating on the lender to equal weight from underweight.

In London, Rio Tinto led the mining sector higher after the Australia-based company said it iron ore output would be boosted by 20 per cent by 2017. Shares climbed 2.2 per cent to £32.08.

Shares in tour operator Thomas Cook jumped 10.6 per cent to 169.4p after the company reported its first operating profit since 2010.

The FTSE 100 climbed 17 points, or 0.3 per cent, to 6,667.01.

In Italy, the FTSE MIB was up 0.5 per cent at 19,022.0, again outperforming after Silvio Berlusconi'***s*** expulsion from the Italian senate was seen as removing a significant source of political uncertainty for prime minister Enrico Letta'***s*** government.

Overall, the region-wide FTSE Eurofirst 300 was up 0.2 per cent at 1,303.07.

Marston'***s*** has sold off more than 200 of its pubs to retail property group NewRiver Retail as the pub group and brewer returned to profit and seeks to pay down some of its £1.2bn net debt.

NewRiver Retail plans to convert the pubs, which are predominantly located in residential areas, into convenience stores and restaurants. The property group said it has already received interest from some of Britain'***s*** largest supermarket chains.

Pub companies across the UK have focused on disposing of pubs to deal with the large levels of debt that the industry took on during the noughties.

Ralph Findlay, chief executive of Marston'***s***, said: "This disposal will enable us to reduce the cost of servicing our securitised debt, is consistent with our strategy and improves the quality of our estate."

Marston'***s*** has focused on building its own pubs in recent years, rather than buying existing drinking holes from rivals or independent landlords.

Mr Findlay said: "[The disposal] will also assist with financing the accelerating rollout of our new-build pub-restaurants which are achieving good returns."

The deal, which will earn Marston'***s*** £90m, came as the brewer of Pedigree and Hobgoblin returned to profit after impairments on its estate weighed on the group last year.

Marston'***s*** reported a pre-tax profit of £69.8m for the year to 5 October, compared to a loss of £135.5m last year.

Shares in Marston'***s*** rose 2.2 per cent to 158.5p.

Alliance Boots, the pharmacy company that underwent a £12bn leveraged buyout in 2007, has long faced hostility from campaigners ***over*** the erosion of its tax bills by debt. Now its critics are trying to increase the pressure by turning the spotlight on to deals undertaken in the aftermath of the financial crisis.

The issue revolves around an attempt to capture an expected uplift in the price of the company'***s*** debt, following its sharp fall in the wake of the banking crisis.

Starting at the end of 2009, two Irish companies - set up by a Luxembourg finance company owned by Alliance Boots' executive chairman Stefano Pessina - acquired £226m of the group'***s*** senior and subordinated facilities loans.

The purchase was largely funded as a result of Alliance Boots acquiring profit participating notes issued by the Irish companies. These notes were eventually redeemed during the year ended March 2013 and Alliance Boots bought back its loans from the Irish companies for £247m in March 2013.

War on Want, a campaign group, has raised questions ***over*** two issues. Firstly, it asked whether the bulk of the profit from buying back the Alliance Boots debt went to Pessina-controlled entities, rather than the company itself.

Secondly, it asked whether the involvement of Dascoli, Mr Pessina'***s*** Luxembourg-based finance company, meant that the UK received less tax revenue on the profits from the deal that it would have done if the transaction had been structured in a different way.

According to War on Want: "Alliance Boots shifted profits abroad, by using complex financial instruments, shell financial companies in Luxembourg, and payments from one party to finance the purchase of company debt in a circular manner that may have benefited those connected with the Luxembourg-based finance companies."

The company vigorously rejects the allegations and said it complied with all laws. It said: "Alliance Boots categorically refutes these allegations, which are inaccurate and we believe defamatory, and it is taking legal advice on this matter. The group practices strong corporate governance with full transparency in its financial disclosures which are contained in its annual report."

It is understood that the deal was put together by Alliance Boots because - unlike its regular debt - the terms of its banking facility meant it was not permitted to buy back mezzanine debt.

The deal was put together with a related party - Dascoli, a Luxembourg-based finance company set up by Mr Pessina - but in such a way that Alliance Boots was able to benefit from the transaction through the profit participating loans. KKR, the private equity group, was the other shareholder at the time the transactions were put together.

Alliance Boots is also understood to reject ***claims*** that the deal was designed to minimise its tax obligations. It made a full disclosure of the transactions to HMRC.

War on Want admits the publicly available information on the transactions is inadequate to draw firm conclusions.

It said: "These bare-bones disclosures do not provide the public and stakeholders with enough information to gauge the extent to which a management insider may have profited from self-dealing and tax avoidance through related-party transactions. Nor is it possible from these disclosures to assess whether the company has sufficient corporate governance measures in place."

But it wants to use a complaint lodged with the Paris-based OECD concerning the company'***s*** adherence to its guidelines for multinational enterprises to put pressure on it to become more transparent.

Alliance Boots vigorously rejects the criticism, insisting it goes far beyond the required standards. It says its annual report demonstrates "our desire and commitment to be at the forefront of best practice corporate governance reporting" and goes beyond the minimum standards set out for private equity firms.

Alliance Boots, which owns one of the UK'***s*** oldest and most trusted high street brands, has come under fresh pressure from campaigners ***over*** how much tax it pays.

The ***claims*** are the latest allegations aimed at reinforcing public anger that large companies can use complex arrangements to minimise their tax bills within the law.

Two organisations - War on Want and Change to Win - said that the way Alliance Boots handled deals between the company and entities controlled by Stefano Pessina, its executive chairman, broke OECD guidelines.

Their target is a set of transactions ***involving*** a Luxembourg-based finance company, Dascoli. In the first of these moves, Dascoli bought more than £220m of Alliance Boots' debt when it was trading at deep discounts to its par value.

The organisations said that when Alliance Boots repurchased the debt in 2013, most of the benefit of its rise in value could have gone to entities controlled by Mr Pessina. The transactions "were structured in such a way that they may have significantly enriched those connected with the entities at the expense of the company and taxpayers", the organisations said.

Alliance Boots rejected the ***claims***, calling them "inaccurate and, we believe, defamatory".

It said it complied strictly with the law, had strong corporate governance standards and fully transparent financial disclosures in its annual reports. "We ... always strive to maintain the highest ethical standards."

The group has previously been explicit about buying back debt from distressed sellers when it could do so at a steep discount, in order to reduce its high borrowings.

This is the second time within two months that Alliance Boots - which opened its first store selling herbal remedies in Nottingham in 1849 and is now 45 per cent owned by US pharmacy group Walgreen - has come under fire from campaigners.

Unite, Britain'***s*** biggest trade union, said in October that the chain had "avoided paying more than £1bn in taxes" since it was taken private by Kohlberg Kravis Roberts and Mr Pessina in a £12bn deal in 2007. Alliance Boots said it observed the highest standards of ethics and had invested more than £2.1bn to build its business and contributed £1bn to its pension fund.

Private equity groups typically use debt to finance their acquisitions to lower their cost of capital and get the tax benefit associated with debt to maximise their returns.

The OECD guidelines were strengthened in 2011 and. even though they are voluntary. some non-governmental organisations see them as an effective way to hold companies to account.

In this instance, the organisations said Alliance Boots breached the guidance by providing too little information for outside stakeholders to judge whether the transactions were fair and transparent. They also said that moving profit to tax havens went against the spirit of the UK tax regime.

War on Want and Change to Win said they stood by their complaint, which would fall to the UK business department to investigate.

Mark Carney has made clear that the Bank of England could act at any time to sound the alarm if it believes that the new Help to Buy scheme is creating a housing bubble, contradicting ministers' suggestions that the regulator could only do so once a year.

The Treasury said in September that the bank'***s*** Financial Policy Committee would advise George Osborne, the chancellor, "every September" to assess the impact of the initiative.

But in a warning shot across the coalition, the BoE governor said that the committee could make such recommendations when it chooses to.

"The FPC is not constrained by the government'***s*** timetable for any such advice," he wrote in a letter to Andrew Tyrie, chair of the Treasury select committee.

The authorities are torn ***over*** how to deal with Britain'***s*** two-speed housing market which has seen London house prices soar to record levels as prices in the regions stagnate.

Many critics believe that Help to Buy, a government scheme allowing people to buy homes with small deposits, could further fuel the breakneck pace of sales in the capital - a charge denied by ministers.

Mr Carney said this week that the housing market had momentum and the bank'***s*** policy makers had vowed to keep a close eye on developments.

In his letter the governor implies that the Bank'***s*** Financial Stability Report, to be published on Thursday, will flesh out what measures the bank could take if the housing market does become overheated.

"The report will set out the FPC'***s*** assessment of the risks posed by recent and prospective developments in the housing market, any actions that the FPC intends to take in light of that assessment, as well as the range of tools that would be available to it and other bodies to address any vulnerabilities that might emerge in the future," he said.

Help to Buy has already been launched ahead of its initial start date of the new year. Mr Osborne asked the Financial Policy Committee originally to advise the Treasury on whether the scheme should be extended once its three-year life was up.

Soon afterwards, in October, the chancellor said the FPC should examine the scheme every year. It would have to assess the impact of Help to Buy on financial stability and whether the price cap of £600,000 and the fee charged to lenders were still appropriate.

The BoE'***s*** involvement is limited to financial stability - and not "home ownership" - and it does not have any veto on the scheme, Mr Carney confirmed in his letter.

Mr Tyrie said yesterday that the letter from the governor was a "step forward", bringing much-needed clarity to Help to Buy.

Ministerial miscalculations ***over*** student loan repayments have resulted in the potential loss of £5bn taxpayer-funded debt for which the government has no tracking records, according to research by the public spending watchdog.

The National Audit Office estimates that around 368,000 students who have borrowed money are unlikely to pay it back because the Department for Business, Innovation and Skills does not have their employment records.

These individuals could be unemployed students living in the UK, European Union students who have returned home or Britons who have moved overseas.

Amyas Morse, NAO chief, said that, given the expanding size of the student loan book, the business department needed to take a "more energetic and considered approach" to maximising taxpayer value and achieving a high level of collections.

Ministers had initially assumed that 35 per cent of new student loans would never be repaid but, according to the spending watchdog'***s*** calculations, the correct figure is more than 40 per cent.

Liam Byrne, shadow minister for higher education, said the miscalculation would cost an extra £600m a year from 2015/16, blowing a "huge hole" in the department'***s*** budget.

"We need to know fast how ministers got it so wrong, and how they're going to fix it without putting Britain'***s*** scientists, students and colleges under threat," Mr Byrne said. "This is industrial scale incompetence in the department for industry."

The business department said that the report demonstrated an "effective and efficient" process resulting in high collection rates at a low cost. "We are continually improving the collection process for borrowers and we will carefully consider the NAO'***s*** recommendations," a spokesman added.

The number of international students coming to the UK has fallen by nearly a third since the coalition came to power, putting Britain at risk of permanently losing its status as a leading study destination, research has warned.

A report by the left-leaning Institute for Public Policy Research blames Home Office policies aimed at cutting net migration and "confusing" ***rules*** about the rights of students for discouraging overseas pupils from Britain'***s*** education institutions. While the UK remains the second most popular destination for international students after the US, its market share has declined even as other competitors have increased or retained their share.

The report - which comes out ahead of official net migration statistics - estimates that ***foreign*** students contribute around £13bn to Britain'***s*** economy and generate around 70,000 jobs. But its authors suggest there is a fundamental conflict at the heart of government with the Home Office trying to drive down student numbers while the Department for Business, Innovation and Skills is seeking to boost the number of international students in higher education by 15 to 20 per cent ***over*** the next five years.

Within the 29 per cent decline in student ***visas*** issued during the course of this government, the greatest falls have been in the numbers of students from Pakistan, which have dropped by 62 per cent, India, which has dropped by 38 per cent and Bangladesh which has dropped by 30 per cent.

Alice Sachrajda, IPPR research fellow, said that although the UK should be hanging out a banner saying "***foreign*** students welcome here", instead it was doing the opposite.

"We are pursuing policies which could cause lasting damage to a sector of our economy worth £13bn and in which the UK is a world leader," Ms Sachrajda said.

"The reduction in ***foreign*** student numbers is being driven by the net migration target, which is designed to meet the public'***s*** concern about high immigration," she added. "But ***foreign*** students are not the focus of that concern because, as the report shows, they come for a relatively short time, go home after their studies and contribute much more than they take out while they are here."

David Cameron has said repeatedly during visits to India that, while bogus students are being flushed out of the system, there is no limit on the number of genuine ***foreign*** students admitted to Britain.

Responding to the IPPR report, the Home Office said that international students made an "important contribution" to the UK economy and that Britain'***s*** education system was "one of the best in the world".

"To maintain this reputation it is vital we tackle the widespread abuse of the student ***visa*** system we saw in the past, while making sure Britain remains open for business," a spokeswoman said.

A tale of two parts: London and the rest of the UK

Worries about tax avoidance have shot to the top of public concerns about business behaviour, replacing executive remuneration by a wide margin, a study has found.

The annual survey, conducted for the Institute of Business Ethics by Ipsos Mori, shows an improvement in the proportion of people who think business is behaving ethically, suggesting there may have been some recovery of trust lost after the financial crisis.

However, the picture remains mixed because there has also been a rise in the proportion saying businesses are behaving less ethically now than a decade ago.

Business ethics continue to dominate the news agenda, amid allegations that Royal Bank of Scotland defrauded companies by putting them out of business, of profiteering by energy companies and corporate governance failures at the Co-operative Bank.

Asked whether business generally behaves ethically, 59 per cent of respondents said it did, compared with only 48 per cent in last year'***s*** survey - bringing it back to a similar level to the 58 per cent recorded in 2011.

However, there was an increase of seven percentage points to 35 per cent in the numbers of those who believe that business behaves less ethically now than it did 10 years ago.

The findings show that people aged 55 and above are more likely to think that business is not behaving ethically than younger people.

The study found that 37 per cent of respondents thought tax avoidance was the main concern that businesses need to address, compared with 30 per cent citing remuneration. This pushed remuneration out of the top slot for the first time in six years.

The findings follow controversy ***over*** low tax bills paid by companies such as Amazon, Google and Starbucks. Executive pay has been less prominent in the media since 2012'***s*** "shareholder spring".

The ability of employees to speak out about company wrongdoing was rated the third most significant concern at 22 per cent, with business attitudes to the environment and human rights coming in lower at 16 per cent and 15 per cent respectively.

Philippa Foster Back, the IBE'***s*** director, said: "These results could indicate that business has clawed back some of the public trust lost in the wake of the financial crisis. But confidence remains fragile with a year-on-year increase in those saying that business is less ethical than it was 10 years ago."

She added: "Tax is also now clearly a reputational issue and has risen very rapidly up the scale. Trust cannot be taken for granted."

The IBE was established in 1986 to encourage high standards of business behaviour based on ethical values.

Six years on from the financial crisis, trust remains a leading issue for businesses. Sir Mike Rake, president of the CBI employers' group, told the Financial Times in September that companies with enough cash on their balance sheets should start investing to help restore business'***s*** bruised reputation.

A group of well-known companies this week called for a greater diversity of business ownership structures to win back public trust, motivate employees and achieve sustainable growth.

A tale of two parts: London and the rest of the UK

Six people have been arrested as part of an ongoing investigation into alleged football match-fixing in the UK, the National Crime Agency said in a statement.

The arrests were made at different locations in the past 24 hours, the NCA said on Wednesday, and relate to the activities of an international betting syndicate.

According to the Daily Telegraph, those arrested included at least three footballers. The paper published what purports to be video evidence of an international fixer ***claiming*** to be able to fix lower league matches for £50,000.

The NCA statement said: "Six men have been arrested across the country as part of an NCA investigation into alleged football match fixing. The focus of the operation is a suspected international illegal betting syndicate. The NCA is working closely with the Gambling Commission and the Football Association. This is an active investigation and we are unable to provide further detail at this time."

Football match-fixing is becoming one of the game'***s*** most pressing problems, with Asian betting syndicates and fixing regarded as the source. Europol in February identified Singapore as the centre of global match-fixing.

In September, Singapore pop lice arrested 14 people for suspected football match-fixing.

Rio Tinto is pushing ahead with a long-awaited expansion of its flagship iron ore mining operations in Australia, saying it plans to spend $3bn less than it once intended.

Rio'***s*** original "Pilbara 360" plans would have lifted its production from some of the world'***s*** lowest cost iron ore deposits from 290m tonnes annually to 360m tonnes. The expansion is a significant part of its growth ambitions and had been expected to cost around $5bn. Iron ore provides the vast majority of Rio'***s*** earnings.

The Anglo-Australian miner said on Thursday that under the scaled back project, mine production capacity would increase by more than 60m tonnes by 2017 and reach more than 330m tonnes in the next two years.

Sam Walsh, Rio'***s*** chief executive, called the plans a "breakthrough pathway" for Pilbara expansion, combining brownfield expansions with low-cost productivity gains. "We will deliver the expansion at an estimated capital cost of more than $3bn below previous expectations," he said.

Rio and other miners have been at pains this year to stress their cautious approach to investment after huge capital spending in the latter stages of the resources boom.

Rio had been widely expected to make the commitment to expand its Pilbara operations, where it ramped up from 240m tonnes of capacity to 290m tonnes and where it enjoys one of the industry'***s*** lowest costs of production and shipping ore.

Demand for iron ore, as for most commodities, has been driven by China'***s*** growth and has been surprisingly strong this year, shoring up the iron ore price and easing the dilemma ***over*** spending for Rio.

Mr Walsh, who headed up Rio'***s*** iron ore operations before he took ***over*** as chief executive, said the Pilbara expansion was the "most attractive investment opportunity in the sector".

Analysts at Citi said Rio'***s*** guidelines for the so-called "capital intensity" of the expansion project, at between $120 and $130 per tonne of capacity, was lower than their $145 forecast and would also ramp up faster than they had expected.

Liberum analysts suggested the capital spending from Rio would now likely be about $2bn. "The faster than anticipated ramp up makes us more cautious around iron ore [prices] in 2015," they said.

A tale of two parts: London and the rest of the UK

The government is to introduce plain packaging for cigarettes under plans to be announced on Thursday following a ***U***-turn by the prime minister David Cameron.

Ministers are to push ahead with a study on plain packaging after deciding enough international evidence supports the measure, which was previously thought to have been abandoned.

Jane Ellison, the public health minister, rejected ***claims*** from Andy Burnham, the shadow health minister, that the move was a political ploy. She insisted it was "one of the most important public health issues we face in the country".

"What the government said in July was that it would look at the emerging evidence from Australia and elsewhere," she told the BBC on Thursday. "We've listened hard to what both houses of parliament have said ***over*** recent weeks where it'***s*** been very clear that members in both houses feel that there'***s*** not just emerging evidence in Australia but other studies and I think the time is right to look at this."

The measure was thought to have been killed in the summer when Mr Cameron said there was not enough evidence that removing branding from cigarette packages would stop young people from smoking.

That decision angered Labour and various health groups, who accused the prime minister of having been influenced by Lynton Crosby, the Conservative strategist whose company has also been employed to represent cigarette companies.

Mr Crosby had told senior Conservatives to abandon legislation not seen as central to the government'***s*** economic message, which he referred to as the "barnacles on the boat", according to party officials. Soon afterwards, a range of proposed legislation was dropped, including proposals for plain cigarette packaging.

But the party was engulfed in a row ***over*** a possible conflict of interest, given that Mr Crosby'***s*** lobbying company has represented Philip Morris, the US tobacco company. Ed Miliband called Mr Cameron the "prime minister for Benson and Hedge Funds".

The move also angered some Conservative backbenchers. Sarah Wollaston - a GP - described the decision to drop plans for plain packaging as a "day of shame for this government".

Ms Ellison told the BBC: "People do feel strongly and quite rightly. This is fundamentally about children'***s*** health - we know that two-thirds of people start smoking when they're children. I don't blame parliament about feeling strongly about this issue, it'***s*** one of the most important public health issues we face in this country."

Thursday'***s*** announcement is designed in part to ward off criticism that the Tory party is in hock to big business, which one coalition adviser called "ridiculous smears", according to The Times newspaper.

The measure has been revisited after an amendment to the children and families bill, currently in the House of Lords, by a cross-party group of peers.

Ministers will reject that amendment but Earl Howe, the health minister, will bring forward his own, announcing a review into plain packaging in a bid to head off a possible government defeat.

Mr Burnham told the BBC that he thought the government had changed its stance simply to avoid a defeat.

"What else explains the timing?" he said. "You know, we had a clear steer in the summer that this was now off the agenda and let'***s*** remember [former health secretary] Andrew Lansley had said at the beginning to his government that he was very committed to it and I supported him in saying that and today we're no further forward than we were when he said that, we've got another review."

The UK is just one of a number of countries pushing through similar measures. Australia has already banned branded cigarette packs, while Ireland and New Zealand are making similar moves. Ministers will study the impact of what has happened in Australia and report back in March next year. Coalition advisers said plain packaging could be brought in before the 2015 general election.

But Labour will push for ministers to move faster still. Luciana Berger, Labour'***s*** shadow public health minister, said: "The evidence to support standardised packaging is clear. The consensus is overwhelming. We don't need any further delay while 570 children are lighting up for the first time every day."

Additional reporting by John Aglionby

Board Intelligence, a specialist in board information, is holding a series of debates called "The Board is Dead; Long Live the Board". We report on the most notable findings.

Boards are failing at strategy and becoming increasingly focused on costs, according to a think-tank debate attended by chairmen. One said: "We need the conversation in the boardroom to be two levels 'higher'. Many of our largest companies are sitting on cash and they need to get back to strategy and invest in the future - or there won't be one."

It was suggested that advisory boards, unfettered by concerns of liability and governance, might be better at tackling strategy - and might attract creative people who would otherwise be put off joining boards by the burden of governance.

The chairmen also asked whether more of a board'***s*** work could be handled by committees, as they can be more focused and effective.

They also questioned whether age and experience should continue to take precedence ***over*** training and education when appointing board members. One view was that boardroom skills are becoming more specialised and need to be learned.

Regulators came under fire from the chairmen. They were accused of not understanding the businesses they are regulating and of treating non-executives as executives.

The meeting also referred to the spread of regulation from the financial services sector. One said: "We have a two-tier corporate world: financial services and the rest. But what starts as regulation of financial services bleeds through to the rest."

The participants warned that because boards are out of touch with society, there is a danger of a backlash and the emergence of an "anti-business" movement.

The relationship between society and business was also raised at a subsequent debate. One view was that the future of the corporation depends on it being redesigned and finance returned to its proper, subservient role of supporting the wider economy.

All businesses should demonstrate public benefit - just as charities have to show a public benefit in return for charitable status, businesses should do the same, perhaps in return for limited liability status.

Another view was that voluntary sector leaders should be encouraged to join corporate boards, because of their specific skills, including in reputation and risk management.

Participants went on to call for younger, more vibrant boards. "You should see the faces of the future - not just the past," said one. The concern that young executives are too busy to join boards was rejected and some chairmen were blamed for ***claiming*** to support diversity of age but then not allowing their executives to join someone else'***s*** board.

It was also argued that businesses and boards need permission to fail. "What business or person can achieve great things without the possibility of failure?" one asked.

Geoff Zeidler cast caution to the wind and appeared in the television series Undercover Boss, which confronts business leaders with the reality of working for their organisations by disguising them and sending them to work alongside their staff.

"The danger, let'***s*** be honest, is that for the programme to work they need to find problems," admits Mr Zeidler, former country president and managing director of Securitas UK.

In the episode in which he featured, which aired in the UK on Channel 4 in July, viewers saw Mr Zeidler awkwardly tackling "lesbian activity" in bus station toilets, being harangued by a colleague from a recently acquired company bemoaning how terrible things had been since Securitas took ***over***, and floundering in the dark with an inadequate company-issued torch.

Another participant in the series, Eleanor Kelly, chief executive of Southwark council in London, was shown tackling fire and hygiene hazards in council housing, confronting drug addicts and angry tenants. The programme included a scene in which she breaks down in tears.

It might make interesting TV - but why would a business executive put themselves through it? Is it a good career move?

"I went in to try to achieve two things," says Mr Zeidler, who has since left Securitas by mutual consent - nothing to do with his appearance on the programme, he says.

"After the last Olympics, most people'***s*** view of security was poor and I wanted to show that security was actually a good thing, that people do a decent job and should be respected for doing it. The second was to promote the brand profile of Securitas."

The risk of embarrassing either himself or the company was worth taking, he says: "The format has to find problems but it can't be totally unfair or negative to the company or boss, otherwise no one would want to do it - that was the pitch."

Ms Kelly had a similar sector image to restore. "We wanted to get across the values of the public sector and the impact of the budget cuts," she says.

She felt she could put a human face both on the profession and her own position. "People can think of senior management as being very remote, that executives can't possibly understand what their lives are like or what it'***s*** like to do their job," she says. Getting ***involved*** in such a programme "makes somebody like me much more human to others and much more approachable".

Neither Mr Zeidler nor Ms Kelly had any editorial control - other than strictly factual - ***over*** what was included in the programme, nor how it was edited. "The interesting thing about not having any control," says Ms Kelly, "is that sequences you film that really moved you or touched you don't always make it into the final edit - but that doesn't mean they aren't part of what you learn and gain from the experience."

Her PR team managed to "sneak in a little of 'you can say X, but please don't say Y'", but there was still "some of the 'shock-horror' stuff left in", she says. "But that'***s*** part of the programme."

Because Securitas personnel work exclusively on client sites, customers were very sensitive. "And quite rightly," says Mr Zeidler. "The one editing right we had was that if there was anything on the film that could compromise the security of a customer, we had to be able to say 'that can't go in'."

The rest, however, is up to the television production company. Given such dangers, is it more suited to executives with egos and a keen sense for self-promotion?

Both Undercover Boss participants disagree. "I actually think it'***s*** pretty risky," says Mr Zeidler. "The programme isn't designed to make you look stupid, but you could very easily look out of touch if you were trying to do it for personal benefit and your own brand."

The target audience of reality TV is also less the serious business viewer and more the general public. Mr Zeidler jokes that his wife, a teacher, received more kudos at school for her 10 seconds of screen time than he did.

"No woman of a certain age wants to appear on national television looking the way that I looked," adds Ms Kelly. Her disguise ***involved*** stripping back her normally glamorous appearance to become "Evelyn", a return-to-work mum with greasy hair and no make-up.

"You don't do that by choice to sell yourself," she says, agreeing that ego is necessary for senior managers but argues that this is not the medium to massage it. "It is tough. Don't be fooled that it is all roses and 'lights, cameras, action'. There is an element of psychological bullying associated with the programme."

For her, this included a focus on her private life - her past, having been briefly raised in council accommodation for homeless people as a child, and her present, as mother to a daughter with learning disabilities.

"There was a bit in the programme when I leave home and my daughter says, 'are you coming back?'. When the director stuck the camera in my face and asked, 'how do you feel?' that'***s*** when I broke down."

Despite these tribulations, Southwark Council has since run screening sessions for staff, and Securitas has used its episode in induction training. Employees who appear in the programme become local stars, appearing on the front pages of regional and trade publications.

Ms Kelly, a Scot, was featured in a two-page profile in The Sunday Post, a Scottish newspaper. "We have pushed it out there as a real positive," she says. "It got such a good response from people for trying to showcase the really tough budget cuts that local authorities face - and internally the staff approach me more, email me, raise things, knowing they will get a response, whereas previously they would have thought 'remote, ivory tower, no idea'."

Mr Zeidler adds: "In the security profession, the biggest issue that most officers have, after pay, is being recognised and respected for what they do. I have had huge positive appreciation from people saying, 'you've done something that actually raised the profile of the profession', that it shows senior management actually doing something to recognise what we do."

There were messages he hoped to convey that languished on the editing room floor and issues he had hoped to avoid that took centre stage. But he looks back on the experience with no regrets.

"As a business leader, one of the greatest challenges is how to communicate more broadly what you're doing and why it'***s*** interesting to particular target audiences", he says.

"So much of business'***s*** engagement with the media is defensive, whereas this was an opportunity to be active."

Paul Boross, also known as The Pitch Doctor, is a motivational psychologist, author, business trainer and presentation specialist. He puts himself in the position of someone starting their career again:If I imagine myself starting ***over***, I see myself excitedly making plans about my future career in the media, about my rise to the top, meeting the stars, being invited to parties, working with the very best... and then the reality sinks in that I have a long road ahead, so I had better get started.

The first thing I would do is recall the time I wasted first time around. Looking back I can see so many dead ends that, at the time, all seemed like promising possibilities, mainly because other people promised they would be.

So what would I do differently? Should I not trust in other people this time? Should I have contingency plans and not sit around waiting? No - I would still trust my intuition.

With the benefit of hindsight, I can see that some of those dead ends were doomed from the start, and my mistake was ignoring my gut feeling and hoping for the best. Trust was not the problem - what I got wrong was using false hope as a way to hide my own fear of failure.

The lesson I would therefore take back with me is to realise that if a promise sounds empty then it probably is. When people say: "I'll try..." or "I'll see what I can do...", I would not hear: "You're great! I can't wait to tell my boss about you!"

Instead, I would hear: "I don't want to say no to your face, but that'***s*** what I'm trying to tell you."

What difference would that have made? It would have saved me countless hours waiting for the phone to ring and given me the time to focus on finding the people who do say yes.

What else do I know now that would have helped me then?

I think that what most people are talking about when they say "I wish I knew then what I know now" are lessons learned from their own mistakes. The problem is that without those mistakes there is no learning. Older, wiser friends and colleagues would tell me where I was going wrong, but did I listen? Of course not - I had to learn it myself.

But the more I think about the benefits of my experience, the more I realise that it has a big downside, too. The biggest problem with experience is experiencing failure and resolving never to go down that road again.

But if you search the internet for quotes on failure, you'll find the wise words of people such as Edison and Churchill, who all said pretty much the same thing: that failure isn't the problem - giving up is the problem.

The problem I have now is that I am too well aware of all the things that don't and won't work. So in going back to begin my career ***over*** again, I would try hard to forget everything I know now and concentrate only on what I already knew back then - that anything is possible.Paul Boross'***s*** latest book, Pitch Up! Pitch Yourself for the Job of Your Dreams, is published by CGW Publishing, £7.99. *www.thepitchdoctor.tv*

Is there a good time to be job hunting and does it pay to have the first or last interview?Simon Broomer, coach at CareerBalance, a jobs advisory service in the City, says:

The simple answer to the first question is no. At one time, the periods from September to December and January to April would see increased recruitment activity from employers.

But recently, employers have been hiring and firing as the need arises. For example, this year JP Morgan has taken on 13,000 staff globally for compliance-related roles to prevent a repeat of the heavy regulatory fines it has received.

Employers are also taking longer to recruit as they believe they can find a better fit of candidates if they are patient.

Often, the recruitment process can spread ***over*** several months. For more senior staff on three or more months' notice periods it can take six months or more between advertising a role or placing it with a recruitment consultant or headhunter and the time someone starts work.

We encourage our jobseeking clients to study the job market at all times of the year, and to approach employers speculatively at any time, except around Christmas.

We are seeing more opportunistic hiring by businesses who will interview candidates they feel can add immediate value, and we are seeing examples of employers finding and approaching potential candidates through websites such as LinkedIn.

Many graduates mistakenly believe there are fixed recruitment times for graduate schemes. But even here you can take the initiative and ask about opportunities by contacting the graduate recruitment team.

Many smaller businesses do not have formal recruitment processes, and your CV landing on the right desk at the right time could lead to an interview and job offer. Julia Menaul, executive coach at Spark Coaching and Training, says:

It does seem like a bad time to be looking for a job - but even a basic search of the internet shows thousands of vacancies. Psychologically, you need to move on from the idea that there is a good time to hunt for jobs.

Even during holiday periods businesses have to function and they still need to hire people - so recruitment never stops. It might even mean you face less competition and have time to network.

The first or last interview dilemma relates to the "primacy/recency" effect. This is a psychological theory that states that behaviour is influenced by something we have seen and experienced either first (primacy) or last (recency).

If your interviewer is doing a lot of interviewing then they often leave their decisions to the end of all the interviews as there is too much information to assimilate. Therefore, the most recent information seems to be the best, and a bias effect occurs toward the most recent candidates interviewed.

If we only have a few interviews we simply judge quickly, and primacy dominates - so we rely on first impressions and tend to choose the applicants we interviewed earlier in the process.

If you have no influence ***over*** a first or last interview, try to concentrate on a strong start and a strong finish in your interview.

As Europe looks forward to the EU cap on investment bankers' bonuses, due next year, one salary data firm has looked at the impact it would have had if already in force.

Emolument.com examined salary and bonus data from more than 1,100 directors and managing directors working in investment banking and markets across Europe and found one in 10 currently breaches the proposed maximum bonus of two times salary, based on their most recent year'**s** bonus.

Of those in breach, the average bonus ranges between 3.5 and 8.8 times base salary. It found 25 banks paying more than the proposed cap.

If the cap had been in force then these bankers would have received a combined reduction in remuneration of £28.9m, or £253,772 each. Why so coy on pay?Employers advertising a vacancy are quick to highlight the exciting opportunities it offers - but can be strangely coy when it comes to pay.

Data from Innovantage, a business intelligence company, shows that when employers place job adverts online themselves, fewer than half give salary or wage details.

The figures, from the first half of this year, suggest a big rise in the number of adverts placed directly by employers, with 56 per cent of them failing to reveal the pay - four percentage points up on last year.

Recruitment agencies are not quite so shy, with 32 per cent of their job adverts omitting salary details. Innovantage says agencies believe that more information can widen the pool of potential candidates.

Smart Recruit Online, a recruitment platform, has tested the impact by running an advert for the same job with and without pay details. Mark Stephens, its chief executive, says: "Those with salary details always resulted in at least 30 per cent more applicants. Our samples suggest it is likely to be higher quality candidates who choose not to apply without this visibility - such as those already in work and reluctant to apply when they have no clear indication that the role will meet their salary requirements."

Matthew Dewstowe, Innovantage founder, says: "It astounds me that for all the sophistication that goes into pushing new opportunities, the one basic piece of information most normal people want to know is so often missing."

Measures of successCompanies that monitor and measure talent acquisition and management outperform their competitors, says a report from Alexander Mann Solutions, a provider of talent acquisition and management services, and the HRO Today Institute, a global community of senior HR executives.

It finds 90 per cent of companies collect data about their employees but only half use one or more metrics to improve talent management and almost a third do not use the data at all.

Measuring some metrics and not others can be meaningless, it concludes. For example, monitoring the time taken to fill roles is worthless without data on how long the recruits stay and how quickly they reach full performance.Roles for high-fliersCTC Aviation, the global pilot training company, is looking for recruits. It believes the world needs to find 235,000 new pilots by 2020 to meet demand for air travel and to replace those who retire.

It is keen on UK candidates, saying they have been among the best the company has ever trained.

There are currently about 150,000 pilots in the world, it says.

Many people start out on a career only to be blown off course. This is not the case for Trades Union Congress chief, Frances O'Grady, who has never lost sight of her direction.

An active trade unionist and campaigner all her working life, Ms O'Grady says the appeal of her work lies in its focus on a fair deal for people on pay and decent working conditions, making the UK a better place in which to live and work.

"The great thing is being with people who share your values. It isn't just a theoretical exercise but knowing as a trade unionist that you can make a difference," says Ms O'Grady, who stepped up from deputy director to be TUC general secretary in January, taking charge of a movement with 54 affiliated unions, and becoming the first woman to do so.

A family background in trade unions did much to stimulate her interest. Her grandfather and great grandfather in Dublin were among the founders of the Irish Transport and General Workers Union and her father was a shop steward at the Leyland car plant in Cowley, near Oxford, at a time of deep clashes between workers and management.

Her background gave her "a strong sense of justice and understanding that people have to stick together if they are going to win fairness", she says.

Brought up in a working class family of five children in Oxford, Ms O'Grady read for a politics degree at Manchester University, followed by an industrial relations diploma.

She joined the UK Transport and General Workers' Union as a senior researcher in 1989 after several jobs in the voluntary sector, including campaigning to improve workers' conditions in the City of London. Working for the TGWU was "a big thing because it was the family union and it has a great story as a union".

One of the people who inspired her was the late Jack Jones, TGWU general secretary at the time, and one of the most powerful 20th-century trade union leaders. Ms O'Grady says she enjoyed cups of tea with him - "and of course was in awe of him".

At the TGWU she campaigned to introduce the minimum wage, adding her weight to the long-running battle to convince the UK government to enshrine it in law. "In 1989 there were workers in Britain on £1 an hour," she recalls.

The Labour party, then in opposition, pledged to introduce the minimum wage when next in power, and it finally became law in 1999. Ms O'Grady regards the campaign as one of the milestones in her career.

She learned early on that dealing with issues that affect people'***s*** everyday lives can be extremely stressful, and finding someone in the workplace to "share a good laugh and relax with" can be a useful safety valve.

As campaigns officer at the TUC in 1994, she fought for equal rights for part-time workers, better maternity rights and highlighted exploitative pay.

She also fought for better treatment of pregnant women at work. A mother of two children, she recalls the women who told her they were given a choice of returning to work or losing their job shortly after giving birth. One woman was asked if she "could do a bit of admin work", while she was still in hospital, she says.

Although much has changed in the workplace, she says the job of fighting for better conditions and fair pay is far from ***over***.

In a prolonged period of austerity, job cuts, falling living standards and uncertainty ***over*** working hours are leaving their mark. "It has been a particularly rough time for working people who have been getting a smaller share of the fruits of their labour," she says.

In the summer she and her team took a bus around the UK to see the effects the government'***s*** austerity measures are having on people'***s*** lives. "It was pretty shocking stuff," she says.

She worries whether decision-makers at the top who are ordering cuts in areas already under strain really understand the implications and what people'***s*** lives are like.

Critics of trade unions question their relevance in today'***s*** workplace but Ms O'Grady responds that the reasons for joining a union remain unchanged - fairness of work conditions and pay.

TUC membership, at just under 6m, has halved since the end of the 1970s but Ms O'Grady is undaunted. She admits "some of our traditional strongholds have gone in parts of the private sector", making it more difficult to organise union activity, but says the bigger issue now is "the way we change trade unionism to match the way people work".

She gives an example of supermarkets where people, including young workers, are on many different contracts but never meet to discuss problems at work.

It is difficult to negotiate on a one-to-one to basis, she argues. "Unless we find new ways to reset the balance of power between employers and workers we will see inequality continue to soar."

The traditional view of trade union leaders has often been synonymous with an aggressive, combative style but Ms O'Grady, although capable of driving her point home, has no time for bullying tactics.

So how does she describe her leadership style? She hopes she is a democratic leader: "I try to treat others as I want to be treated."

Internally, she likes to discuss matters with her team, trusting them and giving them autonomy and, with a small number of policy and campaign staff, is proud of the way they "punch above their weight".

Over the decades she has learned lessons in the struggle with employers and governments. On the negotiating front, she believes "being right is not always sufficient" but has learned the importance of good relations, particularly with private sector employers, in order to sort things out quickly "without anyone feeling the loser". Secret CV

Your first big break?

Getting active in the Transport and General Workers' Union and finding my purpose and cause. This was more important than getting my first job.

What else might you have done?

I wanted to run the railways in Britain and bring them back into public ownership.

What do you do outside work?

I enjoy going to the cinema with my son, so it is usually his choice of film and also going to the pub with my children at weekends. It feels good. I also like drawing but I'm not very good at it.

Best career advice to others?

Find what you love to do. Work with people who inspire you and find someone above you who can advise and encourage you.

In recent years, Helena Morrissey, head of Newton, the asset management group, has attracted much attention. She is something of a rarity, being a truly senior woman in British finance, and she has used that platform to speak out on many issues, including the 30 per cent campaign which aims to get more women on British boards.

But Ms Morrissey is currently promoting another cause: the profile of the British asset management industry. Earlier this month she delivered a speech to the CFA Institute in London, in which she urged fund managers to become far more vocal and visible.

One of the biggest threats that now hangs ***over*** the industry, she declared, is that asset managers are often tarred with the same (negative) brush as bankers. While this may reflect prejudice - or public ignorance - the situation is partly the fault of asset managers, since so few of them are willing to talk openly about their business in a proactive, human fashion.

Instead, asset managers tend to hide "behind the scenes", avoiding tough questions about issues such as investment fees, or even commenting about economic trends. But unless investment managers directly engage with criticism, to explain what their industry does - and why it has a social function - they will be "sitting ducks" for a future backlash about fees and face growing complaints that they are "milking" customers.

"How I think we can improve our social value is that we stop whining and more constructively engage," Ms Morrissey says. "I would like to see more fund managers on the radio, on television, in schools. High-profile individuals should take on high-profile issues."

Now these stern admonishments will undoubtedly infuriate some of Ms Morrissey'**s** colleagues, after all, in the aftermath of the 2008 credit crisis, financiers of all variety have avoided sticking their heads above the parapet, let alone jumping into mainstream television. In any case, many asset managers - unlike investment bank salesmen, say - lack the temperament to grab the limelight.

Ms Morrissey'**s** comments are nevertheless striking. For behind them lies a much bigger point - or, more accurately - a sense of imbalance in the financial world as a whole. In decades past, banks have zealously promoted their interests, via public relations groups and lobbyists. But even as journalists' inboxes were filling up with missives from sell side lobby groups, particularly during the credit bubble, asset managers generally seemed quiet, if not invisible and passive. Buy-side promotion was limited.

Logic might suggest this imbalance should have corrected itself after the credit bubble: since 2008 the buy side has had a strong reason to demand significant change, given how badly it was burnt. Indeed, it could be argued that the credit bubble would never have become quite so egregious if the buy side had been more outspoken about protecting its interests before 2008, and if it'd had as big an input into regulatory policy as the sell side.

In practice this rebalancing has not occurred to any degree, or not at least in Europe: though bank lobbyists remain hyperactive, the asset management industry has been far quieter (except, perhaps, in the US where there are more characters like Morrissey). Some asset managers blame that on the fact that the buy side is more fragmented: it is much harder to create a single, strong voice when you are dealing with hundreds of different investment management companies, than a handful of big banks. But another reason may simply be that asset managers have felt less inclined to band together since they have hitherto not been under attack as severely as bankers.

But that is no reason for complacency, Ms Morrissey observes. Shortly before she issued her admonishments to the CFA managers, Martin Wheatley, the head of the Financial Conduct Authority, issued his own speech that warned that regulators were stepping up scrutiny of issues such as fees, compensation and transparency. That may be simply a shot across the bows of the industry, or it may herald a wider future clampdown. Either way, with investment returns having shrivelled in recent years, there is clearly potential for a wider public backlash.

Of course, this is not a climate which is conducive to persuading those publicity-shy managers to jump into the fray or on to a television screen. It is tough to present a "human" face when people fear that they are about to come under attack. But hiding behind public relations officials is no solution in a crisis either - just ask those unloved bankers. Either way, British asset managers would do well to heed Ms Morrissey'**s** appeal and act on it, or else work out a system for cloning her.

US banks accelerated their purchases of structured products in the third quarter of the year, pushing their holdings of the higher-yielding assets to record levels as they seek to offset continued profit pressure from ultra-low interest rates.

Structured finance investments surged to $69bn in the three months to September, according to data released this week by the Federal Deposit Insurance Corporation - a 45 per cent increase on the same period last year and the highest level since the FDIC began breaking the individual figure out in 2009.

The FDIC'**s** definition of structured financial products covers a broad range of securitisations including collateralised loan obligations (CLOs), commercial mortgage-backed securities (CMBS) and collateralised debt obligations (CDOs).

Banks have been snapping up such higher-yielding products to offset the effect of low interest rates on their bread-and-butter lending business, analysts have said.

According to the FDIC'***s*** data, higher legal expenses at JPMorgan Chase, and falling revenues from mortgage lending in the last quarter, combined to create the first decline in collective net earnings for US banks in more than four years.

Banks have also been cutting back on their purchases of US Treasuries, trimming their holdings of US government debt to $159bn compared to $196bn a year ago.

Banking analysts at Raymond James estimate that the median yield generated by banks' overall securities portfolios increased 3 basis points to 2.41 per cent in the third quarter, helping boost overall profit margins to about 3.6 per cent.

Growing portfolios of structured products have raised concerns that banks may be assuming more risk on their balance sheets to make up for low interest rates - a situation which echoes the pre-crisis environment in which financial institutions created and also purchased billions of dollars worth of securitised assets.

Regulators have also voiced concerns that banks may be increasing the so-called "duration" of their balance sheets to make up for the lack of profits elsewhere.

Investing in assets with extended maturities means higher returns, but creates the risk of banks suffering losses if benchmark interest rates were to jump suddenly.

The Federal Reserve revealed earlier this month that it would include a simulated sharp rise in interest rates when it next "stress tests" the largest US banks, suggesting it is concerned about potential "rate risk" lurking in the financial system.

The OCC, which supervises the country'***s*** largest lenders, such as Bank of America, Citigroup and Goldman Sachs, has been warning banks about the potential impact of higher interest rates for the past few years.

"Low-volatility environments encourage ***investors*** to 'chase' yields, often taking more interest rate or credit risk to maximise return," the regulator wrote in its last semiannual risk report.

This Thanksgiving, turkeys were on the plate but bulls are on the prowl.

US ***investors*** took a day off with the ***S***&P 500 having climbed nearly 27 per cent this year to sit at a record high.

A chance for reflection. Due a pullback? Let'***s*** look at some market technicals.

Even after the good run the ***S***&P 500'***s*** 14-day relative strength index, a measure of momentum, stood at 66.8, still shy of the 70 mark above which is considered overbought territory.

That'***s*** because recent daily gains have pretty been hard won. No sharp "melt up" yet.

Some ***investors*** think another signal of market overstretch is the gap between indices and their daily moving averages.

The ***S***&P 500 is 9.6 per cent above its 200-dma. Quite a spread. But analysts at Strategas looked at the Nasdaq Composite'***s*** current 13 per cent divergence to its 200-dma and found it was not a very reliable bearish indicator.

So are ***investors*** overly sanguine? The CBOE Vix index is near historic lows, well below the 10-year average of 20, and at 13 around the level that contrarians often warn reflects complacency and an imminent equity sell-off.

But ***investor*** sentiment surveys don't yet suggest bullish ***over***-exuberance.

As the plight of small businesses struggling to borrow money climbs up the political agenda in Europe and the US, a number of technology companies believe the solution lies in helping banks gain better access to companies' financial data.

One such company, Intuit, believes it also provides an opportunity to sell more of its QuickBooks accounting software to small businesses.

The Nasdaq-listed company has signed on Capital One and Wells Fargo, two of the top five lenders to SMEs by volume in the US, to a pilot programme designed to help financial institutions get a better sense of their customers' creditworthiness.

The platform, known as QuickBooks Financing, has facilitated 400 loans worth $13m in the eight months that it has been live, and will be expanded to Canada in the next two months.

"It's very new, it's a test," said Jim Seitz, a spokesman at Wells Fargo. "We're always looking for new ways to lend to small businesses."

Potential borrowers can visit the platform for free and answer 15 questions to match them to a lender. If the business is one of the 1.2m QuickBooks customers who have uploaded their back-office data to Intuit's servers, they can give permission for Intuit's algorithms to analyse that information. In exchange, they are likely to receive preferential rates from the participating banks.

"Most small businesses borrow from their family and they've maxed out their credit cards," says Intuit chief executive Brad Smith.

"We're able to go inside your small business accounting, we can look at how many bills you've paid on time, who owes you money, and how your cash flow looks, and we've been able to write algorithms that will predict your credit risk."

US banks currently mostly use credit bureaus, the small business financial exchange, as well as FICO and their own proprietary measures to determine credit scores.

Richard Preece, director of the QuickBooks business, says that the product makes Intuit's core software offering more attractive. "We're using QuickBooks data to reduce the lender's risk and pass those savings back on to the customer," he says. "It clearly makes QuickBooks more valuable because it's only by using QuickBooks that you can use this service."

He notes that the volume of loans that pass through the system may allow new relationships to emerge from the data. For example, Intuit has found that the number of vendors paid in the preceding six months is a good indicator of whether a business can pay down its loans, while the number of customers on its books is not.

Intuit's share price has risen 20 per cent since the end of June, as it has increased its focus on cloud computing and mobile applications. Its revenues grew 9.5 per cent year-on-year to the end of July 2013 to $4.17bn, while net income rose 8.3 per cent to $858m.

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>The move is the latest sign that financial institutions and software providers are harnessing the power of cloud computing and data analytics to improve their services and minimise their risk.

Earlier this year a North American subsidiary of Sage, Intuit'***s*** British-based competitor, announced a new tool that analyses multiple data points to help businesses cross-sell to customers.

But established players such as Sage and Intuit increasingly face competition from start-ups.

Kabbage, an Atlanta-based start-up with operations in the UK, takes data from Facebook, Twitter and Yelp pages, as well as transaction information from online marketplaces such as Etsy, eBay and Amazon, to help determine a business'***s*** credit profile. Kabbage worked with Intuit on QuickBooks Financing.

ZestFinance, started by a former VP of engineering at Google, Douglas Merrill, says loans made on the basis of its number-crunching algorithms result in 40 per cent fewer defaults than those made using other industry scores.

Intuit says it has identified around 145 different data points - such as revenue, number of customers and payments to vendors ***over*** time - that help predict credit risk better than the blunter measure of a personal credit score.

A US authority has ordered Barclays to pay a trader $2.2m in compensation after he was fired last year in connection with the Libor rate manipulation scandal.

The Financial Industry Regulatory Authority ordered the British lender to pay the damages to Dong Kun Lee, a New York-based derivatives trader.

Mr Lee ***sued*** Barclays for "breach of express or implied contract, unjust enrichment [ ] and violation of the New York Labor Law", according to the Finra ***dispute*** resolution documents.

The trader had initially asked for damages of $5.3m but later reduced that amount.

He was fired last year by Barclays for allegedly engaging "in communications ***involving*** inappropriate requests relating to Libor", according to regulatory filings.

Banks including Barclays have dismissed dozens of traders and have so far paid a total of $3.7bn in fines in the Libor interbank lending rate manipulation scandal, where traders influenced rate submitters to make gains on their positions.

The scandal prompted a senior management shake-up at Barclays last year, when it paid £290m to settle investigations with authorities in the UK and US.

For the past six years, the world'***s*** main central banks have sung largely from the same hymn sheet - shoring up financial systems and printing money to support economies. Now, they are doing their own thing.

Weak eurozone inflation data on Friday could fuel expectations of further stimulus measures from the European Central Bank. The Bank of Japan, meanwhile, has dropped heavy hints that if its aggressive asset purchase, or "quantitative easing" programmes do not drag the country out of deflation, it will step up action.

But with the US economy returning to more normal health, the US Federal Reserve is looking to scale back, or "taper" its QE. At the Bank of England, the talk is about an interest-rate increase, maybe by the end of next year.

The divergence runs the risk of creating damaging disharmony - especially in currency markets - and with interest rates at rock bottom levels it will test further central bankers' skills communicating their intentions to ***investors*** globally. With no historical precedent for actions central banks have taken, the risk is of a bumpy ride.

"The divergence . . . compounds the uncertainty that inevitably surrounds the aggressive use of unprecedented policies. There are likely to be false starts - as we have seen already in the US," says Mark Cliffe, chief economist at ING bank, referring to the unexpected Fed decision in September against starting to taper its stimulus. "There is no consensus on how, or even if, these policies work. In a real sense, they are making it up as they go along," he said.

Julian Callow, international economist at Barclays, added: "There is way more uncertainty attached to the economic impact, and hence calibration, of these non-conventional measures than central banks are generally willing to let on," he said.

And in growing signs of concerns ***over*** the potential cross-border impact policy change can have on other major developed markets, the ECB warned this week that Fed tapering talk posed risks to eurozone financial stability.

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>Some central banks in smaller advanced economies could start raising interest rates early next year - New Zealand is tipped to be the vanguard. "When that news really starts to hit us, it is going to be very significant for forex," says Jane Foley, ***foreign*** exchange strategist at Rabobank.

Highlighting how central banks have acted in tandem, their balance sheets have all expanded massively since the collapse of Lehman Brothers investment bank late 2008. While the Fed has grabbed the headlines and created market volatility merely by mentioning the possible tapering of its $85bn-worth of monthly bond buying, its balance sheet has expanded by almost $1tn to $3.86tn since the start of the year.

Lately the ECB'***s*** balance sheet has shrunk by more than a fifth to EUR2.94tn as banks have repaid funds borrowed through its three-year longer-term refinancing operations. Central banking is not just about printing cash, however. It is also about setting the tone and conditioning expectations. Both the ECB and BoJ are maintaining, in central bank speak, a firm "downward bias".

ECB policy makers have been forced to react to clear divergences in economic performance. Weak eurozone economic growth has been accompanied by high unemployment which, unlike in the US, shows scant sign of falling and inflation far below the ECB'***s*** target of an annual rate "below but close" to 2 per cent.

Central banks' record this year in effecting shifts in policy smoothly is not great. Initial hints about "tapering" by Ben Bernanke, US Federal Reserve chairman, in May pushed US market interest rates sharply higher and created levels of volatility not seen for two years.

"Increased volatility will be a feature of the post-Fed QE world," says Ken Wattret, European economist at BNP Paribas. "But the problem of exiting from exceptional policy measures is probably a bigger concern than the complications associated with central banks heading in opposite directions when it comes to asset purchases."

Despite the US tapering talk, eurozone market interest rates have remained relatively stable. Yields on German Bunds, which historically have been closely correlated with US Treasury yields, have decoupled. Even when the Fed does start tapering, policies will remain ultra-accommodative across advanced economies, adds Peter Oppenheimer, chief global equity strategist at Goldman Sachs. "The broader message is that policy is going to remain very accommodative."

The ECB will be anxious, however, to ensure US Fed action does not prematurely tighten monetary policy conditions in the eurozone by pushing up borrowing costs in the region'***s*** weakest economies.

Divergence in central bank policies, "is a good sign to the extent that it tells you that the US economy is getting back to something like normal," argues Stephene Deo, head of global asset allocation at UBS. "You always have this phase where the US starts to pick-up and the Europeans are still easing. But there will be a pick-up in instability during the transition."

Housebuilders bore the scars of the Bank of England'***s*** decision to refocus Funding for Lending away from mortgages on Thursday, with share prices falling across the board.

While much of the optimism surrounding builders of late has focused on Help to Buy - the government-backed scheme offering top-up loans to first-time buyers - Funding for Lending has also helped boost mortgage approvals, driving companies from Bellway to Bovis to report their strongest sales since the financial crisis.

Shares in Barratt Developments, Taylor Wimpey and Persimmon - the UK'***s*** three biggest housebuilders by revenues - fared worst on Thursday morning, which Charlie Campbell, analyst at Liberum Capital, put down to their recent outperformance and their liquidity.

In late morning trading on Thursday, Barratt was down 4.8 per cent at 330p; Taylor Wimpey was down 7 per cent at 106p and Persimmon was down 7.2 per cent at £11.56.

Smaller companies took a hit too. Upmarket Berkeley Group fell 4.2 per cent to £23.28, while Bellway, the fifth-biggest housebuilder with £1.1bn in revenues, fell 4.5 per cent to £14.61.

Aim-quoted Telford Homes, which yesterday reported buoyant trading despite having yet to sell a single home under Help to Buy, fell 5.8 per cent to 344p.

Mr Campbell felt the reaction from the equity market was too strong. "One of the reasons Carney can take off Funding for Lending is Help to Buy is out there," he said.

He also pointed out that the bond market had barely reacted. Two and five-year swap rates were stable, he said, suggesting no impending rise in historically low mortgage rates.

Brussels is taking aim at industrial espionage with proposals to tighten laws so businesses can better safeguard their "trade secrets" from prying rivals.

The reforms put forward by Michel Barnier, the EU single market commissioner, aim to bolster defences against unlawful acquisition of information that is commercially valuable and secret but not covered by a patent.

His plan ***involves*** harmonising and strengthening laws across the EU, so that "trade secrets" are explicitly recognised and companies that fall victim to a theft or unlawful disclosure can seek redress in the courts.

Trade secrets range can range from anything from technical processes for making bathplugs, to innovative marketing strategies, valuable customer lists, or recipes for market-beating cakes or pies.

Unlike a book or trademark or patented technology, the holder of a trade secret has no exclusive right to it. Rivals seeking to close a competitive gap can legally reverse engineer the information. The proposed reforms, unveiled on Thursday, only target methods for obtaining information that are illegal, such as espionage, bribery or theft.

Mr Barnier said: "Cybercrime and industrial espionage are unfortunately part of the reality that businesses in Europe face every day. We have to make sure our laws move with the times and that the strategic assets of our companies are adequately protected against theft and misuse."

Harmonisation of laws on intellectual property and related areas can be contentious within the EU, since some member states have starkly different perspectives. The proposal also comes at a late stage in the Brussels legislative calendar, with about five months left before the European parliament breaks for elections.

The European Commission estimates that 20 per cent of European companies were victim to an illegitimate attempt to obtain a trade secret ***over*** the past decade. Two in five companies think the risk of misappropriation increased ***over*** that period.

Antonio Tajani, industry commissioner, said such protections were particularly important for smaller companies. "They employ trade secrecy more intensively than larger companies - in part because of the cost of patenting and protection against infringement."

A majority of EU member states already cater for the protection of trade secrets in law. However, countries such as Germany, Denmark and Spain do not explicitly define what a trade secret entails.

The UK, Belgium, the Netherlands and France include no specific provisions for trade secrets in civil law and protection against misappropriation often depends on interpretations of common law. The commission sees its proposal as broadly aligning Europe with civil law protections in the US and Japan.

For the past six years, the world'***s*** main central banks have been singing largely from the same hymn sheet - shoring up financial systems and printing money to support economies. Now, they are starting to do their own thing. Here are six charts that show the diverging fortunes of these key economies (US, eurozone, Japan, UK).

While the Xbox One console is delivering Apple-like revolutions to TV viewing, the iPhone maker could yet take on Microsoft, Nintendo and Sony at their own game.

At its annual Worldwide Developer Conference this summer, Apple quietly announced a new scheme to allow peripheral makers to create "made for iPhone" games controllers. These joysticks would attach to an iPhone and be used to control a game on the small screen, replacing the touchscreen controls that are often too fiddly for fast-paced games.

Logitech'***s*** PowerShell and Moga'***s*** Ace Power both cost around $100 and make an iPhone look a little like a PlayStation Portable or Game Boy. For now, only a minority of the games available on Apple'***s*** App Store are compatible with these controllers but as sales of the peripherals increase, that is likely to change.

Games developers used to complain that Apple was less enthusiastic about promoting them than other kinds of apps or media but many say that has changed ***over*** the past year. Some speculate that gaming could play a more central role in any living-room push by Apple, with these controllers just one step in that direction.

However, other technical advancements are still required, analysts say.

"What Apple could release in the next six months is probably not competitive with a console," says Ben Bajarin, tech analyst at Creative Strategies. Apple can already let people show games from their phone on a TV set through its Apple TV box'***s*** Airplay feature but for now, latency problems - the delay between pressing a "jump" button on the phone and the onscreen character leaping into the air - have limited its appeal. Some WiFi equipment makers are starting to include the 60 GHz frequency that would allow for much faster transfer speeds and lower latency, which could solve this problem.

Apple would also need to improve Game Center, its social gaming hub, to allow for multiplayer matches, Mr Bajarin says.

"This is going to take some time," he adds, "but some of the pieces are starting to show up."

When Ikea entered the US in a big way in the 1990s, its executives were bemused by the number of vases they were selling. Slowly it dawned on workers at the Swedish retailer that Americans were buying them not to put flowers in, but to drink from: the European-style glasses Ikea stocked were just too small for US tastes.

That cultural misstep - along with others such as mattresses that were too hard and measured in centimetres, not king or queen size - was soon corrected. But the tension between the Swedish heart of the world'***s*** biggest furniture retailer and its far-flung outposts remains.

The latest demonstration came last week when French prosecutors placed the company and its two top executives in the country under formal investigation ***over*** spying allegations.

The probe is focusing on ***claims*** that Ikea'***s*** managers in France illegally obtained police records of their employees to check if they had dodgy pasts. According to people familiar with the investigation, it is less concerned with another alleged spying angle uncovered: that Ikea may have used private detectives to check up on disgruntled customers.

Ikea itself says it is committed to finding out exactly what went wrong and putting it right. But the investigation - and a number of other controversies ***involving*** the flat-pack furniture group around the world - highlights the challenges for Ikea as it aims to double its revenues by 2020 to EUR50bn by growing rapidly into new countries such as India and Egypt.

Founded in the small town of Älmhult in a province known as the Bible belt of Sweden, Ikea has maintained a strong culture rooted in that thrifty and moral background. Co-workers, as Ikea calls its staff, are recruited heavily on values and beliefs rather than purely skills or experience.

Visitors to Älmhult are sometimes unnerved by what former Ikea executive Johan Stenebo has described as a cult-like atmosphere: the Ikea hotel in the town has two bedside books, the Bible and an Ikea catalogue.

Ikea'***s*** founding tract in many ways is the 1976 manifesto of its founder Ingvar Kamprad, "The Testament of a Furniture Dealer". It contains slogans such as "Expensive solutions to any kind of problem are usually the work of mediocrity", and "Only while sleeping one makes no mistakes".

The culture has certainly contributed to Ikea becoming one of the most successful retailers globally, avoiding some of the severe problems companies such as Walmart, Carrefour and Tesco have experienced in their efforts to expand internationally.

But both current and former executives question if the Swedish group will be able to keep that culture intact as it expands into ever more countries and ups its number of store openings.

It is not just in France that Ikea has had problems recently. In Russia it fired two senior executives in 2010 for tolerating bribery. More recently, it has faced criticism ***over*** its literature by airbrushing women out of its Saudi Arabian catalogue and excising an article on a lesbian couple from its magazine in Russia.

Senior Ikea executives acknowledge that adapting the company'***s*** culture to national norms is a huge challenge. Controversies such as that in France offer good potential for lessons, they add.

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>Ikea was rolling out a new global code of conduct at the time and implemented it in France first with exercises with all employees. It also put in a new legal department, risk manager and compliance ***rules*** in France.

Similarly, with its product range Ikea is imposing a slightly less one-size-fits-all approach. Most of its furniture is the same whether in the Dominican Republic or China, but there are a few country-specific products where it makes sense. Store managers also have the freedom to arrange the example bedrooms, kitchens and living rooms on the top floor of Ikea shops as they see fit, taking into account local sensitivities.

Mr Kamprad and his former assistant, Ikea'***s*** new chief executive Peter Agnefjäll, seem more aware of the dangers than most. The company still aims to increase the number of store openings from what Mr Agnefjäll describes as a record low last year of five. But it has abandoned a plan to up the pace to 20-25 a year, a speed that worried Mr Kamprad, who favoured 10-12.

Many older Ikea managers remember the indigestion that followed previous expansion drives such as the one into the US.

The prize of getting access to the wallets of the growing middle classes in places such as India and China is a big one for Ikea. But it needs to ensure its southern Swedish values are not compromised to get there.

Richard Milne is the FT'***s*** Nordic Correspondent

The war of words ***over*** the definition financial regulators should use for the process of raising money from online backers escalated after the head of the crowdfunding industry'***s*** trade group accused her peer-to-peer lending equivalent of being unhelpful and inaccurate.

Julia Groves, chair of the UK Crowdfunding Association (UKCFA), was responding to ***claims*** by Christine Farnish, her counterpart at the Peer-to-Peer Finance Association that the Financial Conduct Authority displayed a worrying ignorance of the fast evolving market by using the word "crowdfunding" as a catch-all for both debt and equity fundraising.

"Any suggestion that crowdfunding is just about taking equity in early-stage businesses is both unhelpful and entirely inaccurate," Ms Groves said.

She added that there are crowdfunding platforms that do facilitate loans through debt-based securities, which raise money for existing businesses and infrastructure with relatively low-risk investment through debentures and bonds.

The argument ***over*** the words used by the FCA in its consultation about regulation of the online fundraising market started when Ms Farnish criticised the FCA for using the phrase "debt-based crowdfunding" in its consultation on regulation.

"Language is important," she said. However, it is more than just a battle of semantics.

Both sides are keen to see the market legitimised by government regulation but are concerned that providers, whether they be peer-to-peer lenders or crowdfunding marketplaces, will be penalised if the ***rules*** are poorly framed.

Crowdfunding has become a catch-all term for various funding proposals, ranging from people taking equity stakes in new ventures to causes looking for donations to get off the ground.

Kickstarter, the world'***s*** largest crowdfunding platform, has a stated mission to help bring creative projects to life. Those pledging money ***over*** the platform tend to be offered free samples or special experiences rather than shares in return for their cash.

Those that call themselves peer-to-peer lenders differentiate themselves from such crowdfunders by focusing purely on linking companies and individuals with those willing to lend them money at a certain rate of interest.

The FCA tried to create a distinction between these different forms of web-based fundraising by announcing plans to create separate levels of regulation for debt and equity funding services, Ms Groves noted.

This, she ***claimed***, was more important than arguing whether debt-based fundraising should be classed as crowdfunding or peer-to-peer lending.

"The characterisation of peer-to-peer simple loans versus debt-based crowdfunding models as low-risk versus high-risk is, in our view, a mistake," she said.

"Both models allow retail ***investors*** to access lower-risk assets, but where there is a debt security or a retail bond the funds are raised by a public limited company with a full offer document and higher standards of disclosure. That these should be treated as higher-risk than a simple loan is counterintuitive."

The London Stock Exchange Group is to resign from the World Federation of Exchanges, the main trade association for global bourses, according to two people familiar with the situation.

The highly unusual move to leave the WFE comes only four years after the LSE withdrew from the Federation of European Securities Exchanges, a European equivalent association. The WFE has been notified and a formal letter is being prepared, the people said.

The LSE'***s*** withdrawal comes as the WFE prepares to move its headquarters from Paris to the UK capital in coming weeks, seeking to forge stronger links between its members and their main users, investment banks and institutional ***investors***.

The WFE, founded 53 years ago, counts most of the world'***s*** largest exchanges as its members, including CME Group, NYSE Euronext, Deutsche Börse, BM & F Bovespa of Brazil and Hong Kong Exchanges and Clearing.

However the LSE'***s*** departure illustrates growing tensions between WFE members ***over*** key issues such as criticism of banks' off-exchange trading activity. Some of the criticism is not shared by some exchanges that see their interests increasingly aligned with the banks.

Xavier Rolet, chief executive of the LSE and a trading executive at Lehman Brothers and Goldman Sachs, has focused on improving relations with the LSE'***s*** 15 biggest customers, mostly banks, in his four year tenure. The group'***s*** Turquoise trading venue also runs one of Europe'***s*** largest and fastest-growing "dark pools".

Spokespeople for the WFE and the LSE declined to comment.

The narrative is pretty familiar by now: global trade talks hit an impasse because of a stand-off between the rich world and the poor world; anti-globalisation protesters storm the barricades; and advocates of free trade slink away with their tail between their legs, disappointed again.

When ministers from the 159 members of the World Trade Organisation gather in Bali next week there will undoubtedly be protesters assembling nearby. But there is a good chance the other dynamics are going to be very different.

For one, there is still, according to many ***involved***, a strong possibility that the first global trade deal in the 18-year life of the WTO will be secured.

A tale of two parts: London and the rest of the UK

When Roberto Azevêdo this week called time on the frenzied Geneva negotiations he launched when he took ***over*** as the WTO'***s*** director-general in September, the temptation was to conclude that the whole exercise had collapsed.

It has not. In plenty of capitals this weekend officials will be trying to draft a plot with a happy ending for the global trading system.

With good reason. The cost of failure is higher than it has ever been - there is a broad consensus that if the WTO doesn't deliver something next week it will be a fatal blow to its function as a venue for trade negotiations. Plus, as Mr Azevêdo told WTO members on Tuesday: "We have made more progress in just the last few weeks than we have ***over*** the past five years."

There is also another new dynamic that may say more about the state of the global economy. When they gather in Bali it will be very hard to separate the camps into the "north" and "south" division that has dominated in the WTO for most of its life.

Increasingly caught up in their own slowing economies, the Bric economies are fracturing. Brazil, China and Russia have signalled their backing for a deal. So too have African countries and the influential Afro-Caribbean-Pacific group of small states. All of them seem satisfied with what has been negotiated in Geneva.

Their reasoning is clear. The main pillar of a Bali deal would be a new set of ***rules*** to remove red tape and ease the flow of goods across borders around the world. By some estimates, it would add a $1tn to global commerce. Emerging economies would be big beneficiaries.

The main hurdle now is India'***s*** apparent desire to renegotiate a "peace clause" related to how WTO ***rules*** account for government food security programmes.

The food security discussion was started by the G33 group of developing nations. Their goal is to recalibrate the WTO ***rules*** on pricing formulas and subsidies that apply to governments supplying rice and other staples to the poor. And their argument has some merit: the ***rules***, they rightly plead, are stricter than those governing the rich world'***s*** export subsidies for farmers.

But in September, at China'***s*** urging, the group along with India, the US, EU and others decided negotiating a permanent solution was beyond reach in time for Bali. Better, they decided, to agree on a temporary ceasefire. And since then the negotiations have been ***over*** the terms of that "peace clause".

Last week in Geneva the G33, including India and others signed off on a four-year clause, during which time a permanent solution could be found. But by the weekend there were reports in the Indian press that it was unhappy with that and in Geneva it started objecting to issues related to the main "trade facilitation" text that it had little interest in before.

India still has not announced its intentions publicly - a cabinet meeting to discuss a "final" position convened on Thursday. The fear, however, is that in Bali, Anand Sharma, India'***s*** trade minister, will replicate the 2008 manoeuvre that saw one of his predecessors, Kamal Nath, effectively quash a deal on behalf of the developing world.

But the scenario this time around appears very different. If India kills the deal in Bali it will not be as a champion of the poor world.

Based on this week'***s*** carefully calibrated body language in Geneva, India this time has support only from Bolivia, Cuba, Venezuela, Zimbabwe and South Africa, diplomats there say. Indonesia, the current head of the G33, has expressed frustration with the hold-up. So too, quietly, have other developing nations.

That means that, deal or no Bali deal, the dynamics in the WTO are changing.

In Los Olivos, a sprawling Lima neighbourhood, Cindy Mamani is late for her law class at César Vallejo university, where she is studying to be an ***attorney***.

Though she pushes through a crowd of students clutching library books, the 18-year-old still has time enough to talk proudly of how she is the first in her family of mixed-race Peruvians to set foot in a higher education institution. "My parents worked really hard for me to get here," she says.

Ms Mamani'***s*** story is emblematic of the social transformation of Peru, feted ***over*** the past decade as South America'***s*** fastest growing economy. Furthermore, although the "emergence of a new middle class" is a common story across emerging markets, what distinguishes Peru is that it has been driven by a sustained investment boom rather than the stalled consumption binge of some of its regional peers, such as Brazil.

Despite slower Chinese growth and fears of Fed "tapering", Peru'**s** $210bn economy is forecast to grow more than 5 per cent this year, according to estimates by the International Monetary Fund, versus a regional average of 2.6 per cent.

"What'***s*** different about the Peruvian phenomenon has been the speed at which the middle-class has grown," says Rolando Arellano, an eminent local sociologist. "The latest generations have only seen progress and want to keep progressing."

A generalised propensity to invest seems to be one of the main reasons behind Peru'**s** continued growth - and not just in cases such as Ms Mamani, or her 35,000 fellow students, who spend an average of $150 a month on tuition fees.

Last year, investment was 28 per cent of gross domestic product, much of it in mining, matching Asian-style rates. The country is the world'***s*** third-largest producer of copper and silver, and sixth largest gold producer, and Ollanta Humala, the president, says there is a pipeline of mining investments estimated at some $60bn.

That investment-fuelled growth has in turn sliced poverty rates in half to a quarter of the population and created a middle class now estimated at roughly half the population. Indeed, according to an October survey by Latam Confidential, a sister publication of the Financial Times, Peruvians are currently a third more likely to invest in education than their regional peers, and almost twice as likely to buy health services. "The driver of our growth is, in large part, sustained by the new middle-class," says Carolina Trivelli at the Institute of Peruvian Studies, a think-tank.

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>Even so, not even Peru has been able to escape the generalised slowdown that hit Latin America this year. Growth slowed in the third quarter to 4.4 per cent from 5.6 per cent in the previous quarter. "We are not doing badly, but we got used to being a shining star," says Oswaldo Molina, an economist in Lima who attended Oxford university. "We have to get used to that shine being tarnished."

Economists warn of the fragility of Peru'***s*** new middle-class and the need to push ahead with other reforms to sustain the boom in a country that suffers from weak institutions and where much of the economy is informal and thus untaxed. That, plus slowing growth and fears of rising crime in the world'***s*** largest producer of coca leaf, has also sapped Mr Humala'***s*** popularity, which slumped to 26 per cent in October. Two years into his presidency, he is also on his fourth prime minister.

Politics aside, officials remain upbeat. "The economy has bottomed out and there is no other way but up," says Julio Velarde, head of the central bank. Miguel Castilla, the finance minister, says he expects the economy to grow 6 per cent next year "or even more".

Officials also brush aside potential risks, such as Peru'***s*** current account deficit, which is equivalent to 5 per cent of GDP but covered by ***foreign*** direct investment, and point to numerous free trade agreements as a sign Peru is "open for business".

Furthermore, if the economy does slow next year, the country can turn to a stabilisation fund where accumulated budget surpluses have been deposited. Fitch, the rating agency, estimates the fund will have $9bn by this year'***s*** end.

For economists such as Mr Molina, though, the central question is for how long will Peru'***s*** new middle class continue to feel buoyant. One worrying sign is a slowdown in the pace of private investment, which is growing at only 2 per cent, its slowest rate in four years. Ms Mamani sees the problem - but has no answer to it. "By having the opportunity to study, I know I can have a prosperous future, and I am thankful," she says, rushing to the classroom. "I just want the people in power to find a way to make all of this sustainable."

Additional reporting by John Paul Rathbone in London

It had to happen. A Martian landing from outer space and looking for somewhere to live in the UK would immediately realise that government incentives are pumping up Britain'***s*** housing sector and house prices.

Take a couple of recent indicators. Nationwide'***s*** house price index was up 1 per cent in October and almost 6 per cent year-on-year, while the National Institute of Economic and Social Research lifted its 2014 house price inflation forecast from 0.5 to 5 per cent-plus. No wonder the authorities are redirecting one of these incentive schemes - Funding for Lending, which provides banks with access to low-cost funding in return for commitments to keep lending to households and businesses - away from the housing market.

Housebuilders' shares slipped 3 - 5 per cent on the news. That is a very modest adjustment set against the fivefold increase seen in many cases ***over*** the past five years. But it looks a wise one. The authorities deny that there are implications for the more targeted "Help to Buy" scheme, now expanded from assistance to buyers of newly built homes to wider aid.

But if price inflation builds, fears of an early winding-back of HTB may persist. And that means the case made by housebuilding bulls - that the highly cyclical sector learnt a hard lesson in the last crisis and that things will be different this time round - will be thoroughly tested.

The argument is not without merit. Land prices are not yet exorbitant and the share of houses built on older, low-margin land is still falling. Executives may, indeed, be more disciplined in the face of rising house prices and deploy cash return policies to ***investors***' advantage. But, as economic conditions improve, smaller builders may also return to the sector, increasing competition. Above all, valuations are now rich, with the sector'***s*** price-to-book value well ***over*** 1.5, a level rarely sustained for long. ***Investors*** should be wary.

Email the Lex team in confidence at *lex@ft.com*

The Chinese government has applied a modern solution to China'***s*** ancient tradition of petitioners travelling to Beijing to seek justice, but a new website to collect complaints seems to have retained many of the flaws of the old system.

The numbers of Chinese who petition in search of redress ranging from compensation for seized land to justice for murdered relatives is staggering. ***Over*** 6m Chinese submitted petitions in the legally approved way in the first 10 months of 2013, according to the bureaucracy set up to receive their complaints.

In the absence of democracy, the ancient system of petitioning is supposed to act as a social safety valve, allowing subjects to complain directly to central government about regional leaders in the provinces.

Zhang Enxi, deputy director of the State Bureau for Letters and Calls, pledged "one-stop reception, co-ordinated management, and complete resolution" as he unveiled a progress report on the new website on Thursday.

But petitions received through the website are still referred back to local authorities for resolution, a practice that puts the supplicants directly back into the hands of the people accused of causing the problem in the first place. Of the 137,000 cases submitted to the new website the bureau set up this summer, 95,000 were passed along to other bureaucracies while the rest were declared redundant or otherwise invalid.

A lot of people are quite savvy with the internet but moving it online doesn't solve the problem of how the issues are addressed," said Maya Wang of Human Rights Watch in Hong Kong, adding that petitioners who persist after initial complaints are not answered often face punishment.

Many people have been on the petitions trail for years, bouncing back and forth between Beijing and their hometowns without redress.

"I've done everything, I've been through all the procedures, and they still won't resolve my case," a weeping woman named Zhao Min from Xingtai in Hebei Province told the Financial Times while plainclothes policemen filmed an impromptu protest outside Thursday'***s*** press conference. She has been petitioning unsuccessfully since 1997 for punishment for the crowd of drunks who killed her 16-year old son on the street outside her home.

Most petitions relate to rural land grabs or destruction of houses for urban construction, with labour and pension issues the third major category. But the desperate petitioners who flock to Beijing often bear more personal tales of unpunished murders, fatal police beatings, deaths due to medical negligence or private mines seized without compensation.

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>Mr Zhang said there will be a greater effort to divert legal cases to the judicial system. In China, courts are also often directly under the control of the local government but reforms announced during a policy gathering of the ***ruling*** Communist Party earlier in November included pledges for a more independent judiciary.

Chinese police vans are regularly stationed at the entrances to Tiananmen Square and other gathering points to intercept petitioners. Petitioners gathering outside the UN embassy in Beijing this month - shortly before China won a seat on the UN Human Rights Council - were so numerous that police buses were dispatched to pick them up.

Some petitioners have suffered so much injury or become so obsessive in their quest that they lose sight of their original complaint. Xu Dajin of Jiangsu Province began petitioning after thugs hassled him for complaining about mining wastewater that destroyed his tea oil trees. He got some compensation, but he thought it was not enough. The damage destroyed his chances of saving up enough money to get married, he said. "I felt despair because the government said it would be resolved but it never was," he told the FT

<>By his own admission, Mr Xu has attempted suicide while on the petitions trail. "I didn't have a cent left, I hadn't eaten in a few days, and I was afraid they would send me back to the local government." He waded into a canal in Beijing but was fished out by police, who shipped him off to a mental hospital in his home town.

Chased down in a Beijing park a few weeks ago, Mr Xu is once again in a mental hospital in Jiangsu, which refuses to release him to the care of his mother and sister.

A mental health law that took effect on May 1 2013 requires admissions to be voluntary and under a qualified physician'***s*** supervision. But Chinese Human Rights Defenders, a group that tracks activism in China, says incarceration in mental health institutions is still often used to get rid of awkward, persistent petitioners and other troublemakers.

Mr Zhang declined to give statistics on how many petitioners have been sent to mental institutions. He also denied that "legal petitioners" are held in extralegal or 'black' jails, the most notorious of which, Majialou in Beijing, can hold hundreds of people at a time to be collected and sent back to their home provinces.

The few dozen militiamen guarding the frontier at the last military garrison along Libya'***s*** desert border with Niger and Chad are unable even to protect their own base. They remove the batteries from their trucks every night so the thousands of migrants who make their way north towards Europe each day cannot steal their cars.

Yet this dusty, barren outpost - the nearest real town is a two-hour drive through the desert - is the first line of defence against a booming trade in human trafficking, that is making waves in Europe.

"We're out here in the middle of nowhere," said Aji Lendi, a soldier in the barracks. "We are unable to do daily patrols because we don't have proper resources. We pay for gasoline out of our own pockets. We even have to pay to replace our own tyres. The world ought to be paying attention here. But there has been no action taken."

European officials and human rights monitors are increasingly alarmed by an apparent spike in illegal arrivals of migrants crossing the Mediterranean. Many of these have made their way from Africa, past the desert tundras that surround al-Wigh, an airstrip and military base considered the last outpost before the Niger and Chad frontiers about 130km to the south.

Drug and alcohol smugglers as well as migrants have long used sparsely populated and porous Libya as a transit point to Europe. But security officials worry the problem has become worse since the country'***s*** 2011 revolution, which toppled Muammer Gaddafi'***s*** regime and swept away his security forces.

"The problem of illegal immigration and smuggling routes has been persistent for years, even before the revolution," said Ali Adam Beli, deputy chief of the Supreme Security Council, a branch of Libya'***s*** ministry of interior, in the southern city of Murzuq, where migrants make their way from Libya'***s*** eastern and southern deserts. "It'***s*** completely impossible to secure the borders with the resources we have."

While Gaddafi had networks of informants among the smugglers, the nascent and inexperienced Libyan security forces - based on tribal militias that sprang up after the revolution - are the only line of defence this far south. "Who'***s*** going to call us with tips?" said Mr Lendi. "We're the ones who report what'***s*** happening."

Libya'***s*** human trafficking business is rooted in centuries-old trade routes. Ethnic Tebu and Tuareg Libyans, many of them used to nomadic desert lifestyles, have longstanding tribal and family ties across the borders to Niger and Chad.

In recent years, trucks loaded with Libya'***s*** subsidised fuel, flour and sugar have crossed the border towards Niger and Chad, and come back loaded with migrants who pay sometimes exorbitant fees to get into Libya to find work or make their way across the Mediterranean to Europe. ***Over*** the past few years ethnic Arabs have gotten into the lucrative game as well.

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>Migrant smugglers can earn up to $1,700 per cross-border run, before bribes to officials and bandits along the way. A less risky run from the border to Sebha, the de facto capital of southern Libya, might rake in about $600 per run.

Transporting an illegal migrant all the way from the border to Tripoli might earn a smuggler $400 per head. Many smugglers say prices have started to decrease as more smugglers have flooded the market. Those in the riskier business of sending drugs or alcohol can earn $20,000 per run. By comparison, an average civil servant in Libya makes about $500 per month. Risks are low. Those caught and arrested smuggling are often let off with modest fines.

Some local officials in southern Libya estimate that 70 per cent of the young men in their towns and villages make their living from smuggling. "The problem is that young people are being lured into this lucrative business," said Mohamed Bady, a 32-year-old activist and student. "Rather than go to school they may want to get ***involved*** in trafficking."

The business hurts Libya in other ways. Competition to control smuggling routes often underlies the clashes between rival ethnic and tribal groups, such as a violent outbreak between Tebu and Arab tribes last year that left more than 150 dead. And Narcotics smuggled in from abroad have made their way into the hands of unemployed youth.

In addition to Europe, much of north Africa is also increasingly worried by the situation in Libya. Egyptian officials regularly seize weapons and drugs along their 1,115km desert frontier with Libya. In one November 15 bust, Egyptian armed forces reportedly seized a cache of sniper rifles with ammunition and 2,500 Tramadol pills. The US, UK, UN and Arab League have all provided training to Libyan border guards.

But Libyan security forces say they're overwhelmed. Mr Lendi said the 300 or so men who work in rotating two or three-week shifts at al-Wigh, under the authority of the ministry of defence, are often outmanned and outgunned. Just a few weeks ago, several members of the brigade were killed in a shootout with alleged drug traffickers.

The tide of people willing to pay huge amounts and take enormous risks to cross borders also dwarfs interdiction efforts. Abukar Sadek, a 25-year-old from Burkina Faso being held at al-Wigh, said he spent three weeks in the desert slowly making his way towards Libya.

"The road was very dangerous," said Mohamed See, a 27-year-old who said he sold his failing store and paid the equivalent of $1,500 to get himself from his home in Mauritania to Libya, where he was caught by border guards. "But I agreed to go anywhere the smugglers agreed to take me. I left home to find a job."

Labour will call for action to prevent mobile, broadband and pay-TV customers from being "ripped off" in the latest political attempt to seize the initiative on the rising cost of living.

The eight recommendations, which will be announced this week by Helen Goodman, shadow culture secretary, range from stopping "bill shock" and preventing nuisance calls, to helping consumers switch bundled television and telecoms services sold by companies such as BT and Sky.

Labour'**s** plans will be revealed before similar proposals that had been prepared for announcement on Wednesday this week by the Department for Culture, Media and Sport, according to people familiar with the situation.

However, the timing of these proposals, which were being drawn up as Downing Street looks to regain ground in the cost of living debate from Ed Miliband, has slipped until next week.

One person familiar with the plans said the delay was due to scheduling clashes with other policy announcements, although industry sources complained that the policy was being drawn up on the hoof.

Company executives met with DCMS officials last week to agree concessions designed to reduce inflation in the cost of basic services, as well as cut unexpected charges and bill hikes.

However, as late as Monday, telecoms groups were still lukewarm about the different drafts being sent out by the DCMS, which cover areas such as roaming fees, pricing transparency and capping consumer costs from theft.

Executives said that they would likely sign up to the government plans, however, in part because they are largely in line with moves already on the cards from European regulators and Ofcom, the British telecoms watchdog.

"We are just debating the wording now," said one person on Wednesday night. "There is nothing too radical."

Since Mr Miliband, Labour leader, came out against rising energy costs recently, Downing Street wants to use the Autumn Statement in December to help households with the rising cost of living.

The Labour proposals on telecoms go further than those being discussed between the government and the industry, although they cover similar ground in addressing roaming charges and "bill shock".

Several recommendations are designed to help pensioners in particular, including moves to cut the cost of monthly line rentals by BT and provide free caller identification for nuisance calls.

Labour wants to make it easier for customers to switch bundled products of pay-TV, broadband and phone. Such a policy may need legislation to enforce, or at least changes to the powers of Ofcom to push through such policy.

Ms Goodman said: "Having a mobile or a fixed line should not be a luxury item - most people need them in their everyday life. It'***s*** time the government took action to protect consumers against the great phone rip off."

Prove Adam Smith wrong. "Projects of mining, instead of replacing the capital employed . . . commonly absorb both capital and profit." Maybe Rio Tinto boss Sam Walsh can. Digging out 360m tonnes of iron ore per year from Australia'***s*** Pilbara desert will be $3bn cheaper than first thought. The mining major says it can find more ore in existing holes in the ground than in digging new holes. Yet Rio still has the pedal to the metal. Production will rise from 290m tonnes to ***over*** 330m tonnes by 2015, two years before the full ramp-up. Each additional tonne of capacity will absorb $120 to $130 per tonne of capital, versus earlier guidance for $140. Less capital intensity is what ***investors*** want from miners these days, isn't it?

Investors will not mind so long as they own a super low-cost producer which can afford to move first, like Rio. By increasing volumes, Rio can cope with a dip in iron ore prices. Take the extra 40m tonnes for 2015 implied by the new timetable. It may not overwhelm the market, but it is a lot of iron ore: equivalent to half the expected production growth from China that year, says Liberum. Cash costs for China'***s*** domestic producers are likely to be some way above the $23 per tonne which Rio gets in the Pilbara. Even other majors, such as BHP Billiton, do not come out well on this score. Some justification then for the relative outperformance of Rio'***s*** shares versus other miners this year (although they are down 8 per cent in the year to date.)

Could Rio return capital to shareholders? Having approved the Pilbara expansion, it could try generating cash next year through selling non-core assets. But as Rio has found this year, it is not so easy to flog off aluminium or diamonds, especially when compared to the buyers BHP could arguably find for its oil assets. One for Wealth of Nations readers to bring up at Rio'***s*** ***investor*** days next month, perhaps.

Email the Lex team in confidence at *lex@ft.com*

Every week a business school professor, an expert in his or her field, defines a key term on FT Lexicon, our online economics, business and finance glossary.

Our professor this week

David Walters is honorary professor of logistics and supply chain management at the Institute of Transport and Logistics Studies at the University of Sydney. He has held posts at the universities of Western Sydney (Sydney Graduate School of Management, where he was professor of value chain management), Macquarie University, where he was professor of marketing and head of business studies department, Oxford university, where he was a fellow in marketing at Templeton College and Cranfield School of Management, where he was a senior lecturer in marketing logistics.

He earned his BA at the University of Alberta, an MSc at Bradford University School of Management and a PhD from Cranfield School of Management.

He currently teaches and researches global value chain management and value chain costing. His research interests are focused upon manufacturing and distribution networks and their application to global value chains. A particular interest is the micro-multinational business model and its application to the development of Australian manufacturing. He has published a number of textbooks in business and marketing subjects, the most recent, Managing in the Value Chain Network was published in 2012. He has also published more than 30 articles in professional journals.

Prof Walters has teaching experience across a wide range of continents including North America, The Middle East, Europe, Asia and Africa. In addition to his wide teaching experience, he has acted as a consultant for a number of international companies.

Prof Walters has chosen to define Mittelstand.

Why Prof Walters thinks it is important to understand Mittelstand

"The 'Mittelstand model' is becoming significant in the current business environment within which global value chain networks are competing with each other," says Prof Walters. He points out that recent data from EU countries indicate that specialist SMEs (small and medium-sized enterprises) in global B2B (business to business) markets are leading the recovery in those countries experiencing an upturn.

"Specialist expertise and a strategy of targeting niche markets has been, and continues to be, successful in both difficult and less complex economic circumstances," Prof Walters says. He thinks both German and Japanese models show a planned approach to management succession, strong employee loyalty and an ability to fund a portion of their activities from internally generated funds. "These characteristics have clearly contributed to their success," says Prof Walters.

To find out more about Mittelstand, click on the linked terms.

One by one, Japanese electronics makers have fallen by the wayside as competition intensifies in the smartphone market: Panasonic and NEC both abandoned the business altogether this year, while Fujitsu and Sharp now only sell their smartphones within Japan.

The last Japanese company standing is Sony, where improving sales of its Xperia smartphones helped narrow the operating loss in its computer and smartphone division to Y900m last quarter from Y23.1bn the same quarter a year ago.

Sony, which has come under pressure from activist ***investor*** Dan Loeb and recently appointed Bain & Co to advise it on cost-cutting in its Sony Pictures unit, is relying in part on growing mobile sales to turn the company around.

It expects smartphone shipments in the 2013 fiscal year to rise by more than a quarter from the previous year to reach 42m. That was one of the few targets that chief executive Kazuo Hirai left unchanged when he cut Sony'**s** full year net profit forecast by 40 per cent in October, under pressure from falling sales of TVs and other electronics.

Sony'***s*** optimism about its mobile business, however, is not shared by many analysts and observers.

"The company [Sony] plans to expand market share for its key products, but we see no signs of this happening," says Shiro Mikoshiba, analyst at Nomura.

As the growth of smartphones in more mature western markets slows, Samsung and Apple have established themselves as the dominant players with their strong research and marketing budgets, while a growing number of cheaper Chinese makers are carving out their place at the lower end.

The result was that Sony'***s*** global market share position fell from third to seventh in the past year, accord-ing to data from Canalys, the market research group. As an indication of the tough task facing Sony, Calum MacDougall, head of marketing at Xperia, said that "one of our key tasks is to make people aware that Sony makes smartphones".

Sony'***s*** strategy for making themselves stand out in a crowded marketplace, says Mr MacDougall, is straightforward: cramming the technology and entertainment from Sony'***s*** other divisions, such as cameras and games consoles, into pocket-sized devices that can also make phone calls.

The smartphone division has been a primary beneficiary of the sprawling group'***s*** attempts to foster more collaboration between its divisions, with recent products including a camera lens that snaps on to the phone and an offer of free Sony Pictures movies to Xperia owners.

That collaboration has potential, says Rachel Lashford, analyst at Canalys, but it has yet to translate into strong sales. Sales were up 9 per cent year-on-year last quarter, slower than total market growth of 44 per cent, according to Canalys data.

The vast Chinese market presents a further problem for Sony, according to analysts. To break into the list of top five vendors globally, says Melissa Chau, analyst at IDC, "they would pretty much have to crack that China problem."

The issue is not just price competition with domestic Chinese brands. Sony'***s*** sales there have also been hurt in the past by anti-Japanese sentiment.

Late last year, when China and Japan clashed ***over*** ***claims*** to islands in the south China Sea, Sony'***s*** sales fell dramatically, according to data from market researchers IDC. Although they have recently come back, so have tensions, as China ***claimed*** the airspace ***over*** those islands as part of its defence zone, forcing Japanese civilian carriers to notify it of their flight plans there.

Analysts say that Sony has increased its marketing budget by 50 per cent this year. Recent ads play up its connectivity with other Sony products such as its smartwatch, and some more unusual technical features that its competitors' phones lack - including the fact that users can take the waterproof phone for a swim.

"I like where they're going in trying to carve out niches. That'***s*** all you can do against a competitor such as Samsung," says Ms Chau.

A nervous White House is preparing to relaunch its online health exchange after a frantic weeks-long drive to repair a malfunctioning website that has severely hurt the administration'***s*** largest domestic reform.

The continuing problems with implementing the 2010 law, called the Affordable Care act, were underlined by the announcement on Wednesday, on the eve of the Thanksgiving holiday, that online enrolment on federal exchanges for small businesses would be delayed a year.

"We've concluded we can best serve small employers by continuing (an) offline process while we concentrate on both creating a smoothly functioning online experience," said a statement from the Health and Human Services Department.

Barack Obama had set a deadline of Saturday, November 30, for the online exchange to be fixed and up and running, to allow most individuals who use it to select and buy health insurance.

The botched initial launch of the reform has hit the electorate'***s*** view of Mr Obama, sending his popularity in a dive and denting his trustworthiness with voters, an area which he had managed to protect through the ups and downs of his presidency.

By mid-October, the last time full figures were announced, only 106,000 people had been able to sign up for insurance through federal and state exchanges, well short of the 500,000 target.

The relaunch from December 1 is being soft-pedaled by the administration, which fears the online exchange will be swamped by demand from people trying to sign up for insurance, as the website was on its launch on October 1.

White House officials say that the exchange will be able to manage up to 50,000 people at the same time, and promised the website will work for eight out of ten Americans who use it.

Just as important as getting people to sign up will be the type of paying customers the exchange is attracting. Unless a large percentage are young people, the market'***s*** risk profile will be higher, and overall premiums will have to rise.

Another aspect of the law also faces renewed legal challenge, with the Supreme Court agreeing this week to hear to cases ***over*** whether companies can refuse to provide insurance coverage which includes contraception, on the grounds of religious freedom.

Some parts of the law have worked better than others, with state exchanges operated by governors who support it operating far more smoothly than the federal exchange, healthcare.gov.

In a series of fundraising speeches in California this week, Mr Obama cited the state'***s*** figures that 350,000 people had now signed up.

"Thanks in part to the Affordable Care Act, healthcare costs are growing at the slowest rate in 50 years, and employer-based healthcare costs are growing at about one-third the rate of a decade ago," he said.

The number of people signing up for coverage for the Medicaid programme, which provides healthcare for the poor, is also growing rapidly. Medicaid was expanded under the law, although some Republican governors have chosen not to participate in the larger programme.

At first glance, Beijing'***s*** designation of an air defence zone in the East China Sea marks a calibrated escalation of its longstanding ***dispute*** with Japan about sovereignty of the Senkaku or, in Chinese, Diaoyu islands. A more worrying, and plausible, interpretation is that Beijing has decided to square up to the US in the western Pacific. East Asia is looking an ever more dangerous place.

When Xi Jinping met Barack Obama in California earlier this year, the Chinese president told his US counterpart the Pacific Ocean was large enough to accommodate two great powers. The inference was that the US and China should divide the spoils. Also implicit in the remark, though, was that China would not accept a status quo that saw the US remain the Pacific'***s*** pre-eminent power. At the summit, Mr Obama sidestepped the issue. Now it seems Mr Xi has decided it is time for China to start grabbing its share.

The Senkaku have been administered by Japan since the late 19th century, apart from a spell of US control after the second world war. China restaked a ***claim*** during the early 1970s, but for decades did little to press its case. Since the 2008 Olympics, Beijing has adopted a more assertive approach, making regular incursions into the ***disputed*** territory'***s*** sea and air space. This has prompted a US warning that the area is covered by the US-Japan mutual security pact.

This US commitment is now being tested. The question Beijing seems to be asking is how far will Mr Obama go to uphold the existing order. China'***s*** strategic objective is to push the US away from its coastline and establish its suzerainty in the East and South China seas. Does an America exhausted by wars in the Middle East have the political will to risk conflict in Asia in order to defend a few uninhabited rocks? It was probably no accident that Beijing'***s*** timing coincided with one of the most troubled periods of Mr Obama'***s*** presidency.

Washington'***s*** decision to send two B52 bombers into the newly designated "air defence identification zone" - flouting Beijing'***s*** demands that flights be notified and thereby risking "emergency defensive action" - suggests it understands the nature of the challenge.

Chuck Hagel, the US defence secretary, called the Chinese move "a destabilising attempt to alter the status quo in the region". Other US officials were less diplomatic. Beijing, though, is playing a long game. The $64,000 dollar question in east Asia is whether the US has the staying power to resist a sustained Chinese push for regional hegemony?

The immediate impact of Beijing'***s*** new flight ***rules*** is to heighten the already significant risk of an armed clash with Japan ***over*** the islands. The Chinese zone overlaps with Toyko'***s*** long-established ADIZ. The danger of miscalculation on both sides is far from negligible. In Shinzo Abe, Japan has a nationalist prime minister determined not to be cowed by his country'***s*** more powerful neighbour - nor to be ***over***-influenced by private US warnings that Tokyo should play its part in lowering the political temperature.

Mr Abe is an unabashed revisionist with a dangerous habit of airbrushing the nasty bits from Japanese history. He is also looking for an excuse to amend Japan'***s*** constitution to provide it with something more than a defensive military capability. A clash, accidental or intended, with China around the Senkaku would provide just such a justification.

This leaves Mr Obama in a distinctly uncomfortable position. The US has to make clear to China that it stands behind Japan in the ***dispute***, but at the same time it wants to avoid giving encouragement to Mr Abe to ratchet up tensions in the region. Each and every one of China'***s*** neighbours is watching closely to see precisely where Washington strikes the balance between these two objectives.

For the US there is much more at stake than its relationship with Japan. Beijing'***s*** stand-off with Tokyo ***over*** the Senkaku is one of many territorial ***disputes*** between China and its neighbours. The new airspace restrictions overlap with the South Korean zone as well as with Japan'***s*** territorial ***claims***. The Philippines is unhappy with Washington for what it sees as a US failure to give it sufficient support in its ***dispute*** with Beijing ***over*** a group of islands in the South China Sea. Vietnam has a separate quarrel with China ***over*** its maritime borders.

Consciously or otherwise, Beijing has now turned control of the air space around the Senkaku into a litmus test of the US security commitment to east Asia. For Washington to accept the Chinese restrictions would be to send a signal to every other nation in the region that the US cannot be relied on to defend the status quo against Chinese expansionism.

Yet to demonstrate its resolve as a resident east Asian power by constantly patrolling the ***disputed*** air space is to accept a new source of friction with Beijing. My guess is that Mr Obama, accused of presiding ***over*** a collapse of US power in the Middle East, cannot afford to back down ***over*** the Senkaku.

Chinese policy makers are nothing if not assiduous students of history. The rise of Germany at the end of the 19th century has long featured prominently in the curriculum of Beijing'***s*** ***foreign*** policy elite. China, these officials tell visitors, will not repeat the Kaiser'***s*** miscalculation in uniting Germany'***s*** neighbours in opposition to its rise to great power status. This attentiveness to the past now seems to be taking second place to China'***s*** determination to assert its power. History'***s*** mistakes are often repeated.

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Slater & Gordon, the world'***s*** first quoted law firm, continued its buying spree in the UK with the acquisition of Pannone, which has its headquarters in Manchester, for £33m.

Slater & Gordon, which publicly trades its shares in Australia, will complete its takeover of Pannone by February in a deal that will boost the Australian personal-injury specialist'***s*** UK headcount by 50 per cent, it said in a stock-exchange announcement published on Thursday.

The takeover is made up of a £25.5m cash payment and the issue of £7.5m of shares in Slater & Gordon.

"Pannone Solicitors delivers us the scale we believe is necessary to operate in the UK market," said Andrew Grech, Slater & Gordon'***s*** managing director. "Post-completion of this transaction, Slater & Gordon will hold the number one or two market share position in most consumer-law practice areas."

Not all of Pannone, which in the last financial year reported turnover of £45.6m and whose equity partners on average took home £239,000 each, will be included in the deal, resulting in a spin-off called Pannone Corporate created from what is left ***over***.

The tie-up between Pannone, which has a strong reputation in personal-injury work, and Slater & Gordon has been mooted for some months and comes amid a wider shake-up and consolidation of both the UK'***s*** £25bn legal market in general and the personal-injury sector in particular.

The Legal Services Act - known as the Tesco Law as its aim was to make buying legal services as simple as buying a tin of beans - came into force nearly two years ago and enables law firms in England and Wales to accept external investment, and allows companies that are not law firms to offer legal services.

The personal-injury market is especially attractive to external ***investors*** because high-volume work can be commoditised and carried out by more junior - and cheaper - lawyers. The government has also banned once-lucrative referral fees in an attempt to stymie what it terms a "compensation culture".

Slater & Gordon has bought other firms in the UK, including Russell Jones & Walker for £53.8m in 2012. It has made four smaller acquisitions in the UK since August, including that of John Pickering & Partners, a Liverpool firm of asbestos-***claims*** specialists, this week.

Slater & Gordon'***s*** stock exchange announcement revealed that it has extended its debt facility with Westpac and National Australia Bank from A$67.5m to A$215m both to fund the cash element of the Pannone acquisition but also to provide "ample funding headroom to drive future growth".

PetroChina, the country'***s*** largest oil and gas producer, has agreed to buy a 25 per cent stake in Iraq'***s*** West Qurna 1 oilfield from ExxonMobil of the US, in a deal that cements the dominant presence of Chinese energy groups in Iraq'***s*** oil sector.

Exxon will also sell a 10 per cent stake to Indonesia'***s*** Pertamina, bringing its total interest in West Qurna 1 down from 60 per cent to 25 per cent - though it will remain operator of the field. Royal Dutch Shell'***s*** stake remains unchanged at 15 per cent with Iraqi state entities owning the rest.

Exxon'***s*** relationship with the Iraqi government soured in 2011 when it signed six contracts to explore for oil in Iraqi Kurdistan without Baghdad'***s*** approval. The central government considers such contracts illegal.

The central Iraqi government has pursued a policy of blacklisting any oil company that did deals in Kurdistan, telling them they had to choose between the north and the south. But, unusually for a big ***foreign*** oil company, Exxon has managed to hang on to its interests in both parts of Iraq.

West Qurna, which is located about 50km northwest of Basra, is one of the largest oilfields in the world. Exxon estimates that West Qurna 1 will produce as much as 600,000 barrels of oil per day by the end of 2013.

PetroChina said in a statement that entering West Qurna would allow it to "achieve synergies with its other projects in Iraq" and help it develop "a larger and stronger presence in . . . upstream operations in the Middle East".

Chinese companies already have a big footprint in Iraq. CNPC, PetroChina'***s*** state-owned parent, is developing the huge Rumaila field near West Qurna, in a partnership with BP and Iraqi entities. PetroChina also has stakes in the Iraq'***s*** Halfaya and Ahdab fields.

The contract for West Qurna 1 was one of a number signed by big ***foreign*** oil companies in Iraq after the fall of Saddam Hussein. They were designed to rehabilitate oilfields that had suffered from years of war, sanctions and neglect.

But the experience has been dispiriting for the majors. Tough fiscal terms have made it hard for them to make money on the contracts. Infrastructure constraints, especially a shortage of pipelines and storage facilities, have hampered production and Iraqi bureaucracy has proved crushing. Imported equipment is often stuck in port for months waiting for customs clearance and it can take months to secure ***visas*** for employees.

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>Chinese companies, which have been mandated by Beijing to secure a slice of global energy supplies, are generally prepared to accept tougher fiscal terms than the majors.

Petrochina'***s*** move into West Qurna is not the only big oil deal Chinese groups have clinched this year. In March CNPC bought a stake in a huge natural gasfield off the coast of Mozambique from the Italian major ENI for $4.2bn.

Institutional ***investors*** and asset managers remain keen to allocate more money to the developing world despite a turbulent year for emerging markets, according to a survey conducted by Morgan Stanley.

Most of the 105 pension funds, central banks, endowments, insurers and asset managers - with total assets under management of ***over*** $1.6tn - indicated to the US investment bank that on the whole they intended to increase their exposure to emerging markets.

Based on the responses, Morgan Stanley'***s*** analysts estimate that there might be an overall allocation increase of 1.3 per cent ***over*** the next one or two years, leading to inflows of approximately $1.6tn. ***Over*** the next three to five years ***investors*** were even more positive, and indicated an allocation increase of 2.2 per cent, representing a flow of about $2.75tn.

"Every crisis shows that only those who move against the consensus will make money," said Andreas Utermann, chief investment officer for Allianz Global ***Investors***. Emerging markets "might get cheaper, but unless the global financial system collapses you will make money in the long run."

The cautious optimism of institutional ***investors*** stands in sharp contrast to the views of retail ***investors***. While pension funds and insurers have on the whole kept faith with emerging markets despite a bruising year, retail ***investors*** have yanked billions of dollars out since May, when the Federal Reserve announced plans to scale back its monetary stimulus.

But the importance of retail ***investors*** is dwarfed by institutional pools of capital like pension funds and endowments, and some analysts argue that this money will prove much more "sticky" when the Fed eventually does end its quantitative easing programme.

"While we remain cautious on the EM asset class as we head into the new year, the evidence from institutional ***investors*** suggests there should be underlying technical support for the market" at the start of 2014, Morgan Stanley said in a separate note.

Equities and corporate bonds are the most attractive asset classes in developing markets, according to the survey. Mexico, China and Brazil emerged as the most attractive countries in which to invest, while Turkey, Brazil, Argentina, Venezuela and India were the least popular.

However, the Morgan Stanley survey does not indicate an overwhelming desire to allocate more money to emerging markets. Almost a third of those polled do not intend to change their allocations in the near future, and a tenth intends to reduce their exposure.

Even among those that are planning to allocate more capital to bonds and stocks in the developing world most are only planning an increase of less than 2 percentage points. That underscores the level of uncertainty ***over*** next year'***s*** outlook for emerging markets.

"Opinion towards EM is divided and there are different shades even within my own organisation," said Alan Wilde, head of fixed income and currencies at Baring Asset Management. "Some are very bullish while some think it'***s*** game ***over*** for emerging markets."

The second-floor office in scruffy downtown Tehran is modest. Books line the walls, alongside framed coloured scrolls from the Koran. Ayatollahs Khomeini and Khamenei stare down grimly at the visitor. On the opposite wall hangs a photo-portrait of Hassan Nasrallah, the firebrand cleric and Hizbollah leader.

My host is Hossein Shariatmadari, the much-feared editor and commentator at Kayhan, mouthpiece of Iran'***s*** Islamic fundamentalists. (He prefers the term "principlists" but I point out the term will not pass FT house style.) He is a short, balding man with piercing eyes and a smooth grey beard. His prose is said to be elegant but withering.

Iran'***s*** ***foreign*** minister, the US-educated Javad Zarif, once complained that a Kayhan commentary criticising his role in the nuclear negotiations had triggered such severe backache that he was confined to a wheelchair for several days. When I mention this to Mr Shariatmadari, he emits a loud chortle.

Our conversation is a reminder that not everyone shares the mild euphoria sweeping Tehran after this week'***s*** interim agreement between Iran and world powers on curbing its nuclear programme. Nor should we assume that Iran'***s*** fractious relationship with the rest of the world will end soon.

Mr Shariatmadari, who was arrested and tortured in the last days of the Shah, preaches radicalism at home and abroad. Radical Islam knows no borders, he says. The Arab revolutions are not an Arab awakening. "It is an Islamic awakening," he says.

As for the US, there are too many sleights, too many injustices to offer any hope of rapprochement. The US-backed coup against Mohammed Mossadeq in 1953; the "ruinous" oppression of the Shah; the nest of spies in the US embassy in Tehran; Washington'***s*** support for Saddam Hussein in the Iran-Iraq war; the 1987 downing of an Iranian civilian airliner ***over*** the Gulf; and latterly sanctions that have severely squeezed Iran'***s*** economy.

Mr Shariatmadari, a student of history, does not believe Tehran was forced into negotiations by its own weakness. He epitomises how hardliners view the trajectory of the world since the 1979 Islamic revolution: "Then we did not own anything, now we have everything. We are among the top 10 most technologically advanced countries in the world and we are a regional power - and our enemies are in a very weak position."

Right now the hardliners are biding their time, having suffered a decisive defeat in June'***s*** presidential election. President Hassan Rouhani - who completed his first 100 days in office this week - is more media-savvy than his populist predecessor, Mahmoud Ahmadi-Nejad, who once threatened to wipe Israel off the map.

Educated Iranians look on the eight-year Ahmadi-Nejad regime with a mixture of horror and embarrassment. Horror at the self-inflicted damage brought about by wrong-headed economic policies that have quadrupled inflation in three years and wasted $600bn of oil revenues - about $8,000 per person. Embarrassment that a proud nation with a sophisticated culture should have become so isolated. As one government adviser said: "Ahmadi-Nejad was clever but was not well-read - a dangerous combination."

An artist, desperate to share her optimism about a better future for Iran, says the past three months have been a revelation. "Even the most ignorant have become philosophers. We have moved from the Middle Ages to the Renaissance."

There are so many friendly faces, so many oversized meals and so many good jokes ("What are you doing in Iran?" asked one security guard. "Don't you have a job to do?") that it seems unfair to point out that not all runs smoothly in Tehran.

Iranians hate being pinned down. Answers to questions either last 20 minutes or are confined to a single enigmatic sentence. As one Tehran businessman with close connections to the regime explained: "You westerners like black or white, or yes or no. But this is the Middle East, where everything is grey. We prefer: it depends, perhaps, maybe - or simply Inshallah (God willing)."

Time is also an elastic concept. After being given the runaround ahead of an interview with Mr Rouhani, our Tehran correspondent finally demanded a 300 per cent guarantee on an 8am encounter. The reply? "We cannot do 300 per cent, we can only offer maximum 90 per cent. Maybe we can offer 100 per cent, but only after the sanctions are lifted and we can import it."

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It is the revolutionary TV that gadget fans have been waiting years for. A camera recognises you and instantly personalises the screen. Ask what is on the Discovery Channel, the voice recognition understands and shows you. Call up Breaking Bad, and the device offers a choice of episodes on live TV, Netflix or its own video service.

But this is not the long-awaited Apple TV that customers - and ***investors*** - have been yearning for. It is Microsoft'***s*** new Xbox One console, which as well as gaming has received rave reviews for its media-centre capabilities.

"Using voice to navigate around the TV experience opened my eyes to the potential with this experience. Other boxes have tried this and failed," said Ben Bajarin, analyst at Creative Strategies, in a review of the console.

A year ago, when Tim Cook, Apple'***s*** chief executive, began to raise expectations that it was about to launch a new TV product, Apple'***s*** existing set-top box was par for the course in a market of humdrum streaming devices and clunky smart TVs. But now it looks to be in danger of being left behind by the more radical steps taken by its rivals.

As well as the Xbox One and Sony'***s*** PlayStation 4, which both sold 1m units in their first day on sale this month, Google has released its $35 Chromecast, which allows smartphone-toting couch potatoes to transmit wirelessly whatever is on their small screen to the big one. It works with most devices that can run Google'***s*** Chrome web browser. Apple offers something similar with its Airplay feature, but it is limited to its own devices and its Apple TV receiver is three times as expensive.

At the same time, Samsung is courting developers to make apps that run on its mobiles and smart TVs, as well as touting integration between them for consumers, such as carrying ***over*** a film from a TV to a tablet when you leave the living room.

"A more advanced living room play is beginning to look like a growing opportunity for Apple," says Dan Cryan, digital media analyst at IHS. "The rest of the market has moved on a lot."

Google, Microsoft and Samsung all have viable "ecosystems" that encompass the biggest screen in the house and the smallest in the pocket, Mr Cryan says, while Apple still sits on the sidelines in TV.

"It would be strange for a company as ***involved*** in entertainment as it is to not try to further its involvement in the one major screen and point of interaction out there in consumers' homes that it'***s*** not already got some kind of story for."

This week, Apple paid about $360m to acquire PrimeSense, an Israeli company that provided some of the technology behind the previous Xbox'***s*** motion-sensing device, Kinect.

"Some sort of living room appliance is in Apple'***s*** future and gesture technology could be critical," wrote analysts at Jefferies in a note to clients this week, calling PrimeSense a "global pioneer and leader in gesture technologies.

"Smart TVs and gaming consoles are key recipients of these technologies."

However, Jefferies analysts also described Apple TV as "the Unicorn", as it had been rumoured for so long without ever being seen.

Apple executives have been dropping hints about its plans for the TV market for almost two years. After Steve Jobs, Apple'***s*** late co-founder, told his biographer Walter Isaacson that he had "finally cracked" the perfect user interface for TV, in 2011, Mr Cook said on several occasions throughout 2012 that it was an "area of intense interest".

"It'***s*** a market that we see, that has been left behind," he told NBC last December in a rare TV interview. In May, he said Apple had sold more than 13m TV boxes to date, about 6.5m of which were in the previous 12 months.

Since then, however, Apple'***s*** progress in TV has fallen short of the revolutionary. Its existing $100 set-top box has acquired new channels such as HBO Go, ESPN, the NFL and Sky News. But while the iPhone and iPad'***s*** user interface has seen a complete overhaul, the Apple TV still looks pretty much the same as before software design duties were handed to Sir Jonathan Ive late last year.

People who own the Apple TV box spend far more on content than those who merely own an iPhone or iPad, analysts say. In June, Apple said it sells more than 800,000 TV episodes and 350,000 movies every day on iTunes, a large portion of which is through Apple TV, generating upwards of $3m a day in revenue.

A substantial amount of that spending is believed to be from "cord cutters" who have used Apple TV to replace their cable subscription. But some analysts believe that Apple'***s*** future is more likely to be working with the existing broadcasters and service providers than against them.

Mr Bajarin says that Apple could take the same partnership approach to TV that it did with AT&T for the iPhone.

"The Xbox One has convinced me that a very disruptive opportunity exists to become the one box for TV," says Mr Bajarin, "and you don't become the one box without doing a deal with the service providers", because they still control direct access to their networks.

Apple could one-up Microsoft by striking such a deal with the lure of better technology and the opportunity for cable companies to sell more expensive services, he suggests, citing Apple'***s*** recent talks with Time Warner.

But striking many of those deals across the patchwork of satellite and cable operators in the US and abroad would be a long-term task. One former Apple employee says the company believed taking that approach was too risky because it would rely on competitors' networks for quality of service. If Mr Jobs had indeed "cracked" how to sell an Apple TV through such networks, this person said, it would be on sale by now.

Perhaps PrimeSense and other deals can help Apple raise its game in the living room but for now, many watchers of the company still doubt its TV unicorn exists.

Is the world governed by material interest or the force of ideas? Karl Marx believed it was material interest in the form of class conflict - the latter driven by the state of technology. At the other extreme, John Maynard Keynes asserted that it was the ideas of economists and political philosophers that mattered for good or evil.

The evidence is beginning to pile up on the side of Keynes, although the ideas in question are less elevated than those of the political philosophers. These tentative conclusions are reinforced by the behaviour of the present Conservative-led British government.

Some purist Conservatives may not believe in any economic intervention - or say they do not. But they always do intervene, whatever their leaders say on platforms. And intervention is indeed required when the economy is working below a sustainable level of capacity operation, whether commentators prefer to call such a state of affairs a double-dip or treble-dip recession - or just plain stagnation.

The interesting feature is the form the intervention takes. British governments are inhibited from subsidising manufacturing industry or too blatantly depreciating the currency by international agreements and the fear of retaliation. So when Conservative-led governments are in power, the intervention overwhelmingly takes the form of stimulating housebuilding.

The economic recovery in the 1930s was led by a rash of suburban development in the London area and the southeast. Harold Macmillan'**s** rise to the premiership in the late 1950s was facilitated by his earlier role in delivering a Tory conference pledge to build 300,000 houses year. Margaret Thatcher was ostensibly a non-interventionist but she surely despised people who do did not own homes. In the present decade the one form of stimulus the Cameron-Osborne regime has seen fit to apply - and that on a large scale - has been to home ownership.

All kinds of respectable-sounding reasons are offered for that penchant. For instance, it is said that homeowners are more likely to vote Tory because they have "a stake in the country". But there is a simpler and, to my mind, more convincing explanation: it is the one form of fiscal stimulus that does not overtly add to the fiscal deficit. Present stimuli take the form mainly of guarantees to lenders, which are indeed noted in the Budget documents but do not add to the red ink unless and until they are called upon to be honoured.

Does this explanation apply outside the UK? Unravelling the complexities of the US government-sponsored housing finance agencies, Fannie Mae and Freddie Mac, is incompatible with a continued attachment to one'**s** sanity. But although the older of these two agencies, Fannie Mae, was formed as part of President Franklin Roosevelt'**s** New Deal, Republicans have not simply sought abolition.

It is better that governments stimulate housebuilding than do nothing at all, or leave everything to monetary policy. It is good that the governor of the Bank of England is on the watch for housing bubbles. But, despite the announcement on Thursday that the Funding for Lending Scheme would cease to support mortgages in 2014 , the main emphasis of government support is still on house purchases. My preferred solution is that when demand flags, cash should be put into the hands of residents to spend as they think fit. Frequently they will not spend it well. But do we really think that politicians and civil servants, jockeying for position, will spend it better?

The biggest obstacle to this kind of even-handed approach is the balanced-budget dogma. Not that the latter is being observed. However, George Osborne, chancellor of the exchequer, hankers after it and now talks of it being achieved in the next parliament, should he still be in a position to influence events. The biggest difficulty of those who do not follow him is the lack of alternative. At what level should deficits be permissible? The central government, the city or lesser authority? It would hardly make sense to let everyone fix their deficit by choice, so that every schoolboy could pay for his tuck-shop binge by scrawling his name on a piece of paper.

There is the old examination question about a western traveller who so impresses the inhabitants of a remote island when he pays for a meal by cheque that the cheque circulates from one person to another without being cashed. Who then pays for his dinner? The correct answer used to be: everyone, through slightly higher inflation, when there is full employment; and no one when there are unused resources that can be brought into operation. Hardly a satisfying response when most economies are neither at the extreme of intense slump or full employment. The technocratic answer, that desirable deficits or surpluses should be gauged from economic forecasts, will hardly satisfy after the complete failure of the profession to anticipate the 2008 Great Recession. The most scientific advice now available is: "Suck it and see".

www.samuelbrittan.co.uk

Perform Group, the sports media company whose market capitalisation has more than doubled to £1.2bn since it listed in 2011, is about to face the most significant test of its business model in years.

The FTSE 250 company has become a stock market darling thanks to a series of acquisitions that turned it into a leading provider of sports videos and data to media groups, consumers and - most importantly - online betting groups such as William Hill and Bet 365.

But almost three years and 11 acquisitions after its listing, Perform is now coming to a crossroads as its three-year contracts with bookmakers are due to expire on New Year'***s*** eve.

It therefore has little more than a month to renegotiate complex contracts with the 45 online bookmakers that license its videos for their websites to encourage real-time gambling.

"The market is waiting with bated breath to see how that process concludes," says David Reynolds, analyst at Jefferies.

Meanwhile, Perform is scaling up its own websites and apps for sports fans ahead of the World Cup, which kicks off in June 2014 and is expected to give a big boost to advertising revenues. It is this part of the business that ***investors*** are counting on for the fastest growth.

Perform owns some of the world'***s*** most popular sport websites, such as Goal.com, and its video player is used by hundreds of media groups including The New York Times and Mail Online.

Unlike others such as BSkyB and BT that fight expensive bidding wars ***over*** the rights to top sports events such as the Champions League, Perform specialises in less glamorous events.

This strategy has allowed the company to secure online video rights to more than 17,000 events a year, typically third-tier events in a range of sports including football, tennis and darts, as well as rights to show top-flight national matches outside the home country.

According to estimates from Jefferies, Perform will generate net income of £17m and revenues of £214m in 2013, with 40 per cent of sales coming from its "watch and bet" service for online bookmakers.

By showing live videos, bookmakers seek to boost the appeal of in-play gambling, which allows people to place real-time bets on events such as the identity of the next goal scorer.

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>During its renegotiations, Perform is offering new contracts that ***involve*** a more complicated payment structure than the existing ones. Under the new contracts, licensees will pay a minimum annual fee for a certain amount of content but must pay extra to use Perform'***s*** full repertoire of videos.

Oliver Slipper and Simon Denyer, joint chief executive officers of Perform, told the Financial Times that the negotiations were progressing well, though they declined to say how many of the 45 existing licensees had entered into new deals.

"We're confident of growing the licensee number, if not at day one, certainly ***over*** the course of 2014 and to continue to grow that licensee number into 2015 and 2016," says Mr Slipper.

He predicted that in each of the next three years, Perform would be able to grow both the number of bookmakers who buy "watch and bet" as well as the overall revenues from the service.

But what the executives are particularly excited about is the potential for growth in advertising revenues from their consumer-facing businesses ***over*** 2014, especially Goal, which was acquired for $30m in 2011.

In anticipation of the World Cup, Perform has made big investments to grow Goal. The football news site now has 36 local editions in 17 languages, employs 530 journalists around the world, and ranks as the world'***s*** third biggest sports site by unique visitors after ESPN and Yahoo Sports.

"If you want to reach a global soccer audience through a single buying point, Goal is pretty much the only player in town," says Mr Slipper, predicting a surge in advertising revenues in 2014.

BT has bought prominent adverts on Goal'***s*** UK edition this year to promote its own sports content. BSkyB has also bought ads on the site.

But 2014 will be "the first true year of seeing how well Goal performs", says Mr Denyer. "We're already at ***over*** 40m [monthly unique] users and we think the World Cup will drive us well north of the 50m mark."

Opta, a sports data company that Perform bought in July for £40m, will also play an important role during the World Cup. It will be tracking every pass, goal and tackle in the competition, adding to its archive of games going back to when England won the tournament in 1966.

Analysts are forecasting that Perform will be able to grow its adjusted earnings at a compound annual rate of 30 per cent ***over*** the next three years. If successful, that would make Perform one of the fastest-growing companies on the London Stock Exchange.

The announcement of an interim deal with Iran may have been made in Geneva, but within hours a ripple was felt in Ankara. Few countries will feel the impact of a possible Iranian reintegration with the world economy more than Turkey, whose relations with Tehran had grown more difficult in recent years.

Ankara had been repositioning itself to overcome tension with Tehran even before Sunday'***s*** agreement, which offered partial sanctions relief in return for curbs on the Iranian nuclear programme. In the aftermath of the deal top Turkish officials were quick to issue enthusiastic prognoses on economic and political ties.

"It is now time for co-operation," declared Ahmet Davutoglu, Turkey'***s*** ***foreign*** minister, on a trip to Tehran this week. "The dialogue between Iran and Turkey is the most important in the region."

But this rhetoric could be racing ahead of reality as Turkey focuses on the economic opportunity in a country that has suffered from an intensive sanctions regime likely to remain in place until a final agreement on Tehran'***s*** nuclear programme is reached.

The day after the Geneva announcement, Taner Yildiz, Turkey'***s*** energy minister, predicted that if sanctions were dropped, Turkey would be able to increase oil imports from Iran from 105,000 barrels per day to from 130,000 to 140,000.

The deal may have a more immediate impact however. When the US in late 2011 passed sanctions legislation targeting third countries' purchases of Iranian oil, energy-poor Turkey, which that year obtained 51 per cent of its crude from Iran, was in the eye of the storm.

The sanctions targeted the banks that handled payments for Iranian oil sales rather than the energy groups that imported the oil itself.

To win six-month waivers from the legislation, Turkey had to implement successive reductions in its purchases from Tehran, bringing Iran'***s*** share of its total oil imports down to 39 per cent by last year.

Some executives suggest that in the aftermath of the nuclear deal, Ankara may not have to make further reductions to win future waivers.

In an apparent confirmation of this, Zafer Caglayan, the economy minister, said on Thursday that all Turkish banks would now be able to carry out bank transactions with Iran.

Because Iranian oil is bought with Turkish lira rather than dollars, a boost in oil imports from Tehran would relieve pressure on the Turkish currency. Iranian oil that is cheaper than alternative sources could also help reduce Turkey'***s*** large current account deficit, often identified as its biggest economic weak spot.

Mr Caglayan is hoping for an increase in Turkish exports to Iran that would help whittle down the deficit. "I hope we are going to make the most of these next six months," he declared, referring to the duration of the interim deal.

Turkey'***s*** total exports for the first nine months of this year were worth $3.4bn, compared with $9bn ***over*** the same period in 2012, a drop that the minister blamed on US sanctions. Many economists say, however, that exports were particularly high in 2012 due to an increase in Turkish gold sales to Iran that was both unlikely to be repeated and of little value to the rest of the Turkish economy.

Despite the economic possibilities the nuclear deal presents, the mutual suspicion that has recently dogged Ankara'***s*** relations with Tehran will be hard to dispel.

Tension between Sunni-majority Turkey and Shia Iran have been mounting since Ankara agreed in 2011 to house a Nato missile defence radar base alliance officials say is intended to counter threats from Tehran.

The uprisings in the Arab world - and the Syrian war in particular - have increased sectarian tension in the region. Turkey backs the largely Sunni Syrian rebels, many of whom have found refuge on its territory, while Tehran provides the Assad regime with weapons, supplies and military support.

During a visit to Tehran this week Mr Davutoglu said he and Mohammad Javad Zarif, his Iranian counterpart, were "of the same mind" that the region needed "calm and a relative truce" ahead of a peace conference on Syria early next year, although Turkey had previously signalled deep scepticism about the conference'***s*** prospects.

Hassan Rouhani, Iran'***s*** president, is due to visit Turkey in mid-December; meanwhile Recep Tayyip Erdogan, Turkey'***s*** prime minister, is scheduled next month to visit Iraq, the region'***s*** other Shia power.

The visits appear to be part of a new effort by Ankara to insulate relations with its neighbours from the fallout from the war in Syria. It is a drive that gains fresh impetus from the outcome in Geneva.

Sinan Ulgen, a former Turkish diplomat now with Carnegie Europe, highlights the difficulty of reconciliation on this issue. "Turkey is adamant that there cannot be a solution for Syria as long as [President Bashar al-] Assad is in power, while Iran continues to support the Assad regime," he says. "The distance between them is still too far to be bridged just on account of the nuclear deal."

One theatre company has already encouraged audiences to fall asleep during the performance (Duckie with Lullaby), now Gastronauts takes on another taboo: eating throughout the show. This delightfully eccentric event combines dinnertime with showtime, feeding the audience morsels of food and food for thought simultaneously, as it explores our complex and often contrary attitude to what we eat.

After a slightly nerve-tingling wait in a neon-lit antechamber, testing out curious, fluorescent (and oddly flavoured) aperitifs, we are ushered into a dining room. Here a meal, conventional in structure (soup, main course, sweet) but not always in content, is served. Meanwhile, the show, a form of cabaret (written by April De Angelis and Nessah Muthy), plays out around the diners, switching from mini-dramas at the spare tables, to songs (by Alasdair Macrae) and speeches that spin off from the comestibles on the table to the politics of producing them.

The religious and cultural significance of breaking bread together, for instance, is observed through a playful ceremony that reminds us how long human beings have been baking bread and that the word "companion" means "those with whom we share bread". But the feelgood factor dissipates slightly when we are advised exactly what goes into a processed loaf.

There'***s*** a course that neatly questions the way we approach what we are about to eat by serving foodstuffs that are not what they seem and another that tests the limits of what we consider edible. Meanwhile, the setting becomes increasingly surreal as a bidding war for a cup of coffee touches on the potential impact of future food shortages.

It'***s*** a genial atmosphere and you can taste or not taste as you wish. But without aggression, it foregrounds the privilege of being able to order as you please. Sugar, supermarkets, mass production, factory farming, exploited workers, food banks, body image, obesity and anorexia are all on the menu.

The format does restrict it somewhat, meaning it can't investigate any of these lines of inquiry in real depth or detail: as with many a dish, it might have been better - and more challenging - with fewer ingredients. And some of the mini-dramas work better than others, with characterisation and arguments being rather obvious in places. But ultimately Gastronauts is an ingenious show that manages to be both fun and sobering, performed with mischievous style by the cast (Macrae, Andy Clark, Imogen Doel, Nathaniel Martello-White and Justine Mitchell) and whisked together deftly by director Wils Wilson.

royalcourttheatre.com

They do things differently here. The chorus troop on, sing and troop off. The setting, ornate and decorative, makes no attempt to divine deeper meaning or draw contemporary relevance. Prima la musica: it'***s*** the drama and emotion written into the score that occupies centre ground. Compare that with any number of Verdi bicentenary stagings north of the Alps during the past 12 months, the Royal Opera'***s*** ***over***-interpreted Les Vêpres siciliennes among them.

Italian theatres have remained largely immune to "director'***s*** opera" - a blessing or curse, depending on taste - but they are heir to a tradition that, in the right circumstances, exudes a grandeur and sense of ownership unmatched elsewhere. Such is the case with Rome'***s*** new Ernani, the last of four Verdi operas Riccardo Muti has curated in the Italian capital since last November. When Muti left La Scala in 2005, no one - least of all the conductor himself - could have predicted he would pick up in Rome the work he left off in Milan. The atmosphere at the Teatro dell'Opera, where he now holds the title of "honorary conductor for life", may not have the fraught excitement of a prima in Milan, but his music-making has gained a warmth, a generosity, a humanity that were seldom evident at La Scala.

The old disciplines - the long-term schooling of singers, the popular lectures from the piano, the fidelity to the written score (no interpolated high notes) - are now distilled through age and experience. What comes across most strikingly in this Ernani is how softly and subtly the Rome orchestra plays, how majestically the choral tableaux unfold (with an encore for the patriotic hymn in Act Three), and how moderated Muti'**s** once-fierce gestures have become. All this bespeaks a rare harmony between conductor and ensemble.

Verdi'**s** fifth opera, his first with a libretto by Piave, has been a Muti speciality since he opened the Scala season with it 31 years ago. His Rome cast offers less star quality than in 1982, when he had Domingo, Freni, Ghiaurov and Bruson at his disposal - but it is scarcely less accomplished. In the title role, Francesco Meli confirms his reputation as one of the most promising younger-generation Italian tenors - secure at the top, stylishly phrased, albeit with a timbre more metallic than melting. Luca Salsi'**s** Carlo has stage presence and a suave baritone, while Ildar Abdrazakov lends dignity, if little menace, to the villainous bass role of Silva.

The most personable singing comes from Tatiana Serjan: her delicate, intensely felt Elvira sets Verdi'**s** dramatic coloratura on fire and brings Hugo de Ana'**s** stone-courtyard staging to life. A treat for traditionalists, yes, but above all a triumph for Verdi.

operaroma.it

Dirty Wars should be more shocking than it is. Richard Rowley'**s** documentary zones in on the alleged rogue atrocities of America'**s** paramilitary special force JSOC (Joint Special Operations Command), accused of slaying innocent kids and families, from Afghanistan to Somalia, when not taking applause for killing Osama bin Laden. We should be shocked. But the camera is too busy making a hero of reporter-presenter Jeremy Scahill. He hogs the caring/distressed/disturbed reaction shots until we want to say: "Hey, is this a lid-lifting essay on Uncle Sam or an ego-tripping Actors Studio exercise in how to project compassion?"

Carrie is superfluous but fun. Brian De Palma'**s** film of Stephen King'**s** telekinesis chiller said and did it all 37 years ago: blood, prom night and Sissy Spacek duelling to the death with crazy religious mum Piper Laurie. Chloë Grace Moretz and Julianne Moore are good without erasing memories of predecessors. (Weirdly they each look like their opposite forebears. Moretz replicates Laurie'**s** pixie-featured Medusa gaze while Moore does the Spacek flayed-skull look.) More sensitivity of characterisation is offered in this version, directed by Kimberly Boys Don't Cry Peirce. But sensitivity in a horror film, we know, is just the lamb being readied for the designer slaughter.

Leviathan, co-directed by Lucien Castaing-Taylor and Véréna Paravel, is a stupendous sea documentary. The camera seems to have declared independence from human agency, romping about lawless and self-willed. Life on and around a trawler is observed from every angle, some horrendous. We are on the catchment deck lens-deep in slithery seafood; we are underwater with live fish or galaxy-like explosions of flushed-back waste (starfish the stars of this show); we bob like a cork between sea and air, gazing up as preying seagull armies darken the sky.

On board, the beefy tattooed New Bedford trawlermen slice stingrays, knife scallops from shells or sometimes just sit in a doze before the TV. Hilariously the main programme, only heard, sounds like a trawler documentary: one of the wordy, intoning, reverencing kind.

In Leviathan there are no words at all - save barely audible shouts or murmurs among the working crew - and reverence has gone straight to hell. Herman Melville meets Jackson Pollock in a sea hymn gone feral-expressionist. The phrase "in your face" does scant justice to the hideous intimacy with which headless or eye-popping fish swirl around us, or the graphic unremittingness with which we endure the slappings and buffetings of live sea and live seafood. (The sound design is brilliant throughout.) What does this strange, surreal film amount to? What does it mean and cinematically portend? Perhaps a new Martian school of documentary: one in which we are offered a gaze as if from another planet at the bizarre, grisly, sometimes perversely beautiful doings we take for granted on our own planet.

In François Ozon'***s*** Jeune et Jolie teenage prostitution is put in a shop window. Think of the sheeny glow in which the French director has previously presented tales of love, sex, sin or coming of age. Swimming Pool; 5x2; Angel; In the House.

The new Ozon has been attacked for prettifying sex work, or glossing ***over*** its grimmer features. The beautiful 17-year-old Sorbonne student (Marine Vacth, like a young French Julia Roberts) chucks her virginity away one night on a beach, then starts selling love-by-appointment to men of all ages. Belle de jour; belle de soir. When the parents find out - "My own daughter disgusts me!" mum cries - their ballistic vociferations make little more impression on Isabelle than the serenely accepted raids on her sexual innocence that caused them.

Ozon has cosmeticised commercial sex, say the film'***s*** critics. But the heroine'***s*** anomie - her seeming untouchability even when being touched all ***over*** - is surely the point. She is a shop-window human being in a shop-window society, or in danger of becoming one. Blame the parents; blame the culture; blame the glossy beatitudes of the media and the internet, fanning out alternative lifestyles, moral or amoral, like a multicoloured pack of cards. "Pick a life, any life. Make it yours. Make it a statement of you . . . " The impassivity of the movie'***s*** surface bespeaks the depth of the movie'***s*** perception. At the end there is a Charlotte Rampling cameo. (Every Ozon film should have one.) It is piquant, disconcerting, graceful, enigmatic, implacable - and just a little scary. Exactly like this film.

Saving Mr Banks is just what Christmas needs: a feelgood movie that doesn't need a brain bypass. The film warms our hearts and senses without insulting our intelligence. Starrily acted, smartly scripted, astutely funny about Hollywood and its ways, it is the best Disney film in retrievable memory.

It'***s*** also a tale from Disney'***s*** own archives. Tom Hanks presents Walt himself as a master schmoozer and huckster - moustache, salesman grin, avuncular Midwest twang - trying to persuade stubborn Anglo-Australian novelist P.L. Travers (Emma Thompson) to let Mary Poppins, her medium-dark kiddy bestseller, become, well, what it became. Dancing cartoon penguins. Dick Van Dyke doing history'***s*** weirdest cockney accent. And Julie Andrews trilling those catchable Sherman Brothers songs. "A Spoonful of Sugar", "Supercalifragilisticexpialidocious"

Travers fought but lost her battle. The film was made, not her way. Perhaps, though, hints the film, she was happy to lose. A lovable screen perennial was made from a book that Disney - and/or his psychology experts - sussed out as a disguised essay in bruised autobiography. Cue the flashbacks to sun-rinsed Australia, where Travers grew up idolising her whimsical, storytelling, drunken father (Colin Farrell), whose ill-fated end came despite the primly interventionist carer role played by the Aunt (Rachel Griffiths) who was, the film and we infer, Poppins'***s*** forebear.

For Mouseco, this is an ingeniously picked project. The home-sourced story is so shaped that everyone comes out smelling medium-rosy or at least freshly picked from a freshly reimagined past: from Uncle Walt himself to the prickly pseudo-English author who speaks strictly in posh or insular mantras. "Pot of tea, please"; "Where is the gravitas?"; and more than once, to Disney'***s*** ***over***-familiar "Pamela", "Mrs Travers, please".

Hooray for a role that allows Emma Thompson, crisp, characterful and at the close poignant, to make up for Nanny McPhee. (Thousands loved it, I loathed it.) That the dream-chemistry double act depicted between Walt and P.L. actually happened is attested by a sneak voice-recording from the studio archives, played during the film'***s*** end credits. (Stay to listen.) It proves what we always suspected. Art and entertainment were born to be at loggerheads. But sometimes the best art and best entertainment come from the battles fought first, with each other, to survive.

How much was Funding for Lending worth to the UK housebuilders?

The sector had its worst day in more than a year yesterday after the Bank of England unexpectedly removed mortgage lending from the credit incentive scheme from next year. Taylor Wimpey dropped 6.2 per cent to 107.4p and Redrow lost 5.2 per cent to 273.5p.

Most analysts played down the direct effects, such as higher funding costs pushing up mortgage rates. Wholesale funding costs barely budged and the mortgage market has been improving, with UBS noting that rates have fallen 1.2 percentage points since the scheme was launched in 2012.

More surprising to traders was the BoE'***s*** hawkish tone, with the statement including suggestions of a cap on loan-to-value ratios and extra capital demands on banks writing risky loans.

Another concern was that the Bank'***s*** Financial Policy Committee might limit subsidies available through Help to Buy as part of its annual audit of the scheme.

Persimmon, which slid 6.1 per cent to £11.70, has said that 40 per cent of its reservations this year have used Help to Buy. Berkeley, whose London bias means it has not been as reliant on the scheme, outperformed with a 3 per cent decline to £23.56.

Builders' merchants were also hit, with Travis Perkins down 2.7 per cent to £17.83 and Howden off 1.5 per cent to 322.1p. Kingfisher dropped 4.4 per cent to 378.6p after the B&Q owner'***s*** quarterly results showed a disappointing performance in France, meaning retail trading profit missed expectations.

Wall Street'***s*** absence meant the wider market went nowhere, with the FTSE 100 closing 5 points higher at 6,654.47.

Rio Tinto climbed 3.9 per cent to £32.61 after mapping out a cheaper plan to expand production from its Pilbara iron ore project, in part by deferring decisions on its capital intensive greenfield developments.

Anglo American climbed 2.7 per cent to £13.75 ahead of an ***investor*** strategy day on December 10, which raised the question once more about whether new chief executive Mark Cutifani would look to separate the group'***s*** South African and international operations. Credit Suisse was not hopeful.

"We expect no changes to previous cost cutting and returns targets and major questions / uncertainties will likely remain unanswered," it said. "Could the new CEO finally be the person to restructure Anglo? Quite possible ***over*** the medium term but unlikely in 2014 in our view with management focus more on operational turnaround."

Cairn Energy rose 2.4 per cent to 274.3p on the back of an upgrade from JP Morgan Cazenove. Offshore drilling next year in Africa and Ireland was worth a theoretical maximum of 460p per share while a share buyback limited downside in the event of failure, the broker argued.

"The current share price means the Moroccan exploration programme is a free option, in our view, and any success would likely invert negative sentiment," it said.

Marston'***s*** lost 7.4 per cent to 143.7p after announcing the sale of 202 pubs for £90m, with the cash earmarked to redeem bonds. While ***investors*** welcomed Marston'***s*** accelerated strategy to invest in managed and franchised pubs, there was a hit to near-term earnings as the disposed estate made a £10.4m annual profit against a £6.7m interest payments saving from the bond buyback.

Shares in Kingfisher fell more than 4 per cent after the DIY retailer warned of difficult conditions in France.

French sales rose 1.9 per cent to £1.17bn, in the three months to November 2, although sales from stores open at least a year were flat. Retail profit fell 5.6 per cent to £140m, hit by an increase in promotions as the French market weakened.

"There is uncertainty in France. It is not getting better in the way that we think the UK is getting better," said Ian Cheshire, chief executive. "We can't see the forward indicators being positive [in France] that we can in the UK."

The shares closed down 4.4 per cent at 378.6p on Thursday.

However, Mr Cheshire said that longer term, the problems in France could create opportunities for Kingfisher to pick up distressed rivals, in the way that it bought 27 stores from Focus DIY in the UK.

The French business was also hit by the absence of a £4m benefit, which it enjoyed last year from the release of a bonus provision and £2m of costs in preparation for store openings.

In the UK and Ireland, total sales rose 3.7 per cent to £1.1bn, helped by a strong performance by Screwfix, and encouraging early signs in the smaller tradesman market, offset by slower retail sales at B&Q.

B&Q'**s** sales rose 0.8 per cent to £915m, while sales from stores open at least a year rose 0.4 per cent.

Sales at Screwfix rose 21.1 per cent to £180m, or 11.1 per cent on a like-for-like basis.

Mr Cheshire said that in the UK, demand from tradesmen was recovering more strongly than retail sales.

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>"The closer you are to the building trade, the stronger it is. I don't think [the retail sectors] are yet seeing a consistent pick up," he said.

However, there were some early indicators of improvement, such as stronger flooring sales.

Sales of outdoor seasonal products fell 8 per cent year on year, as Kingfisher sold more in the second quarter amid the hot weather.

Overall, group sales rose 4.6 per cent to £2.9bn, helped by the performance of Kingfisher'**s** other international markets.

Nevertheless, analysts at Oriel Securities cut their forecast of underlying pre-tax profit in the year to January from £750m to £740m and from £845m to £820m in the year to January 2015.

"Life is getting worse, not better for Kingfisher in France and with no signs yet of a pick-up in B&Q'**s** trading, we are downgrading again. Gross margin improvements are being reinvested on both sides of the Channel and with forecasts heading backwards, a buyback is highly unlikely," said Jonathan Pritchard, analyst at Oriel Securities.

Downing Street said it has no plans to revive alcohol minimum pricing despite its surprise decision to press ahead with plain cigarette packets.

Ministers appeared to have dropped the tobacco proposals earlier in the year but announced on Thursday that they would after all carry out a new study with a view to banning branded packets. The four-month evidence review will be led by Sir Cyril Chantler, an academic, doctor and NHS administrator.

Shares in Imperial Tobacco dropped 2 per cent while British American Tobacco lost nearly 1 per cent on the news. The two multinationals only receive a fraction of their profits from the UK.

The prime minister'***s*** spokesman said there would be no similar reversal on minimum alcohol pricing, another public health policy that was abandoned earlier in the year. "We have set out our approach on alcohol pricing earlier in the year and there is no change there," he said.

The comments will damp the hopes of health campaigners after Norman Baker, the Liberal Democrat Home Office minister, said this month that minimum pricing could be "released from hold".

There was speculation in parliament that the policy change on tobacco was a response to the tabling of amendments by a cross-party group of peers to the children and families bill to introduce plain packaging.

"When the government said it wasn't ready to make a decision on standardised packaging of cigarettes the tobacco industry thought it had killed it stone dead," said Deborah Arnott, chief executive of Action on Smoking and Health.

"The government is to be congratulated for listening to parliamentarians from across the political spectrum in both the Commons and the Lords and ignoring the industry."

As a result of the move, standardised packaging could be introduced before the end of this parliament in spring 2015.

The move followed a similar about-turn on Monday ***over*** payday lenders when the government said it would introduce a cap on interest rates charged by companies such as Wonga.

The coalition had been on track to introduce plain cigarette packaging earlier in the year but the legislation did not appear in the Queen'***s*** Speech in May which sets out new laws for the coming year.

That raised questions about the role of Lynton Crosby, the Tory elections supremo, whose lobbying company has advised tobacco giant Philip Morris, in the decision. The government and Mr Crosby have denied any such influence.

In July, Jeremy Hunt, the health secretary, said the government would wait until firm evidence was produced in Australia, which last December became the first country to introduce standardised packaging.

Chris Wickham, an analyst at Oriel Securities, said that so far there appeared to have been "no impact on market trends" in Australia, while Kingsley Wheaton, director of corporate affairs at BAT, warned that the Canberra ban had led to an "increase in illicit trade".

Nick Clegg, the deputy prime minister, said the government had an "open mind" on the review, but "personally" he hoped it would show that plain packaging was effective.

Mark Littlewood, director-general of the rightwing Institute of Economic Affairs, warned that plain packets would have a "negligible" impact on health, but would boost the black market and do "enormous harm" to small businesses.

"In the words of David Cameron, let'***s*** treat adults like adults and give them more responsibility ***over*** their own lives," he said.

A tale of two parts: London and the rest of the UK

Overcrowding is the greatest challenge for Olivier Rauch, the headmaster of the French lycée in London. Tall and dapper in a dark sports jacket and bright red tie, he points to a building across the playground: "That was built for 400 pupils, now there are 700 pupils in it. There are too many children . . . there are so many people here."

There is a quiet serenity in the school, a jumble of Victorian, 1930s and 1980s buildings. But when lessons are ***over***, he says, it will be "like an ants' nest".

The lycée, on a main road busy with thunderous traffic in Kensington, is comparable to a medium-sized business. In addition to the 3,000 pupils on this prime piece of land, another 1,000 students are taught at three primary schools in nearby Ealing, Clapham and Fulham, which are under Mr Rauch'***s*** control. The schools employ 493 staff, of which 303 are teachers.

He is unfazed by the number of people he oversees. In Morocco, where he was head of another French lycée, he was responsible for 7,500. The scale means that he is unable to identify all his charges. "We know the few who have problems, the ones who are really brilliant but the average [pupil], no."

Catering to children aged four to 18, the Lycée Français Charles de Gaulle de Londres - its full name - was founded in 1915 to provide a French education for French and Belgian refugees. Its alumni include Dominic Grieve, the Conservative ***attorney***-general, and Mika, the pop singer.

The school follows the prescribed curriculum issued by the French ministry of education. At the Kensington site the teaching is entirely in French, although at the age of 14 pupils can choose to follow the English exam system rather than the French.

The lycée'***s*** curriculum is overseen by the French education ministry - the request to interview Mr Rauch had to be approved by the French embassy first.

Demand for places is tight. The French community in London is thriving - the consulate estimates the number is 300,000 and ***claims*** the British capital is the sixth-largest French city in the world. Most relocate for work, and bring their young families.

There has been a growth in the number of private schools and nurseries catering to French families in the UK. Philippe Fraser, who has set up three French nurseries in London, says that a large number of his clients are French bankers.

At the lycée, priority is given to the children of French civil servants and those who have attended French schools overseas. Mr Rauch says that his pupils are not the offspring of the affluent fleeing the high taxes set to be imposed on high-earners by François Hollande, the socialist French president, who came to power last year. In fact, he says, a sizeable proportion are given financial assistance by the government. "We have 400 families who get grants, single-parents, many kind of pupils."

Fees for the lycée are about £6,000 to £11,000 a year - cheaper than the typical UK private school. According to the Independent Schools Council'***s*** latest annual census, fees at British private schools increased 3.9 per cent in 2012-13 to an average of £14,295.

Mr Rauch thinks that if parents thought it would be possible to bribe him, some would try. "In Morocco I had this problem," he says. The biggest gift a parent tried to give him was a Rolex. What did he do? "I refused and phoned the embassy. It'***s*** important to be clear," he says.

Only 5 per cent of his pupils are children of British nationals. Once a school popular with Francophile parents ("British people were very keen on French culture - Nouvelle Vague, avant-garde cinema, the French Institute. It was very attractive"), few apply today because they realise success is remote.

__Over__ at the Lycée Français de New York, Sean Lynch, the headteacher, says that the American families who apply to his school are "attracted to the French reputation for academic excellence". He points out that the "experience of studying in a bilingual environment is a gateway for our students to learn additional languages more readily".

Mr Rauch ***__disputes__*** the characterisation of French children as impeccably behaved, depicted by ***__foreign__*** authors in books such as French Children Don't Throw Food and Why French Children Don't Talk Back.

The 58-year-old, who took up the post in the London school just ***__over__*** a year ago, is also bemused by the British "obsession" with school rankings.

"It is not the French way," he smiles. However, he has observed that French parents living in Britain have picked up the national preoccupation.

According to Ofsted, the UK education standards regulator, almost all pupils in the French section gain the Baccalauréat and "an exceptionally high proportion gain a higher level 'Mention très bien'".

He ponders the value of school rankings. "What does 'good ranking' mean? You teach well? Maybe. I am very suspicious of these rankings."

On balance, he thinks rankings are meaningless. "The only important thing is to keep our children and give the best we can. If you keep some children and feel they are suffering you have to help them learn some things and help them find their position in future life. That is our aim, not to get a good ranking."

Pastoral duty is not typically attributed to French schooling. Peter Gumbel, a British lecturer at Paris'***__s__*** Institute of Political Science, wrote a critique of the French education system, On achève bien les écoliers ("They Shoot Schoolkids, Don't They?"), published in 2010. In it he wrote that the French education system focused "so narrowly on the transmission of knowledge that it has ignored that other key function of school: to build character and personality".

Meanwhile, Claudia Senik, professor at the Paris School of Economics and Paris-Sorbonne University , suggested this year that the schooling system was making the French unhappy. She wrote: "Obviously this system is not creating self-confidence or self-esteem in our children."

Mr Rauch concedes that there are faults with the centralised French system, primarily that it is "system-oriented" rather than "child-oriented". He says: "The French system is stricter, it gives less opportunities to children to be creative. It'***__s__*** very academic. We have many exams."

In New York, Mr Lynch says parents like the combination of a "rigorous French academic programme that challenges their children to think critically and work hard" and "American" elements, "such as the nurturing of our students' creativity, inventiveness and sense of self".

The Lyon-born Mr Rauch is one of seven teaching staff who live on the premises, thereby saving him from trying to find a home in one of the country'***__s__*** prime property hotspots.

"It is easy to be at work first and leave work the last," he says.

The job demands a person who is "not too nervous or anxious". It is important, the headteacher says, "to get time to think and have good answers for all the many problems". There is, he says, the potential "for many people to get on our nerves".

The biggest irritant is the problem parents, says Mr Rauch. Every year he expects about 30 to 40 who will be angry ***__over__*** their child'***__s__*** academic failings. He shrugs it off, insisting that, largely, parents are a "real support".

The best part of his job, he insists, is the opportunity to "grow children'***__s__*** minds".

Most of the history and geology graduate'**s** career has been spent in schools in French Territories, including Morocco and French Polynesia. He enjoys living in London and has no desire to teach in his homeland, where he says parts of some big cities have become problematic for teachers.

Did he like school as a child? "Yes." He pauses. "Not too much."

When the MuCEM museum opened in Marseille last year, what it was made out of stirred almost as much interest as its displays on European and Medit-er-ran-ean civilisations.

Its elaborate latticework exterior, the columns supporting the exhibition spaces and the spectacular, 115m-long unsupported bridge linking the museum to the city'**s** Fort Saint-Jean were all made with concrete.

The building is about as far as you can get from the lumpen, environmentally unfriendly image usually evoked by crumbling Soviet-era apartment blocks and choked urban road networks.

"You can use concrete for your house because it is beautiful," declares Bruno Lafont, chief executive of Lafarge, the French company that made the concrete for the MuCEM building.

You might expect a bit of gloss from the head of a group that sits in France'**s** CAC 40 index alongside companies such as LVMH, arch purveyor of luxury and elegance.

But Mr Lafont has put his company'**s** money where his mouth is. Lafarge, a world leader in the unglamorous business of cement, aggregates and concrete, spends EUR120m a year on developing new ways of using these gritty materials. It says its R&D centre just outside Lyon is the world'**s** biggest research facility for construction materials.

France has a long tradition in concrete. Modern cement, the essential ingredient, was invented by the French and British 200 years ago; a pioneer of reinforced concrete was Joseph Monier, a 19th-century French gardener who wanted to make stronger flowerpots; Le Corbusier was a trailblazer of "brutalist" architecture using concrete.

Many countries - those that suffer from earthquakes, for example - appreciate the robust qualities of concrete. But it has to battle against rival materials. "We need to compete with wood, steel and brick and show that we can have good results," says Mr Lafont.

Developing "ultra high-performance" concrete - dense, fibre-reinforced and smooth-surfaced - of the type used by architect Rudy Ricciotti for MuCEM is a key task at Lyon.

But it is only one of a number of projects. In one workshop, engineers test cement-laced mud bricks being developed for housebuilding in Malawi, where traditional burnt-clay bricks have been banned because making them is detrimental to the local environment.

Tests are under way on concrete made with biomass, which is four times lighter than concrete made with traditional aggregates. Water-permeable road surfacing, self-levelling concrete and pollution-absorbing concrete for tunnels and car parks are all being worked on by Lafarge boffins.

"Concrete is a dumb material but there is lots of science behind it and that'**s** why I love it," says Christophe Lévy, a director at the Lyon centre.

Much of the challenge is to reduce the environmental impact of concrete. Mr Lafont says construction overall (not just with concrete) accounts for 40 per cent of all carbon dioxide emissions: "We are part of the problem, but we can be part of the solution."

A core issue is reducing the energy used in making cement by firing limestone and clay at 2000C. Cement remains essential to making concrete. "Nobody has found anything simpler or cheaper to glue stones together," says Mr Lafont.

New processes, lower quantities of raw materials and recycling are all part of an effort by Lafarge to reduce carbon emissions per tonne of concrete by a third by 2020 compared with 1990 levels.

That way, concrete can compare favourably with other materials, Mr Lafont insists. And it can secure a broader reputation for making beautiful buildings, from small houses to soaring tower blocks - and cutting-edge museums.

Thursday 18:00 GMT. Equity prices continued their steady grind higher and the yen plumbed fresh lows against the dollar and the euro, although the closure of US markets for Thanksgiving left European ***investors*** lacking a clear focus.

Wall Street'**s** advance on Thursday to record levels, following a broadly well-received batch of economic figures, helped push Tokyo equities sharply higher. The Nikkei 225 rose 1.8 per cent to its highest close in nearly six years.

Europe saw moderate follow-through buying, and the FTSE Eurofirst 300 index gained 0.4 per cent. The FTSE All-World index was poised for its best finish since Christmas 2007.

Tokyo'***s*** strength was also a reflection of the yen'***s*** continued weakness, as carry traders continue to sell the low-yielding Japanese currency in order to fund purchases of higher-yielding assets.

The dollar touched a fresh six-month peak against the yen of Y102.37, while the euro touched Y139.18 - the highest since June 2009. The single currency also climbed to a one-month high against the dollar of $1.3617, before easing back to trade 0.2 per cent higher at just above $1.36.

The euro has shown resilience in the wake of the unexpected recent cut in eurozone interest rates, particularly given that the European Central Bank has come under pressure to be even more accommodative.

The ECB is due to hold a policy meeting next week.

"The cut in rates has not markedly relieved the pressure on the central bank to take additional action to support what remains a very fragile economic recovery and head off deflation," said Jonathan Loynes at Capital Economics.

"[Consumer price inflation] is likely to remain a long way below the ECB'**s** 2 per cent ceiling and there are good reasons to expect the downward trend to continue ***over*** the coming months. One of those is the disinflationary influence of the strong euro."

Analysts at Daiwa Capital Markets said that money supply data released on Thursday also illustrated why the central bank was likely to maintain its easing bias.

"M3 growth eased in October to 1.4 per cent, the weakest in two years and well below the rates of around 3.5 per cent that the ECB considers to be broadly consistent with its price stability objective," Daiwa said.

Analysts also highlighted the credit crunch being faced by companies, with loans to non-financial corporations falling 3.7 per cent in the year to October.

"While we don't believe a new rate cut is imminent, ideas to take specific measures to boost credit growth - for example a conditional longer-term refinancing operation mimicking the British Funding for Lending Scheme - will most probably pop up again during the next meeting of the [ECB'***s***] governing council."

Indeed, the Funding for Lending Scheme was back in the spotlight on Thursday. The Bank of England said banks would cease to receive subsidised funding to encourage mortgage lending and personal loans next year, in what analysts said was an attempt to cool the UK housing market.

"While Bank of England governor Mark Carney said that the bank does not see an immediate threat to financial stability coming from the housing market, it is concerned about how matters could develop if action is not taken," said Howard Archer, chief UK economist at IHS Global Insight.

"This is a hugely sensible and justifiable move taken by the Bank - even allowing for the fact that mortgage activity is still not that elevated compared to long-term average levels."

Sterling responded by climbing to an 11-month high against the dollar of $1.6380, although it subsequently edged back to $1.6340, up 0.3 per cent on the day.

The yield on the 10-year UK government bond fell 3 basis points to 2.74 per cent.

In the absence of any action in the US Treasury market, the German Bund yield edged 1bp lower to 1.70 per cent, in spite of stronger-than-expected German "flash" consumer price data and an improvement in the latest EC economic sentiment survey.

Meanwhile, gold edged up from a four-month low as the dollar suffered against the euro and sterling. The metal was $7 higher at $1,243 an ounce.

Among industrial commodities, Brent oil slipped 30 cents to $110.01 a barrel, while copper finished unchanged on the London Metal Exchange at $7,020 a tonne. Aluminium also had a steady session after hitting a fresh four-year low of $1,744 a tonne in early trade.

By Jan Cienski in Warsaw

Almost a quarter century after the Velvet Revolution swept Czechoslovakia'**s** communists from power, the betrayals and morally awkward compromises of that era are still haunting the Czech Republic as political parties try to form a government.

Andrej Babis, a food, fertiliser and publishing tycoon who is the county'**s** second-richest man, sponsored a new political party dubbed Ano, or "Yes", which swept to a strong second place in October'**s** parliamentary election. But the party'**s** efforts to enter government by building a new coalition have since been stymied by problems amid allegations that Mr Babis was an informant for Czechoslovakia'**s** repressive StB secret police in the 1980s.

If true, the charges would exclude him from taking a job as a minister in any new government, and Ano could fracture. Czech law forbids former StB agents from government posts, and Milos Zeman, the Czech president, has said he will not appoint people without a clean record from the communist past.

The allegations emerged in newspaper reports in neighbouring Slovakia during the election campaign, but still did not prevent Ano - which ran on a pro-business, low-tax platform - from taking 18.5 per cent of the vote. That placed it behind the Social Democrats, who garnered 20.5 per cent and whose leader, Bohuslav Sobotka, was last week given the task of cobbling together a majority coalition.

Archives kept by Slovakia'**s** Nation'**s** Memory Institute allege that Mr Babis, who was a member of the Communist party, met with the StB in the early 1980s and later became an agent, using the code-name "Bures", informing for police on his co-workers in the fertiliser business in an operation named Oko, or "Eye". However, parts of the secret police files have been shredded.

Mr Babis, 59, denies the reports, and is ***suing*** the institute, insisting he was registered by the StB without his knowledge.

"I legally defend myself against the accusation that I co-operated with the communist secret police," Mr Babis told the Financial Times in an email exchange. "The Secret Police (StB) kept a file that I didn't know about and there is not even my signature in this file."

Mr Babis, an ethnic Slovak who speaks Czech with an accent, admitted that he had met with StB agents because he was working for a ***foreign*** trading company importing phosphates to Czechoslovakia, but says he did not inform on anyone.

The Institute says it is confident of its records. "There is generally a low probability that the pieces of evidence were fabricated as they exist in three files independent from each other," Ondrej Krajnak, the Institute'***s*** head, told the CTK Czech news agency.

The allegations haunting Mr Babis add another element of uncertainty to a Czech political landscape that has been shaken by the recent collapse of the centre-right government of Petr Necas in a sex, spying and bribery scandal. The political uncertainty is weighing on the country as it struggles to emerge from a record-long recession.

One of the more surprising elements of the Babis affair may be how little ordinary Czechs seem to care about it. If anything, Ano continues to gain in local opinion polls.

Jiri Pehe, a Prague-based political scientist, said the allegations "don't cause strong emotions here" because there were relatively few dissidents in communist times, with the exception of a tiny but hardy group gathered around former president Václav Havel. Most ordinary people accommodated themselves to the system, he added.

Czechs voters seem more animated by the antics of the current political class. Mr Babis built Ano as a response to the frequent corruption scandals swirling through Czech politics, saying that the country'***s*** leadership had become dominated by "godfathers" linked to lobby groups.

The outcome of the October vote saw no party take an outright majority, in part because established parties lost much of their credibility. In fact, no government can be created without at least three political parties. Mr Sobotka is expected to tap Ano and the smaller centrist Christian Democrats in his attempt to form a coalition. There are already fissures between the three potential partners ***over*** whether the so-called "lustration" law preventing former spies from serving in government should be scrapped or not.

Mr Babis had wanted to be finance minister, which would allow him to push his low-tax policies in a government led by the left-leaning Social Democrats. But if the law is not changed he may be content to put in a proxy from his party.

"If the president insists on my certificate of innocence, I don´t have to be in the government," said Mr Babis. "I am excluded from the society only because somebody kept a falsified record. There is no evidence about my conscious co-operation with StB. And my conscience is clear."

Two months of bid and counterbid for a little-known Australian dairy group have proved that the country'***s*** drawn out cheese wars are capable of dishing up some stomach-churning valuations.

A multinational battle for Warrnambool Cheese and Butter - Australia'***s*** smallest milk processing group by sales - has received a spate of offers that have driven the cheesemaker'***s*** enterprise value in the latest approach to 24 times last year'***s*** earnings.

The battle is not only about the scarcity value of an asset with good proximity to the growing dairy markets of Asia, but also that the milk price is getting frothy.

"It'***s*** pretty hard to justify," says Mark Topy, analyst at Canaccord Genuity in Sydney. "The latest price is A$2 above what this year'***s*** independent expert'***s*** report set as the top end of fair value and well above where I would value the company."

An Australian banker not ***involved*** puts it more colloquially: "By all opinion in the industry, this is a phenomenal multiple."

The main characters in this giddy dance are Bega Cheese, Australia'***s*** other listed milk processor, Murray Goulburn its biggest farmer'***s*** co-operative, and Saputo, one of Canada'***s*** biggest dairy groups.

MG attempted to have the final say in the matter on Thursday, raising its offer to A$9.50, giving Warrnambool a market value of A$533m ($486m), which plus debt of A$76m gives the enterprise value of A$609m. That bested Saputo'***s*** last offer of A$9.20 a share.

That is for a company that last year reported sales of A$497m and earnings before interest, tax, depreciation and amortisation of A$25.5m.

Warrnambool'***s*** board, having earlier backed Saputo'***s*** offer with enthusiasm, said on Thursday it would consider MG'***s*** new bid and advise shareholders of its recommendation in future.

MG'***s*** latest bid is almost double what the farmer'***s*** mutual offered when it kicked off this saga in 2009. Back then, Warrnambool issued fresh stock to Bega Cheese, which became a white knight taking 15 per cent of its smaller rival and protecting its independence for a time.

But it was Bega that sparked this year'***s*** battle for the whole company by launching a cash and shares offer for the group valued at A$5.78 a share in September. At an enterprise value of $400m, that bid put Warrnambool on a multiple of 15.7 times last year'***s*** earnings, which was already racy by historical standards.

Bega has since sat back to watch Saputo and MG battle it out at ever higher prices, but that first bid led Warrnambool to commission KPMG for an independent value report, which said it was worth between A$7.00 and A$7.50 a share.

China Mengniu'***s*** offer this year for Yashilli, a Chinese company that gets all its milk from New Zealand, was at a multiple of 14 times last year'***s*** earnings, according to analysis from Dealogic. Last year, Danone'***s*** deal for a 38 per cent stake in a Moroccan dairy and the takeover of Robert Wiseman in the UK by Germany'***s*** Theo Mueller, were at similar or lower multiples.

However, Lactalis Group of France did pay multiples of more than 20 times for parts of Parmalat of Italy in 2011.

The comparison for Warrnambool may be slightly unfair - its earnings were lower last year than the financial years 2012 and 2011, when it reported A$35.5m and A$45.5m, respectively. Next year'***s*** earnings are forecast to be as high as A$50m, which would cut the bid multiple in half.

A banker following the deal says there is some scepticism about that forecast as it rests on punchy assumptions about sales of new products. Warrnambool has signed a technology licensing deal with Tatua of New Zealand that will help it extract lactoferrin, a key ingredient in the production of premium infant milk formula.

"Don't underestimate the Lactoferrin opportunity," the banker says. "Many companies are looking to diversify their supplies away from Fonterra [New Zealand'***s*** mammoth farmer'***s*** co-operative]."

Mr Topy questions the value of Warrnambool to MG, which is most interested in creating an Australian champion that can challenge Fonterra. He says MG could build the factory that Warrnambool has for half the cost of its bid.

However, Michael Harvey, industry analyst at Rabobank in Sydney, says that is the wrong way to think about it. "Sure, you can build a factory, but it'***s*** about getting your hands on the raw material," he says. "This all comes down to the growing strategic value of Australian food assets - we are producers of high quality milk in a good place for exports into Asia."

Ten weeks ago, the relationship between the head of RSA'***s*** Ireland arm and his boss in London could hardly have seemed any stronger.

Simon Lee, who runs RSA, heaped praise on Philip Smith as he appointed him as the director responsible for handling the group'***s*** dealings with insurance brokers around the world - on top of his day job in Ireland.

"Philip has an outstanding record of delivery and under his leadership RSA has grown to become the number one general insurer in the Irish market," said Mr Lee at the time.

It was a different story on Thursday. Mr Smith quit as chief executive of the insurer'***s*** Ireland division, complaining he had been made a "fall guy" for difficulties that have since come to light at the now crisis-hit operation.

Since Mr Smith took on the additional responsibilities in September, RSA has warned it discovered "accounting irregularities" in Ireland and has had to strengthen the subsidiary'***s*** finances with an emergency cash injection.

Yet Mr Smith'***s*** recent appointment as "group director, global brokers" suggests RSA had confidence in him until recently.

Even so, officials at Ireland'***s*** central bank, which is probing the business, recently said they had flagged up concerns about RSA'***s*** Irish unit at the end of August and have conducted eight on-site inspections on the insurer ***over*** the past two years.

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The tabular content relating to this article is not available to view. Apologies in advance for the inconvenience caused.

>"The Central Bank carried out an on-site review of ***claims*** cases in RSAII in August 2013. The Central Bank identified an issue with regard to delays in increasing case reserves on large ***claims*** in a timely manner and this informed the terms of an internal audit that RSAII had already scheduled in relation to the same area," the central bank said in a statement.

However, RSA'***s*** initial statement earlier this month suggested the accounting irregularities in Ireland - the way it booked large losses and recognised premium income - were identified during a routine internal audit by the company. People close to RSA said the regulator had only identified a potential problem with one ***claim*** in August.

These people said the regulator told the company that subsequently its overall ***claims*** review was "satisfactory".

The problems at RSA have also focused attention on the standard of financial regulation in Ireland, which has experienced a banking crisis and the collapse of one of its biggest insurers ***over*** the past five years.

Official reports on the causes of Ireland'***s*** financial crisis have strongly criticised the light touch and unco-ordinated nature of regulation by the central bank and the financial regulator in the years before the Irish crash.

These problems were highlighted in the insurance sector when Quinn Insurance, which was the jewel in the crown of businessman Sean Quinn'***s*** empire, became insolvent, and is forecast to cost taxpayers up to EUR1.65bn.

Since then the central bank has embarked on a radical overhaul of regulation and hired hundreds of extra staff to improve oversight of the financial services industry.

Thursday'***s*** strongly-worded statement from Mr Smith marks another setback for RSA as the insurer seeks to restore ***investor*** confidence after discovering the accounting irregularities at its Irish arm.

Eamonn Flanagan, analyst at Shore Capital, said: "RSA want to draw a line under all of this. But this is going to be in the public domain for longer than the company would have wanted."

Lloyds Banking Group is on the verge of appointing Lord Norman Blackwell, currently chairman of its Scottish Widows subsidiary, as the bank'***s*** new chairman, according to people close to the process. Lord Blackwell, an experienced businessman, banker and political adviser, looks set to replace outgoing chairman Sir Win Bischoff early next year.

Lord Blackwell, 61, has been on the Lloyds board since June of last year.

Investors have been keen to see a heavyweight appointment to the role, communicating as much to senior independent director Tony Watson, who conducted the search.

The Financial Times revealed in May that Sir Win, 72, was planning to announce his retirement. The bank has been conducting a search ever since but has taken its time, looking externally as well as internally, with the aim of finding a successor by the time of Lloyds' annual shareholder meeting next spring.

The chairman'***s*** appointment comes at a crucial time for Lloyds. Though it is still 33 per cent owned by taxpayers, the government would like to sell down its stake to zero by the time of the 2015 election. The bank'***s*** resurgent share price - up 7 per cent ***over*** the past three months to 76.87p at Thursday'***s*** close - has convinced investment bankers that the next phase of the selldown, which could include a sale to retail ***investors***, will happen early in the new year.

Lord Blackwell is a former senior independent director of insurer Standard Life and was a non-executive of retailer Dixons. A former McKinsey partner, he also has executive banking experience, as a development director at NatWest. He has a PhD in finance from Wharton University in the US. From 1995 to 1997, Lord Blackwell worked in government as head of prime minister Sir John Major'***s*** policy unit. He was appointed a Tory life peer in 1997.

Lloyds declined to comment and said the process was ongoing.

Hundreds of calls attempting to intercept voicemail messages were made from a private wire line inside News International premises, it has been alleged at an Old Bailey trial.

The jury in the phone hacking trial has been told by prosecutors that calls were made between October 2005 and August 2006, including to the unique voicemail message accounts of members of the royal household Jamie Lowther-Pinkerton and Mark Dyer, as well as journalists from the Mail on Sunday newspaper.

The jury was shown a schedule of calls routed through a private line inside the offices of the News of the World newspaper.

This included what the prosecution alleged were 24 hacking calls made on one day in April 2006 to unique voicemail accounts. Some 416 calls were made during the entire period to Mr Lowther-Pinkerton.

Calls from the private wire line were also made to the unique voicemail messages of Neil Wallis, the former deputy editor of News of the World, and model Katie Price, prosecutors ***claimed***.

Earlier Richard Fitzgerald, a police officer, told the court there were a number of methods of hacking voicemail accounts in the late 1990s.

Jonathan Laidlaw QC, representing former News International chief executive Rebekah Brooks, a defendant in the case, showed Mr Fitzgerald newspaper articles dating from 1999 and put it to him that "essentially there were failures" in the security systems of mobile phone service providers, which at the time were "deficient".

The jury were also shown a number of white boards with a series of words on them seized from the home and office premises of private detective Glenn Mulcaire, including from his shed.

The jury was read an extract from a statement from publicity agent Max Clifford, which said he had "fallen out" with Andy Coulson, the former editor of News of the World, in June 2005, about a client of Mr Clifford'***s***.

Mr Coulson directed the News of the World to cease commercial arrangements with Mr Clifford, so he gave stories to rival publications, Mr Clifford said in his statement, which was read to the jury by prosecutors.

The eight defendants, including Mr Coulson and Ms Brooks, face a range of charges. They deny any wrongdoing.

The trial continues.

Data protection has long been a point of contention between Europe and the US. At the beginning of the last decade Brussels waived restrictions on the transfer of sensitive information to US companies, provided that the recipient signed up to privacy principles similar to those enshrined in EU law. But the revelation that much of this data ends up in the hands of the US National Security Agency has led EU authorities to think again. In a report published this week, the European Commission says it might suspend this so-called "Safe Harbour" agreement unless its concerns are addressed by the middle of next year.

The commission is right to object to a situation in which communications between American citizens ordinarily stay private but exchanges between Europeans are intercepted with impunity when they pass through US servers. European governments may have received tip-offs as a result of US snooping. But that is no excuse for perpetuating a two-tier system that appears to circumvent national laws. If surveillance is necessary to the security of European states, it should be sanctioned by legislation. The US does not seem to have been imperilled by laws shielding its own citizens from eavesdroppers.

A sense of fair play is not the only reason for the US to heed Brussels' complaints. Another is commercial self-interest. The internet has enlarged the canvas of global commerce and stretched its threads across the frame of US infrastructure. This strengthens American companies as various as Google and Goldman Sachs. Moratoriums on data transfers, which have now been floated in the EU and Brazil, would put this at risk.

Technology giants such as Google could reshape their legal structures and retool their systems to keep data close to users and out of reach of ***foreign*** governments. But the additional cost could make marginal services unprofitable and choke off nimble start-ups that spur innovation. Businesses that depend on combining data from sources in different countries - for example, to facilitate cross-border transactions - would have to untangle complex technical and legal difficulties.

America'***s*** strongest reason for respecting foreigners' privacy is that, in the long term, it has little choice. The internet - like the US financial and legal systems - plays an international role because it commands widespread confidence. If foreigners no longer trust America to keep their secrets, they will take their data elsewhere.

South West Water has committed to freezing customers' bills for two years and pledged to keep overall price rises below inflation between now and the end of the decade.

Pennon, the water company'***s*** parent group, announced the initiative on Thursday as it reported improved half-year profits, despite a lower contribution from its Viridor waste management business.

Its water price freeze will effectively deliver three years of price reductions in real terms for South West Water'***s*** 800,000-strong customer base.

Earlier this year, a longstanding campaign by MPs and consumer groups in the region complaining about the excessive cost burden of maintaining water quality along its coastline won a £50 reduction in household bills, which was funded by the UK Treasury.

That represented an average reduction of 7.3 per cent in the average bill, to £499, but still left South West Water as the company with the highest water and sewage charges in England and Wales.

South West Water was due to start raising bills again, by 1.1 percentage points above inflation, next April, under the existing five-year pricing formula agreed with industry regulator Ofwat. Based on the retail prices index measure of inflation, this would have resulted in a 4 per cent increase in bills, according to chief executive Chris Loughlin.

However, South West Water has said it will cancel the next price increase and instead seek to recoup lost revenues in the next five-year pricing period, which starts in 2015. Mr Loughlin said the decision, agreed with Ofwat, would help to smooth customer bills at a time of declining household incomes and would not penalise ***investors*** in the long run.

"People want smooth and stable prices," he said on Thursday.

Customers of South West Water can also expect below-inflation increases beyond 2015, Mr Loughlin added. Full details of the pricing proposals for 2015-20 - from all water suppliers in England and Wales - will emerge in submissions to Ofwat on Monday.

Pennon'***s*** two-year price freeze commitment follows calls from Ofwat and the environment minister Owen Paterson for water providers to rein in prices next year and deliver reductions in real terms in the following five years.

Severn Trent has already confirmed that it is sticking to its commitment to keep price increases below inflation next year, while United Utilities has said it will not impose planned price increases averaging 1.2 percentage points above inflation.

Pre-tax profits at South West Water rose 7.6 per cent to £87.3m in the six months to September 30. But a 29 per cent fall at Pennon'***s*** Viridor waste management business following a continuing squeeze on margins led to a more modest 3.5 per cent rise in overall group pre-tax profits, to £111m.

The company, which ended the period with net debt of £2.1bn, increased its interim dividend 7.2 per cent to 9.39p.

Shares in Pennon closed up 1 per cent, at 644.5p, on Thursday, leaving them up by nearly a tenth on the year.

The EU'***s*** "Eastern Partnership" summit in Vilnius beginning on Thursday night was supposed to celebrate landmark trade and co-operation deals being signed or finalised with four former Soviet republics.

Instead, Armenia turned its back on an EU deal in September while 46m-strong Ukraine last week froze preparations to sign one - both under brutal pressure from Moscow. That has left only Moldova and Georgia ready to "initial" the texts of deals in Vilnius.

The summit, which opens in a rebuilt replica of the 15th-century Palace of the Grand Dukes of Lithuania, must now try to salvage hopes of a future deal with Ukraine and put a brave face on the limited success of the four-year-old partnership programme.

Russia'***s*** strong-arm tactics towards ex-Soviet neighbours preparing to do EU deals have raised questions ***over*** the future of the Eastern Partnership - and caused tensions between older and newer EU members ***over*** how to respond.

When EU ambassadors met to prepare for the summit this week, west European envoys insisted the Vilnius declaration must contain no explicit promise of future EU membership to ex-Soviet countries such as Ukraine. One ambassador from an ex-communist country upbraided colleagues for using wording similar to that which Brussels uses with north Africa.

"While we are drafting, Russia is acting," the ambassador said, according to two people in the room.

The Eastern Partnership aimed to implant European democratic values into countries beyond the EU'***s*** eastern borders, after 10 ex-communist countries from central Europe joined the union in 2004 and 2007. It offered agreements to six ex-Soviet republics similar to those given to central European states in the 1990s.

Partner countries are offered tariff-free access to the EU single market - and vice versa - if they adopt large chunks of EU legislation.

That could stimulate big investment inflows, although partnership countries risk economic pain until they complete reforms needed to make their products competitive in the EU.

Some critics say the programme made two big mistakes. It offered one-size-fits-all solutions to wildly differing countries. And it assumed these countries' leaderships would embrace EU integration the way central Europe'***s*** reformist 1990s governments did.

"We would have eaten grass to rejoin Europe," one senior central European politician recalled this week. But many ex-Soviet authoritarian elites today are mainly interested not in westernising their countries but in preserving their power and wealth.

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The tabular content relating to this article is not available to view. Apologies in advance for the inconvenience caused.

>Other critics say the packages fell short, by omitting - because of western EU members' "enlargement fatigue" - any promise of eventual membership. Countries that did crave European integration questioned if their painful reforms would be adequately rewarded.

EU officials also reckoned without Russia launching a rival integration project, a customs union of ex-Soviet states - incompatible with the EU'***s*** trade area - set to be deepened by 2015 into a "Eurasian Economic Union". Russia has used energy, trade and security pressures to deter ex-Soviet countries from EU deals.

Radoslaw Sikorski, ***foreign*** minister of Poland, a driving force of the Eastern Partnership, says Moscow "shifted the goalposts". In 2008, he suggests, President Vladimir Putin signalled Russia would not allow countries such as Ukraine or Georgia to join Nato, but EU integration was not a problem.

Stefan Füle, EU commissioner for the partnership project, parried criticisms that the Kremlin had outmanoeuvred Brussels.

"We've worked with Ukraine for years on meeting their European aspirations. We have put forward the most ambitious [offer] second to enlargement," Mr Füle said, adding the EU deals had "huge transformative power".

"Looking back I don't see anything we would do differently," he said.

Some central European diplomats, however, say the EU should have been more aggressive and creative in offering incentives to Ukraine.

The senior central European politician said the EU approached Ukraine like a normal commercial and political partner, holding formal talks. Russia treated it "like a spy operation", with operatives in the local media and parliament, and special operations targeting individual Ukrainian oligarchs.

<>"We always had a much weaker hand than Russia. They have a unity of purpose, and a certain brutality," he said. "This is a crucial operation for them."

Analysts suggest the EU must now find new ways of engaging with ex-Soviet republics and their citizens - offering ***visa***-free travel, reducing reliance on Russian energy, and helping civil society promote political reforms.

Peter Havlik of the Vienna Institute for International Economic Studies says the EU should work with Moscow on making the Eastern Partnership and Russia'***s*** customs union compatible.

That could lead ultimately to what both sides have proclaimed as a long-term goal of a free trade area "from Lisbon to Vladivostok" - with countries such as Ukraine an integral part, and big beneficiary.

It would require Brussels to engage with Moscow and Kiev'***s*** proposal of three-way talks - although with care. "What has to be avoided is the impression that the EU and Russia are negotiating ***over*** Ukraine'***s*** future," says Mr Havlik.

Some suggest the EU must mature into a more hard-headed geopolitical player, with a clearer strategic grasp of its aims in the former Soviet space.

"Brussels likes to think that because [the Eastern Partnership] is a civilisational project, it'***s*** not geopolitical," says James Sherr of London'***s*** Chatham House think-tank. "But of course it'***s*** geopolitical - and Moscow will always see it that way."

Additional reporting by Jan Cienski in Warsaw

Oil at the US Gulf Coast traded at a record discount to the global market on Thursday, adding to the benefits US refiners are enjoying from their country'***s*** shale boom, but heaping further pain on exporters that ship oil into the US at local prices.

Surging shale oil production along with severe restrictions on exports have led the US oil market to diverge from the global market in recent years. This week US benchmark West Texas Intermediate crude fell to a five month low of $91.77 per barrel, almost $20 per barrel less than the global marker Brent.

But until recent months infrastructure constraints have made it costly to move oil from inland shale formations to the country'***s*** main refining hubs in Texas and Louisiana, limiting the benefits of low prices to the wider US economy. With more oil now able to flow through pipelines, the Gulf Coast market is also diverging from Brent.

On Thursday Louisiana Light Sweet, the Gulf Coast benchmark, hit a low for the year of $95.30 per barrel. Its discount of $16.01 per barrel to Brent, was easily the highest on record in Reuters data going back twenty years. Traditionally LLS has traded at a premium to Brent, reflecting its superior quality and the cost of shipping to the US.

The low prices are a boon to Gulf Coast refiners which can pick up crudes at low local prices, and then sell refined products such as gasoline and diesel, which can be exported from the US freely, into the international market at high prices.

A tale of two parts: London and the rest of the UK

At around 3m barrels a day, exports of finished petroleum products from the US are running at three times the rate of eight years ago, according to US government data.

Imports to the Gulf Coast tend to be priced off local benchmarks including LLS and the Argus sour crude index, a basket of four heavier Gulf Coast crudes. With Gulf Coast prices falling, exporters such as Saudi Arabia and Venezuela are receiving less revenue for their sales into the US.

The discounts of US crude show no sign of ebbing with oil inventories continuing to rise as production grows, and many refineries remaining closed for maintenance.

"There is simply too much crude in the US," said Amrita Sen, an analyst at Energy Aspects. "We keep expecting it to be soaked up as refineries return from maintenance, or barges distribute it around the country, but that has just not happened. US prices have to keep falling."

That is causing problems for many oil traders. The spread between WTI and Brent is among the most popular trades in the oil market and just a few months ago the consensus bet was for the two crudes to be trading close to parity by the end of the year.

Brokers say many traders have been caught short by the sudden widening of the discount, forcing them to close out positions at a loss.

"Market activity is consistent with a bloodbath," said one. "People are indiscriminately buying TI and selling Brent all the way along the curve."

BT has struck a deal with Universal Music, the world'***s*** largest music company, to stream albums ***over*** its pay-TV platform.

The music service will broaden the content available on a TV platform that has been dominated by its recent sporting rights acquisitions.

The telecoms group will be able to stream about 150 albums of music ***over*** its pay-TV service. BT hopes to further expand the service through licensing deals with other major music labels, said a person familiar with the process.

BT already has a music service on BT Vision that broadcasts individual songs and tracks. This deal will allow a limited catalogue of Universal'***s*** albums to be added to the service.

The music service has been tested for the past two months and is expected to be announced in the next few days. It will join a pay-TV platform already growing rapidly owing to the aggressive acquisition of sports rights such as Premier League and Champions League football.

Separately, BT has also signed up the rights to show NBA basketball on its sports channels. BT will show up to 200 games per season for a sport that has been off air since last year.

There will be up to seven live games per week, including several magazine shows, weekly highlights and news programmes. BT did not say how much the multiyear agreement cost.

Simon Green, head of BT Sport, said: "The NBA is simply the best basketball in the world; it is fast moving, high scoring and includes some the world'***s*** most recognisable global sporting icons."

Licensing music for new digital platforms has become an increasingly important source of revenues for Universal Music and its two biggest rivals, Warner Music Group and Sony Music Entertainment.

BT Music is available for £3 per month for people who have subscribed to BT'***s*** TV platform. The service allows users to create their own playlists, search for albums, singalong to karaoke tracks and watch concerts.

The catalogue of music licensed by the service includes Robbie Williams' new album Swings Both Ways, and the Mercury prizewinning album Overgrown by James Blake.

However, at present, BT Music has far less music than the 20m-plus tracks that have been licensed by Spotify and Deezer, rival digital music services that cost up to £10 a month and can be accessed through mobile devices.

A free version of Spotify includes advertising and can only be used on PCs.

Spotify, which was this month valued at more than $4bn in its latest fundraising round, has more than 24m active users and 6m paying subscribers.

Additional reporting by Robert Cookson

President François Hollande received a boost on Thursday when figures showed a sharp fall in October'***s*** jobless numbers in France.

The fall, the first confirmed monthly decline since April 2011, suggests Mr Hollande will be able to fulfil his much-doubted promise to "invert the curve" of rising unemployment by the end of the year.

"The inversion of the curve is under way," said Michel Sapin, labour minister in the government. "But the battle still lies ahead if us to entrench and increase the trend."

Figures from the ministry showed the number of people without work seeking iobs fell in October by 20,500, although the total stood at 3.27m, still close to a record high.

A fall was recorded in August, but this was mainly due to a fault in the collection of data, meaning the October numbers mark the first real decline since Mr Hollande came to office in May last year.

The socialist president said the figures showed the "first results" of his campaign against unemployment. "It is in line with the commitment I made at the beginning of the year," he said. "Today'***s*** figures show the battle for jobs can be won."

He added that the push for employment must "even be expanded".

"Everything must be done to support economic growth, and particularly business investment," Mr Hollande said.

Unemployment, on internationally comparable measures, still stands at just under 11 per cent of the workforce. Most economists predict it will not peak until next year.

But the latest figures will come as a relief to Mr Hollande, whose approval ratings are at record lows for recent French presidents and who badly needs some good news.

He himself earlier on Thursday seemed to suggest that his promise to "invert the curve" might take longer to achieve than he had indicated.

Mr Sapin pointed out that part of the more optimistic trend was a 2.3 per cent fall in youth jobless in October, continuing a decline seen ***over*** the past several months.

But critics have pointed out that much, if not all, of the improved figures on unemployment is due to state-sponsored, make-work schemes aimed chiefly at those under 25 years of age. Tens of thousands of jobs are being created this way.

Economic growth remains well below levels needed to generate significant numbers of private-sector jobs. The economy shrank by 0.1 per cent in the third quarter and latest indicators have signalled continued low levels of confidence and investment.

The government and the EU are predicting growth of about 1 per cent next year before reaching 1.7 per cent in 2015 - a level that economists say is needed for a significant impact to be made on unemployment.

"France has done more than you read in the media, but certainly not enough," said Olli Rehn, the European Commission'***s*** economic chief, referring to labour reform efforts. "I can't say whether the cup is half full or half empty."

Vladimir Putin is convinced Russia is surrounded by enemies: mysterious ***foreign*** agents lurking in non-government organisations, crusading sexual deviants intent on sapping the nation'***s*** Christian morality and environmentalist-pirates sabotaging its Arctic oil drills.

The war against them may be real, but these enemies are fantasies. This battle is a tragic distraction. Because Russia'***s*** real enemies are growing stronger, more resistant and ever deadlier.

Russia is gripped by an all powerful but grotesquely corrupt bureaucracy. No institution is more criminalised than its police force and prison guards. On the streets, police turn a blind eye to escalating heroin sales for cash kickbacks; in the worst prisons, guards sell it themselves.

Corrupt border posts keep Russia open to gigantic drug flows night and day. In the Siberian prison colonies, needles are shared across barracks, much like after dark in the dingy underpasses leading to Moscow'***s*** overcrowded and imperial railway stations.

Mr Putin has failed to protect Russia. The nation is gripped by a demonic vicious cycle. Heroin is fuelling it faster and faster. The number of needle users in Russia is now more than 1.6m. When Mr Putin first entered the Kremlin in 2000, fewer than 100,000 people in Russia were HIV positive. Today there are at least 1.2m, with estimates that 5 per cent of all young people are now infected.

Driving through the industrial cities of the Urals region into the dying villages of Siberia, you see this catastrophe everywhere. Drugs are bought in broad daylight. Homeless teenage junkies are everywhere. You can easily see why the World Bank estimates that, by 2020, Russia will be losing 20,000 people a month to Aids.

Russia is in great, needless danger. This is a rich country committed to spending $755bn building up its military ***over*** the next decade. It may cost Moscow more than £20bn alone to pay for its recent power play to stop Ukraine deepening ties with the EU.

But this will do nothing to stop a new, virulent strain of HIV spreading through Siberia. Nor will it change the fact that by 2020 the number of HIV cases in Russia could surpass 5m. The infected population grew by 12 per cent last year alone.

The country needs a strong leader, one who will fight its real enemies. It needs a leader who will line the roads with posters warning the nation, not a president in denial.

Mr Putin'***s*** war on imaginary enemies makes matters worse. His alliance with the Orthodox Church has shut down sex education in Russian schools. His ban on "homosexual propaganda" has criminalised even discussing gay sex with teenagers. Anti-NGO laws have dealt a heavy blow to the charities fighting HIV.

Russia needs a leader strong enough to break the cycle of corruption, heroin and HIV. A leader strong enough to break the criminalisation of the very agencies supposed to enforce the law - no matter the risks that they may pose to his power. A democratic leader whose praetorian guard will ruthlessly purge the police, not the opposition.

Moscow is one of the richest cities in the world. Its ***ruling*** elite is an insulated and wealthy plutocracy disconnected from its empire. Even the bulk of the Russian opposition - hipsters, intellectuals and affluent activists - take no interest in the plagues of the poor.

The underclass feels frightened and resentful. From the endless slab-like Soviet estates ringing the capital to the Arctic mining colonies, both the hipsters and oligarchs that make up the Moscow establishment are despised as callous and indifferent.

Racist vigilantes are filling the void. Heroin suppliers like to work through impoverished central Asian migrants. This means the working-class accuse them of spreading drugs and disease. Race riots in Moscow are only the tip of an iceberg. Popular vigilante groups clash and harass migrants nightly. Dozens more riots have broken out in the regions.

In the Urals rust belt Evgeny Roizman, the newly elected anti-Putin mayor of Yekaterinburg, runs a vigilante group that attacks dealers, kidnaps addicts and locks them up in makeshift "cold turkey" camps.

Mr Putin ***claims*** not to use the internet. Even in the inner circle, nobody dares mention uncomfortable truths. This leader lives a lonely life of morning swims in the Olympic-sized empty pools beneath his palaces and evening ice hockey games against teams of bodyguards.

Isolated and in denial, the president is in fact little aware of the heroin epidemic and the depths of criminalisation of his bureaucracy. His henchmen are happy to keep him that way. It makes stealing billions from the Russian budget a far easier task.

The writer is the author of 'Fragile Empire: How Russia Fell In And Out Of Love With Vladimir Putin'

A combination of Peppa Pig and robotic dog called Teksta are helping toymaker Character Group bounce back after a woeful Christmas period last year.

The toymaker - which makes toys linked to well-known children'***s*** TV shows such as Peppa Pig and Fireman Sam - said that some of its items had already sold out ahead of the Christmas period.

Richard King, executive chairman, said: "We are already having a better Christmas this year than we had last year."

Last year, products such as a mechanical hamster failed to fly off the shelves at Christmas, leaving Character facing a difficult start to 2013 as it attempted to clear stock.

"We had a few items which we thought would do well, and we got it wrong. Our portfolio was not as good as it is today," said Mr King.

Some of its toys, such as the robotic puppy Teksta, were added to the UK Toy Retailers Association'***s*** annual list of "Christmas Dream Toys". Mr King said 2014 would provide a "substantially better result".

Revenues for the year to August 31 fell 10.4 per cent to £67.2m as last year'***s*** Christmas turkeys weighed on the group.

Pre-tax profits fell from £7.1m to £0.7m as families opted for fewer, but better quality gifts at Christmas during the economic downturn.

"When you go through a bad trading period retail wise, then it is only the best items that do well," said Mr King.

International sales leapt by a quarter as the British brands such as Peppa Pig, the children'***s*** TV character, launched in new markets. Peppa, who is owned by London-listed distribution group Entertainment One, has become a global success, with shows in Australia, Spain and Italy. Entertainment One launched the children'**s** cartoon character in Russia earlier this year.

Diluted earnings per share fell from 23p to 2.8p. Character kept its dividend for the year flat at 6.6p.

Richard Hickinbotham, analyst at Charles Stanley, said: "Character finished [the financial year] in far better shape than it entered it."

"The first half of the year was affected by a very difficult retail market ***over*** the important Christmas trading period and subsequent clearances of excess stock, particularly of third party lines," he added.

Charles Stanley expects the toymaker'**s** full-year pre-tax profit to return to £7m next year.

Shares in Character Group rose 4.3 per cent to 169p.

Coalition governments are routine in Germany. Yet the road to the latest alliance of Christian Democrats and Social Democrats has been paved with superlatives: the longest negotiations, the highest number of participants, the thickest contract - and the poorest outcome.

The headline of the grand coalition agreement - Shaping Germany'**s** future - reveals all about the lack of inspiration. It is a buzzword - and a misleading one at that: the deal agreed this week by Angela Merkel, chancellor, and her SPD coalition partners is more about the past.

Look beyond the eye-catching headlines of a proposed minimum wage and motorway tolls for foreigners and it is clear that the only really winners to emerge out of the 185-page document are the old, who will be served threefold. Older mothers will gain higher pension entitlements for every child. Older workers will be able to retire early at 63 if they have paid in to the state pension system for 45 years. Finally, those who have worked all their adult life but made only small contributions to the system will see their pension payments increased.

You can see why this happened. Data just released by the German demographic institute show that the country'**s** population has the highest median age of all EU countries - 45 years, compared with 39.7 for the UK and 35 for Ireland. No surprise then, that the political parties are willingly following the shifting majorities through the age structure of German society. Both big mainstream parties have become parties of the old. It is this age bracket where they find most of their voters - and the most reliable ones as well. This is the strongest political message the new coalition sends out, albeit inadvertently. If this message sticks - that the old have won - then Germany will lose the confidence of a young, educated generation, and will in the end lose its future.

Yes, they have agreed some measures aimed at younger Germans. For example, there will be some further investment in childcare for small children - to enhance the opportunity for parents (in reality, mostly mothers) to return to work earlier. But this was only partly motivated by a wish to encourage young couples considering starting a family. In truth it is more about fulfilling the SPD'**s** pursuit of female self-determination and also about increasing the workforce at a time when the numbers of retiring skilled employees are due to exceed those of educated graduates entering the labour market.

Other initiatives aimed more directly at unburdening families of the costs of education were part of the CDU'**s** election campaign, but were quickly shelved during the coalition negotiations.

Ms Merkel and her negotiating team failed to pursue a promised increase in child benefits and family-related tax breaks because they feared that this would imperil the bigger political goal preventing any tax increases. The easiest way for the conservatives to hinder the desire of their new social democrat partners to spend more on schools, infrastructure and other social benefits was to abandon their own spending wishes.

For Ms Merkel this abstinence bore another, more important consequence. It allows her to maintain the policy of austerity Germany has been preaching to the rest of Europe, particularly those ailing members of the eurozone. The consequences of the negotiating process for forming a new German government have enforced Ms Merkel'***s*** approach to the euro crisis - it is no longer just the strategy pursued by and large by her own party, it is now laid down in a treaty with the SPD.

But then, this abstinence of tax rises or debt increase was easy to achieve, since both parties agreed to ransack the budget of the state pension system instead. The high contributions German workers pay for their obligatory pension schemes were due to come down a little, since the present high level of employment provides the pension funds with higher incomes than necessary to pay out current pensions. The contributors to the funds have now been denied this rebate, which might have proved useful in boosting household spending.

Representatives of business and economic think-tanks have commented with dismay on the route the new coalition is about to take. The chancellor'***s*** response has been curt. The outcome of the September election, which saw the CDU just fall short of an absolute majority, could - on paper at least - have resulted in a rival coalition with policies far more damaging to German economic interests.

Recent opinion polls indicate a dwindling of early support for the grand coalition. But at the same time the polls also show that among Germans the preference for social stability ***over*** economic freedom remains high and unshaken. This is the foundation on which the new government rests. It is a coalition working for those present, not for those to come. But in the end the future of all Germans will be at stake.The writer is political correspondent of the Frankfurter Allgemeine Zeitung

After a nearly three-year hiatus, Thailand has reverted to a depressingly familiar pattern of political polarisation. Ever since 2006, when Thaksin Shinawatra, former prime minister, was removed in a military coup, the country has been bitterly divided between those who love him (the "reds") and those who loathe him (the "yellows"). The fight is about more than personality. Mr Thaksin, a deeply flawed politician, has nevertheless come to encapsulate the aspirations of a majority of poorer Thais. The ensuing ideological confrontation has spiralled into violence. In 2008 yellows occupied the international airport in their efforts, eventually successful, to force out an elected pro-Thaksin government. In 2010, dozens of Mr Thaksin'***s*** supporters were shot after they occupied parts of Bangkok.

Mr Thaksin still casts a lengthy shadow even though he now lives in exile. In Thailand he faces a two-year jail sentence for corruption after a trial in absentia that he insists was politically motivated. A calm of sorts returned when his sister, Yingluck Shinawatra, was elected prime minister in 2011. The truce was broken in recent weeks when her government tried to pass a wide-ranging amnesty that critics said was aimed at exonerating her brother. The resulting protests have not abated even though the amnesty bill - a clumsy piece of legislation - has since been dropped.

It would be tempting to say "a plague on both your houses". Three years ago it was Mr Thaksin'***s*** supporters who were on the streets. Today it is the yellows. Accusations of corruption and incompetence against the current government - including for its poorly conceived rice-subsidy policy - have merit. They were equally applicable to the previous Democrat-led administration.

Yet the opposition is more in the wrong than the government. The proposal of Suthep Thaugsuban, the main protest leader, that the government stand down in favour of an unelected "people'***s*** council" is nonsense. It shows that the Thai establishment has still not learnt to accept the result of elections. Ms Yingluck'***s*** government has acted with appropriate restraint. There has been no repetition of the shootings of three years ago. She should ensure it stays that way. Yet the onus is now on the protesters to cease their illegal occupation of ministries. They have made their point and should now withdraw. If they want to occupy government buildings in future, they should fulfil one condition first: win an election.

A tale of two parts: London and the rest of the UK

King Coal has lost its crown. Since prices spiked in the wake of the Australian floods of 2010 it has been all one way for thermal coal - down.

But a rally in several coal benchmarks has brought the market back to life and raised hopes the fossil fuel, which is used to generate electricity around the world, might have bottomed. The Australian spot price has risen almost 9 per cent since its August low to $82.80 a tonne, while its South African equivalent is nearly 17 per cent higher at $83.39.

Rising thermal coal prices makes a big difference to the profitability of several large producers, including miners Glencore Xstrata, Rio Tinto and Anglo American. They are also important for large traders of thermal coal such as Vitol and Noble.

Yet the outlook for thermal coal remains poor. Supply continues to expand, with producers in Australia and Indonesia, the world'***s*** biggest exporter, still to curtail output in the face of weaker prices. Merrill Lynch estimates a fifth of seaborne thermal coal producers are not covering their cash costs at current prices.

"There'***s*** good demand everywhere - but there is just too much supply," says one industry executive.

While an unusually cold winter in the northern hemisphere and further disruptions in Colombia, which exports almost 70 per cent of coal to Europe, could help support thermal coal, most analysts expect prices to come under pressure in 2014, especially if demand from China weakens.

"On balance the global coal market looks oversupplied in 2014, creating the scope for further price weakness," analysts at Merrill Lynch wrote earlier this week.

Given that backdrop, there was surprise when prices jumped suddenly in October. However, many market participants are sceptical the spikes signal better times ahead. Instead, they pin the recent moves on an aggressive trading strategy.

The locus of the move, according to some analysts, was coal exported from South Africa into Europe. An index which tracks Richards Bay coal has risen as much as 25 per cent since August and has pulled several other benchmarks with it.

But, far from signalling a change in sentiment, traders reckon the move was caused by supply disruptions in Russia and Colombia, and may have been exacerbated by trading house Vitol. The commodities trading house bought large quantities of Richards Bay coal for sale into Europe, several market participants have told the Financial Times.

Some ***claim*** Vitol also has a much larger derivatives position, betting that implied freight - or the price differential between API4, the benchmark South African swaps contract, and API2, the equivalent for coal imported into northwest Europe - would shrink.

"You had a trader with a 'short' implied freight position. Effectively, they were bidding up cargoes in order to support that position," suggests Ivan Szpakowski, commodities strategist at Citi, who declined to name the trader.

Coal delivered to the European hub of Rotterdam has traditionally fetched a premium to Richards Bay to reflect the costs of the 8,200-nautical mile voyage. But for long periods since August the roles have been reversed and Richards Bay has traded at a premium.

At least one large thermal coal trader has complained to financial regulators in the UK and Switzerland, where Vitol is headquartered, about the price movements, according to people familiar with the matter.

Vitol said that price movements in API4/API2 in the last six months had not been unusual. It added that comments on its trading positions were based on speculative and incorrect assumptions. "Vitol takes its regulatory responsibilities, including those in respect of market behaviour, extremely seriously. Any suggestions to the contrary will be strongly contested," it said.

According to a recent note from Citi, the ability of any trader to execute such a large move would illustrate an important market trend. While inventories at Richards Bay and rail deliveries are at record levels, an increasing amount of coal produced is not at the 6,000 kilocalorie benchmark upon which futures are traded.

"Similar to iron ore, this decreasing availability of index grade material is making these indices less representative of the market as a whole and more vulnerable to influence from factors specific to benchmark grade material: for example, a production disruption, hoarding of cargoes," Citi said in the note, adding these influences were temporary and should soon pass.

If and when they do, thermal coal'**s** weak fundamentals will come back into view. Australia and Indonesia, the world'**s** two largest exporters are continuing to increase supply, while demand growth from China, which has soaked up excess seaborne supply in recent years, could be affected by new environmental regulations.

Macquarie estimates seaborne thermal coal exports from Australia and Indonesia are up 14.2m and 36.5m tonnes respectively in the year to date. There are also question marks about India'**s** appetite for thermal coal imports following the depreciation of its currency this year.

Indeed, prices have already pulled back from their recent highs. Richards Bay spot has fallen almost 4 per cent ***over*** the past month. And prices may have to fall further before King Coal can rise again.

"The solution to the oversupplied market is to inflict further pain on producers via lower prices, forcing them to curtail output," Merrill said in its report.

The EU was scrambling on Thursday night to rescue a landmark deal to integrate Ukraine more closely with the west, as demonstrators again massed in Kiev calling on their president, Viktor Yanukovich, to sign the agreement.

European Union leaders flew into a summit in Vilnius, Lithuania, for their first meeting with Mr Yanukovich since his government last week dramatically froze preparations for the deal and instead reopened talks on closer ties with Russia.

German chancellor Angela Merkel told reporters as she arrived in Vilnius she saw "no hope" of signing a deal with Kiev at the summit as planned, but the "door was still open" to Ukraine.

At a dinner in Vilnius, the 28 EU heads of government were set to discuss whether to sign a proposed joint declaration on Friday with Mr Yanukovich saying talks would resume between the two sides in hopes of signing the deal no later than March.

Ukraine is facing what leaders on both sides have called a "civilisational" choice between a trade and association agreement with the EU that would tilt Ukraine towards the west, or deepening relations with Russia.

It has come under intense pressure from Moscow not to sign the EU deal. Russia has banned a range of Ukrainian products, and severely disrupted trade by stepping up border controls on goods and on Ukrainians working in Russia.

Failure to conclude a deal with Ukraine would be a blow to the EU'**s** four-year-old "Eastern Partnership" programme, aimed at projecting European values into six ex-Soviet republics by offering deeper trade and political ties in return for reforms.

In Kiev'***s*** central square and other Ukrainian cities, thousands of protesters gathered for a seventh day to call for Mr Yanukovich to sign the deal, and said more would arrive today and ***over*** the weekend if he did not. A protest last Sunday attracted more than 100,000 people - the biggest such gathering since the 2004 Orange Revolution.

A decision by students this week to go on strike has injected fresh energy into the protests. Some protesters said authorities were trying to prevent supporters from pro-European regions of western Ukraine - which played a big part in the 2004 uprising - from flocking to Kiev.

It is unclear whether protests could reach the numbers seen nine years ago. But the advent of social media has given organisers a tool they did not have in 2004, with a Facebook page for the protests attracting tens of thousands of followers.

The potential joint EU-Ukraine declaration was discussed by Stefan Fule, EU commissioner responsible for Ukraine, and Ukraine'***s*** deputy premier, Serhiy Arbuzov, in Vilnius on Thursday.

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>Brussels was said to have come under pressure from Washington to keep chances of a deal with Ukraine alive. Extending talks until March could allow time for the International Monetary Fund to resolve differences with Kiev ***over*** a bailout to ease Ukraine'***s*** worsening financial squeeze.

Some EU officials and senior Ukrainians warned, however, that such a declaration might merely provide a smokescreen for Mr Yanukovich to complete talks on an alternative arrangement with Russia'***s*** president Vladimir Putin.

Senior EU officials on Thursday called on the Ukrainian president to take responsibility for his country'***s*** future direction. "The offer is still on the table. The association agreement is ready for signature as soon as Ukraine is ready," Mr Fule said in Vilnius.

Dalia Grybauskaite, Lithuania'***s*** president who is hosting the summit, denied that Russia had outflanked the EU ***over*** Ukraine. She said Mr Yanukovich had to decide in which direction he wanted to lead his country.

"We are talking about a decision that Ukraine made," she told the Financial Times. "It is not about pressures, and tools of pressure, it is about [whether] a country . . . is willing to accept and react to the pressure.

"Lithuania for 20 years was receiving such kind of pressures [from Russia]," she added. "Even an economic blockade at the beginning of the 1990s for eight months, [when] we had no heat, no hot water, during the winter."

Mustapha Nayem, one of the protest organisers, brought a 20m Ukrainian flag signed protestersors from Kiev and unfurled it in Vilnius. "These protests are historic, because they're the first time that Ukrainians have gone on to the streets not against something, but for something - for Europe," she said. "Even in 2004, it was against the old system. This is for something - and that makes it more positive."

Barclays' chief executive Antony Jenkins would receive part of his fixed pay in shares next year under the bank'***s*** plan to revamp pay because of the controversial bonus cap imposed on banks by the European Union.

The bank last week told staff that it plans to introduce a new form of fixed pay that is based on seniority for those employees who are affected by the incoming bonus limit. This "role-based pay" will be paid in the form of cash allowances for most employees and therefore will not be counted as bonuses for the purposes of the cap.

However, Barclays is eying a different form of mostly share-based allowances for the top two executives, Mr Jenkins and Tushar Morzaria, chief financial officer, two people familiar with the plan told the Financial Times.

The plan is still being discussed at the bank'***s*** remuneration committee and will be presented to shareholders early next year.

The European Union bonus cap, part of the fourth Capital Requirement Directive, comes into force early next year and limits bonuses to up to 100 per cent of the level of fixed remuneration or twice that with shareholder approval.

"Ultimately you want a package that is as similar as possible to pre-CRD IV pay," one banker said. Bonuses, which will be smaller in the future thanks to the cap, are typically paid largely in shares.

Several other big banks across Europe are thinking about taking similar steps, pay experts said.

"Most large banks operating in the EU are planning to pay allowances at least partly in shares for the most senior executives," Tom Gosling, head of PwC'***s*** reward practice. "This is to reassure shareholders that executive interests will remain strongly aligned with theirs, despite the increase in fixed pay."

Investors have been wary about banks' plans to use cash allowances as a way to deal with the bonus cap and they have been urging banks to make shares - at least for the top management - a key component in their response to the variable pay limit.

At least one large shareholder is uncomfortable with Barclays' plans to pay most of its affected staff with cash allowances and would rather see the bank use shares, an executive from that shareholder told the Financial Times.

The benefit of both cash and share allowances is that they will be reviewed at the beginning of each year and, like bonuses, can be adjusted upwards and downwards. They are paid monthly and also do not count towards an employee'***s*** pension.

It is still unclear how many employees will be captured by the bonus cap as Europe'***s*** main banking regulator has not yet finalised the definition of these "material risk-takers". In a draft proposal, which will probably be finalised before Christmas, the European Banking Authority proposed to catch anyone earning more than EUR500,000.

Under the UK'***s*** old definition, Barclays had 393 material risk-takers last year and 1,338 staff earning more than £500,000 (EUR592,000).

Mr Jenkins was paid £1.13m in base salary, pension and other benefits last year because he gave up his bonus and pledged to "be aggressive" on cost and pay levels.

Additional reporting by Patrick Jenkins

Thanksgiving in the US made for a quiet day on the data front on Thursday. The Swiss economy expanded in the third quarter on the back of stronger exports, construction and government spending, data that helped bolster the franc against the euro. The Philippines posted robust growth in the third quarter, before the natural disaster struck the country.

Europe

Switzerland: GDP expanded 0.5 per cent in the third quarter, seasonally adjusted, maintaining the level of growth from the two previous quarters. While exports of goods went up 0.5 per cent, imports of goods went down 0.3 per cent quarter on quarter. Year on year, GDP expanded 1.9 per cent, with exports of goods growing 1.5 per cent and imports of goods shrinking 1.2 per cent.

Spain: Second GDP estimates showed that the economy grew 0.1 per cent in the third quarter compared with the previous one, after decreasing 0.1 per cent in the second quarter. The industrial sector expanded 0.8 per cent between the second and the third quarter, while construction went down 1.5 per cent. In an annual basis, GDP contracted 1.1 per cent in the third quarter.

Italy: The Istat business confidence climate index increased from 79.9 in October to 83.2 in November. In manufacturing, the confidence index rose, while it fell slightly in construction. Employment expectations also worsened, but the retail trade confidence index went up 1.3 points - from 89.4 in October to 90.7 in November.

Turkey: Consumer confidence index rose 2.6 per cent from October to November, reaching 77.5 points. The index from the Turkish Statistics Institute indicates an optimistic outlook when it is above 100 and a pessimistic outlook when below 100.

Sweden: Retail sales volume increased by 3.8 per cent in October year on year. Both retail sales for consumables as for durables increased - by 2.4 per cent and 4.9 per cent - respectively. While retail sales volume remained unchanged between September and October, it went up 0.3 per cent in the third quarter compared with the second.

Asia-Pacific

Philippines: In the third quarter, GDP expanded 7 per cent year on year, as robust growth remained intact in the quarter before a typhoon devastated a part of the country. Year to date, the economy grew 7.5 per cent, so that the government will probably reach its 6-7 per cent growth target for this year despite the expected moderation in the fourth quarter following Typhoon Haiyan.

Japan: Retail sales fell 1 per cent in October compared with September, but after large increases in the previous two months the upward trend in sales was still left intact. The decline was also smaller than indicated by the recent sharp drop in consumer confidence. Year on year car sales rose 15 per cent.

Americas

Brazil: The producer price index had its first negative reading since February, decreasing 0.37 per cent from September to October after an increase of 0.57 per cent in the previous month. The mainly positive changes between September and October were registered in tobacco and beverages, while transport equipment and chemical products went down.

Canada: Seasonally adjusted, the current account deficit decreased $0.5bn from the second to the third quarter, reaching $15.5bn. The deficit on trade in goods narrowed $0.3bn to $2.2bn in the third quarter, with exports strengthening more than imports. The trade surplus with the US went up $1.7bn, largely because of exports of energy and automotive products. However, the trade deficit with other countries expanded to $14.5bn. Overall exports of goods were up $1.4bn to $120.1bn, led by stronger sales of energy products, especially crude oil.

The industrial product price index (IPPI) declined 0.3 per cent in October compared with September, after going down 0.2 per cent in September. The drop was mainly influenced by a 2.4 per cent decrease in petroleum and coal products prices, with petrol prices shrinking 4.5 per cent.

Africa

South Africa: The producer price index reached 6.3 per cent year on year in October, after an annual change of 6.7 per cent registered in September. The main contributors to the annual rate in October were the 12 per cent increase in wood and paper product prices and the 5 per cent increase in food, beverages and tobacco product prices.

From September to October, the PPI increased 0.5 per cent, also mainly influenced by food, beverages and tobacco and wood and paper products.

A tale of two parts: London and the rest of the UK

During Britain'***s*** heatwave in July, three army reservists died in the Welsh Mountains while attempting the "fan dance", a march with gun and pack that forms an important and particularly brutal part of the selection process for the most elite corps in the British forces: the Special Air Service.

One arm of the government, the Health and Safety Executive, has ordered another arm, the Ministry of Defence, to change its procedures. It is thought several more aspiring SAS men could easily have died; and it does seem clear that there could, for instance, have been more access to water without compromising the standards required.

However, the response does make the mind race in strange directions: had it existed, how would the HSE have responded to the first world war? And there is a serious issue here as well: how can the SAS find the soldiers most likely to cope with conditions of the utmost danger if it cannot test them to their limits?

This conundrum may not have an obvious connection with the allegedly polite sport of cricket, but this week it does. Jonathan Trott, a linchpin of the England batting line-up for the past four years, left his team'***s*** tour of Australia the day after they were crushed in the first Ashes Test at Brisbane. Trott himself had a match that was beyond dismal, getting out twice cheaply and horribly to the fast bowler, Mitchell Johnson.

One of his opponents, David Warner, called Trott scared, and many journalists wrote, in the casual way sports writers do, that he had exhibited mental frailty. The next day came the news that he had "a stress-related disorder". This is the third such case ***involving*** an England cricketer on tour in the past six years.

After this, of course, sympathy for Trott was unanimous. Overtly, anyway. Various former players talked about how depressed they had been on tour. And it is true that cricket has challenges unknown in other sports. There are the long overseas trips, increasingly miserable now that the players spend their time closeted with each other drinking beetroot juice instead of relishing the joy of travel.

There is also the intense and individual nature of the game, especially for batsmen, for whom each innings mirrors life itself - you bat on until felled by a sudden blow - and for a batsmen out of form, as Trott was, each dismissal is indeed a little death.

Yet at the same time, unlike a golfer or tennis player, you cannot control your own schedule and opt out at moments of mental fragility: voluntary absence makes the selectors' hearts grow harder. And English cricketers are not megamillionaires: they earn good money but not enough to make them stop caring about it. They have the pressures of the squeezed middle.

But deep in the minds of some fellow professionals, particularly those from more robust generations, the reaction might have been less generous. Thirty years ago England were being duffed up far more viciously than the current team by the West Indian fast bowlers, who were then world-beating. The England captain, David Gower, rejected any notion of mercy: "It'***s*** a Test match. It'***s*** not Old Reptonians v Lymeswold, one off the mark and jolly good show. You're not expecting life to be made easy for you."

Cricket has been ahead of other sports in adapting to modern mores. Steven Davies, the reserve wicketkeeper on England'***s*** last Australian tour, announced he was gay and no one blanched. But there is a difference here. Trott'***s*** performance was suffering. This was a man who had previously shown his ability to withstand high-class fast bowling, sometimes accompanied by insults from the crowd and the opposition. That is the nature of a Test. Then suddenly he could not, which is what happens to all players eventually. In a sense it does not matter whether that change has been given a medical name or not.

Cricket could try to make its tours less frequent and less enclosed - the top players are men who really do need to go out more. But it cannot compromise on the mental and physical demands of the essential challenge, otherwise there is no point. Just as the SAS can refine its methods but should never compromise on what it takes to get through its own test - or everyone'***s*** health and safety would be endangered.

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A tale of two parts: London and the rest of the UK

Eon, Germany'***s*** biggest utility, is planning to pull out of recession-hit Italy and has started the process of looking for buyers for its power stations and other assets, according to industry sources and press reports.

Eon has appointed Goldman Sachs to work on the sale, industry sources said. Italian newspapers reported that the US bank had already presented a report called "Chicago Dossier" to Eon, valuing the utility'***s*** assets at EUR2bn to EUR3bn. Goldman Sachs declined to comment.

The German utility started operations in Italy in 2000 and expanded rapidly with its 2008 purchase of most of Endesa'***s*** operations after Enel, the Italian energy group, bought the Spanish utility. The timing could not have been worse as the Italian economy was nosediving into its worst postwar slump. Italy'***s*** economic output has contracted by 8 per cent since then and industry has shrunk by 25 per cent, leaving many power stations almost idle.

The fourth largest utility in Italy, Eon has seven power stations with a total generation capacity of ***over*** 6 gigawatts, supplying electricity and gas to more than 900,000 residential and business customers. Gas makes up 56 per cent of Eon'***s*** power generation in Italy, followed by coal with 29 per cent and hydro with 8 per cent.

Industry sources said Eon had been considering a retreat from Italy for three years, but the continuing slump had complicated its efforts to cut its losses.

The sources said Eon had not presented its plan to the market but they understood one option was to sell the bulk of the assets - unprofitable power stations and more valuable renewables plus the customer base - in one block. Potential buyers include French-owned Edison, Russia'***s*** Gazprom and Eni, Italy'***s*** state-controlled energy group.

But Enel, Italy'***s*** largest utility, said it was not a bidder. "Enel is not interested in buying the assets Eon may be willing to sell in Italy," a spokeswoman said. Heavily indebted Enel is also going through an asset disposal programme and is suffering from reduced energy demand in Italy.

Separately, talks have already started on selling Sardinia'***s*** Fiume Santo coal and oil-fired power station, which needs environmental upgrading, to a Chinese ***investor***. The Olt regasification plant might also be sold separately. Eon also has a 9 per cent share in the Trans Adriatic Pipeline which is planned to link Italy to Albania for the transport of gas from Azerbaijan.

A spokeswoman for Eon in Italy said: "There have always been rumours about potential sales of Eon'***s*** Italian activities. We do continuously review the strategic options with regards to our portfolio, including our business in Italy. Such review may or may not result in us deciding, from time to time, the disposal of certain assets."

Eon'***s*** underlying group net income declined by more than half in the first nine months of this year, compared with the same period last year. The decline reflects the impact of Germany'***s*** transition to renewable energy and plunging wholesale prices. Eon is selling assets to cut costs, with a EUR20bn disposal programme, including the sale of its stake in uranium enrichment company Urenco.

Nathalie Casali, an equity research analyst for European utilities at JPMorgan, said: "[The sale] is consistent with their focus on divesting in geographies where they are subscale. They are clearly constrained from a balance sheet perspective in terms of how much investment they can do."

Long-term financial commitments, particularly nuclear decommissioning, will restrict Eon'***s*** growth, Ms Casali said, predicting that the company'***s*** debt ratio would rise to four times earnings before interest, tax, depreciation and amortisation. The company'***s*** businesses in Brazil and Turkey are expected to grow strongly, but this growth will be "small compared to big declines as seen from a European perspective", she added.

Davide Tabarelli, head of Nomisma Energia think-tank, said Italy'***s*** energy sector suffered from overcapacity and low margins, while investments were complicated by the obstructive powers of local authorities. However, he described Eon'***s*** hydro assets in Terni, with capacity of about 500MW, as a "cash cow".

A tale of two parts: London and the rest of the UK

As the holiday shopping season gets under way I have devised a two-part guide to some of this year'**s** most appealing gadgets. Whether brand new or new versions of old favourites, all would make welcome gifts. This week I focus on devices used mainly at home. Next week: phones, cameras, fitness and miscellaneous.

Tablets

One of the most popular gifts this year is likely to be a tablet. They still look like the cool thing to have and they are slimmer, faster and more capable than ever, at least in part because of the huge number of apps now available for them. Although they are portable, many people use them more at home than out and about.

My own favourite is Apple'**s** new iPad Air. A year ago, rival tablets would have featured on only a few wish lists but some of them have become very acceptable alternatives.

My suggestion for a rival to match the full-size Air would be Samsung'**s** Galaxy Note 10.1 (2014 edition), which has the benefit of a fun electronic stylus.

Among the smaller, 7-inch tablets, the iPad Mini Retina display version and Google Nexus 7 stand out because of their features, power and, in the case of the Nexus 7, excellent value.

E-readers

The gap between e-readers and tablets has all but disappeared but for anyone reading for an extended period of time, dedicated e-readers still have big advantages in terms of screen readability and battery life. Amazon'**s** Kindle Paperwhite and Barnes & Noble'**s** Nook Glowlight are both excellent choices because they are small, light and easy to read even in low light.

Sound systems

Once upon a time you needed to take out a second mortgage to get a whole-house audio system capable of delivering high-quality music to every room. The latest wireless whole-house systems make great gifts, being reasonably affordable and easy to set up as well as performing remarkably well. My top choices are the Sonos Play 5 system because it is easy to set up and operate and, like other Sonos equipment, delivers very good sound quality, and Pure'**s** Jongo T2, which is excellent value for money.

Audiophiles may well appreciate the gift of new speakers for their hi-fi system: my favourites include Kef'**s** LS50s and Audience ClairAudient 1+1s, which deliver superb sound from bookshelf-friendly speakers.

To improve the tinny sound from most HDTVs choose a sound bar such as the Sonos Playbar, which looks stylish as well as sounding good.

For personal listening, Sennheiser'**s** Momentum is a great headphone set. For a pair you can also use comfortably while travelling, I like Kef'**s** M500 or Bose'**s** noise-cancelling QuietComfort 15.

Games consoles

Many gamers are looking forward to this holiday season in particular because new consoles are available from both Sony and Microsoft. The really serious gamers will already have got their machines, but for mere enthusiasts, the Sony PlayStation 4 is probably the better choice. But the extra TV features and music playing options available with Microsoft'**s** Xbox One make it an interesting alternative.

Television

If you want the TV streaming without the gaming offered by the Xbox, consider one of the latest, affordable set-top boxes or streaming video players. Tivo'**s** Roamio is excellent, although it does require a subscription. Alternatively, Western Digital'**_s_** WD TV Play and the Roku 3 are both excellent value, with access to a wide range of video services.

With opportunities for watching serious amounts of TV coming up in the holiday season, some families may want to treat themselves to one of the affordable flat-panel HD TVs that connect to the internet and provide access to web apps. My first choice would be the 55in version of Samsung'**_s_** 8000 Series LED TV.

PCs

An all-in-one desktop PC still makes a great gift as they take up almost no space while being useful and an entertainment source. Apple'**_s_** gorgeous 27in iMac is my top pick. The way Lenovo'**_s_** Flex 20 folds down flat makes it good for family fun and games.

The chief executive of RSA'**_s_** Irish arm stood down from the insurer on Thursday, saying he had been made a "fall guy" for difficulties that have prompted the insurer to inject EUR100m of emergency capital into the crisis-hit division.

In an attack on the FTSE 100 company, Philip Smith said his resignation - effective immediately - would enable him to "pursue justice" outside an investigation RSA is conducting in conjunction with regulators.

His decision to quit comes after RSA suspended him and two other executives at the Ireland operation - financial director Rory O'Connor and **_claims_** director Peter Burke - pending the outcome of an inquiry.

People familiar with the matter said the 46-year-old had declined to co-operate with an internal investigation - and also with disciplinary proceedings the insurer had launched within the past week.

This was in contrast to the two other executives, who had been co-operating, they added.

However, in a statement on Thursday, Mr Smith said the "process" RSA was following was "flawed" and "was established to arrive at a predetermined outcome". He and his family had been "traumatised by recent events".

During his time as chief executive of RSA in Ireland, the business had been lauded for its "strong regulatory and control environment", he said.

In a curt statement to the London Stock Exchange in response, the UK'**_s_** biggest non-life insurer by market capitalisation, said Mr Smith - who has run RSA fast-growing Ireland business since 2007 - would not receive severance pay.

Mr Smith led an aggressive expansion strategy in Ireland after he took the job, acquiring several businesses that enabled RSA to overtake arch-rival Aviva as the country'**_s_** biggest non-life insurer, with almost 1m policyholders.

But earlier this month RSA issued a second profit warning within a week because of the accounting shortcomings - both the booking of big insurance **_claims_** and the recognition of premium income - at the division, which stretched back at least two years.

The problems have hit RSA'**_s_** shares and prompted fresh questions about Simon Lee'**_s_** future as the group chief executive.

RSA has appointed PwC to conduct a review and has pledged to make public the conclusions within the month.

Ireland'**_s_** Central Bank said on Thursday it had been made aware of Mr Smith'**_s_** resignation. "A multi-stranded investigation continues," it said.

Mr Smith stepped back last week as president of Insurance Ireland pending the outcome of the internal RSA investigation. "I have served the company well operating at all times under group direction and policy and to the best of my professional judgment and integrity," his statement added on Thursday.

Adrian Brown, who runs RSA'***s*** UK operation, will remain the interim chief executive in Ireland until the group finds a permanent replacement.

David Cameron'***s*** efforts to cut net migration to the "tens of thousands" before the next election have been jeopardised by an unexpected jump in the annual figure, largely because of an influx of workers from recession-hit EU countries.

Net migration rose by 9 per cent to 182,000 in the year ending June 2013 because of falling emigration and a rise in economic migrants from Spain, Portugal, Italy and Greece, according to the Office for National Statistics.

Theresa May, the home secretary, has restricted workers, students and family migrants from outside the EU, in an effort to bring migration sharply down in time for the 2015 target and to assuage voters' concerns about pressure on public services.

The latest figures show that these policies have led to a 40,000 drop in arrivals from Asia, the US and elsewhere. But this has been offset by a 25,000 or 16 per cent increase in EU ***immigrants*** ***over*** the past year.

Separate data from the Department for Work and Pensions show the scale of migration from debt-laden southern EU states. National insurance registrations increased 45 per cent among Portuguese citizens, 52 per cent among Italians, 31 per cent among Greeks, and 40 per cent among Spanish citizens, in the year to September 2013, according to government figures.

Nigel Farage, leader of the anti-immigration UK Independence party, leapt on the new figures, saying the government'***s*** immigration controls were a "complete failure".

"The fact that we still have net migration going up, EU migration going up and immigration into the UK still running at ***over*** half a million people per year is a damning indictment," he said.

Ukip'***s*** popularity has risen because of intensifying concerns about a feared surge of migrants from Romania and Bulgaria in January, when "transitional controls" on these two EU states are dropped.

Mindful of this, Mr Cameron this week unveiled measures that aim to make the UK less attractive to EU citizens, including restrictions on benefit ***claims*** and a 12-month ban from Britain for any migrant caught begging.

Despite these efforts, the government'***s*** ability to control net migration is severely restricted by a range of factors beyond its grasp.

One of these is emigration. ONS figures show emigration at its lowest level since 2001, because fewer Britons are going overseas and fewer migrants are leaving the UK.

Critics of the Home Office also point out that the immigration-cutting policies are doing damage to important sectors such as education, where further education colleges have experienced a 30 per cent drop in overseas students receiving ***visas***.

Mark Harper, immigration minister, said on Thursday that the data were evidence that Home Office reforms were working.

"We have tightened immigration routes where abuse was rife, but are still encouraging the brightest and best to come here to study and work," he said. "Net migration has fallen by nearly a third since its peak in 2010 and across government we are working hard to bring it down further."

Scott Blinder, head of the Oxford-based Migration Observatory, said that given the strength of the British economy relative to the rest of Europe and the expected increase in Romanians and Bulgarians, the government faced a "significant hurdle" to reach its target by the end of this parliament.

Chinese arrivals lead the way

Even if the prime minister was downcast ***over*** the dwindling chances of meeting his net migration target, there was another surprise in Thursday'***s*** data that could not have been better timed, writes Helen Warrell.

Just one week ahead of David Cameron'***s*** trade visit to China, the Office for National Statistics confirmed that, for the first time, Chinese citizens accounted for the largest group of migrants to the UK, with 40,000 coming to Britain in 2012, compared with 29,000 in 2010.

China'***s*** rise to top spot is partly because of India'***s*** sharp decline - caused by steep falls in the number of Indian students coming to the UK to study. While Indian arrivals topped 60,000 in 2011 and 65,000 in 2010, the number has now fallen to 37,000 after a clampdown on student ***visas*** and Home Office rhetoric about cutting immigration from outside the EU.

The latest statistics show the number of ***visas*** being granted to Indian students has fallen 24 per cent.

China'***s*** new dominance in the immigration table represents a partial success for the coalition, which has been striving to build links with the country. But critics urged ministers not to pursue new diplomatic ties at the expense of existing friendships.

Mark Hilton, head of immigration policy at business lobby London First, said there was a "worrying decline" in markets such as India. "While we must engage with new markets like China, we ignore our traditional ones - which remain much larger - at our peril," he said.

Releasing market-moving data in full at an appointed hour ought to be a non-negotiable obligation of any government statistics agency. Yet it is a task that often proves too much for the Office for National Statistics. Official data are published by newswires at 9.30am on the day of release but there is often a delay before the same information appears on the agency'***s*** website.

This week the UK Statistics Authority, which oversees the work of the ONS, rightly insisted that everyone should be able to access official data on equal terms. An obvious solution would be to fix the ONS website. Yet the UKSA also floated a more drastic proposal in which the ONS would no longer release reports in full on the morning of publication, instead dribbling out the numbers ***over*** the course of a day.

It beggars belief that government statisticians should consider degrading the service they provide to avoid confronting what seems to be an elementary computer problem. Obvious technical fixes, such as uploading the data in advance in encrypted form, have been dismissed on flimsy grounds. The proposal also raises broader questions about the judgment of the UKSA. While the principle of equal access is important, the financial institutions to whom a short delay would matter most are certain to have timely access via newswires.

The debacle sends a worrying signal about the state of Britain'***s*** statistics agency. On Tuesday Mark Carney, governor of the Bank of England, said the bank placed little weight on the official measure of real investment activity, which it thinks has become detached from economic reality. Data on the state of household balance sheets are also viewed with suspicion. Mr Carney described himself as "more comfortable" with the work of Canadian government statisticians, and said it would take hard work to bring the quality of UK data up to international standards.

The task has been made harder by years of neglect. The ONS lost skilled and knowledgeable staff when the Labour government moved its office from London to Newport in Wales, ***over*** the bank'***s*** objections. Budget cuts are forcing the agency to stop collecting some information. It seems to be struggling even with a smaller brief.

Such skimping is unwise. Official statistics may not be glamorous but they are indispensable to good government. Compared with the cost of a monetary policy blunder, for example, the price of accurate data is small change.

The grand opening of the Co-operative Group'***s*** gleaming Manchester headquarters two weeks ago was supposed to showcase the company'***s*** ethical credentials. Powered by a subterranean generator fuelled by crops from the Co-op'***s*** farms and heated by air sucked up from the earth, the £100m 14-storey structure was declared the world'***s*** most environmentally friendly building.

For Co-op executives, the occasion - attended by the Queen and the Duke of Edinburgh - was a chance to end the relentless stream of negative publicity sparked by its bank'***s*** near-collapse in June. But any hopes of drawing a line under a turbulent six months were blown apart three days later when a video showing the Reverend Paul Flowers, the bank'***s*** former chairman, trying to buy crystal meth and other drugs was published by The Mail on Sunday.

One Co-op executive described the group'***s*** new headquarters as "a display of our ethics in practice". But he admits that this lofty sentiment "sounds a bit trite now given the last couple of weeks".

The revelations about Rev Flowers sparked one of the darkest weeks in the Co-op'***s*** 170-year history as a wave of lurid allegations emerged about the Methodist minister. They range from overclaiming on expenses from a charity to losing his role as a local Labour councillor for having pornography on his computer.

The accusations have damaged the reputation of the venerable Co-operative institution, which since 1844 has been a bastion of British culture and commerce and was a worldwide blueprint for the co-operative movement.

They have also brought into focus the challenges facing co-ops elsewhere as they grapple with capital and governance problems in an increasingly tough regulatory environment following the financial crisis.

"Every twist and turn of this story is just creating the worst possible fallout for the wider movement," says an MP who is a member of the Co-operative'***s*** own political party, part of the leftwing Labour group. "I'd be lying if I said I could see much of an upside at the moment."

But for all the damage from the Flowers scandal, it has - at least for now - served as a distraction for the far more serious financial problems at the Co-op bank. Years of management incompetence, which culminated in this year'***s*** aborted bid to buy 630 branches from Lloyds Banking Group , the UK'***s*** largest high-street lender, means the future of the bank now hangs in the balance.

Its creditors have until today to submit first-round votes on a sweeping debt restructuring. If approved, the overhaul will hand a 70 per cent equity stake in the bank to institutional ***investors*** - including a group of US hedge funds whose aggressive brand of capitalism is the antithesis of the Co-op'***s*** mutual and social heritage. If it is blocked, the bank is likely to be plunged into resolution and disappear.

This state of affairs is a bitter comedown from just last year when George Osborne, the UK chancellor, publicly endorsed the Co-op bank'***s*** attempt to triple its size by buying the Lloyds business.

On Wall Street, the hedge funds that piled into the Co-op bank'***s*** distressed "lower tier two" debt this summer have been left shocked and bemused at the latest twist in the saga. The scandal has also roiled UK politics. The Labour party has been attacked for taking generous donations and cheap loans from the Co-op Group, while the ***ruling*** Conservatives have come under fire for pushing to relax regulations for its bank.

Meanwhile the UK'***s*** Treasury, its chief financial watchdog and police force have launched formal inquiries into the mismanagement of the bank.

Yet this is not the first time the Co-op Group - or the broader movement - has run into problems.

From its roots as a grocery store founded by 28 weavers, joiners and shoemakers in Rochdale, a textile-making town in the northwest of England, the Co-op Group has expanded to a £13.5bn business spanning supermarkets, pharmacies, funeral parlours and other, smaller divisions.

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>The Rochdale Pioneers inspired a global movement. The International Co-operative Alliance, which was set up to represent the sector in 1895, says there are now 1,500 co-operatives that generate $100m of revenues annually, and tens of thousands of smaller groups. Overall there are 1bn individual co-op members worldwide.

Most of the UK'***s*** co-ops sprang up across industrial Britain in the late 19th century to free working people from the tyranny of merchants who sold overpriced goods and bread adulterated with chalk. By 1950 co-ops sold a quarter of Britain'***s*** groceries. But as megastores grew more popular, the co-ops struggled; by 2000 their share fell to 5 per cent.

After a failed takeover bid for what was then the Co-operative Wholesale Society by London financier Andrew Regan in 1997, the fragmented co-op sector decided to consolidate. After a series of mergers in 2008 it bought Somerfield, the UK supermarket chain, for £1.5bn.

The move prompted Peter Marks, the chief executive, to say it had arrived in the "Premier League". He was determined to shake off the Co-op Group'***s*** fuddy-duddy image and start competing with its big commercial rivals.

"It was confident it could do better - the retail business started to improve, profitability increased and the bank was strong. The outlook was really very bright," says Lord Monks, who chaired an independent commission set up by Tony Blair to suggest ways of modernising the co-op movement.

But in 2009 the Co-op'***s*** bank, which had garnered political support after emerging from the financial meltdown in better shape than many UK lenders, ploughed into a disastrous merger with the Britannia building society, a small but toxic UK mutual. The merger tripled the size of the Co-op bank to 300 branches. But Britannia'***s*** exposure to commercial property eventually brought it to its knees.

To a large degree, the Co-op Group'***s*** structure has been its downfall. The lack of outside shareholders - which supporters say removes the constant pressure to generate short-term financial returns - also means the group has not been held to account.

"Because of how it operated, as a mutual away from public notice, the amount of external scrutiny has been extremely limited," says a person familiar with the group. "There has been no effective challenge."

The Co-op'***s*** ambitions have also been held back by what it can offer its executives. "Commercial people want to be paid commercially. In the era of top salaries that has been a big problem," says Lord Monks.

Other critics say the Co-op openly prioritised ethics, and employees' links to the co-operative movement, ***over*** business expertise, leaving it with a crop of second-rate executives.

It has also faced years of questions about its unique and quirky governance. Until this year the bank board was made up almost entirely of elected Co-op members, including a plasterer and a nurse. One former group board member says Len Wardle, who quit as Co-operative Group chairman this month, and Rev Flowers, his former ally at the bank, regarded the executives running their businesses as "hired help".

A clutch of former bank executives and board members were cleared out by Euan Sutherland, the new group chief executive who replaced Mr Marks in May, a month after the Lloyds deal collapsed.

On his second day, Mr Sutherland contacted Andrew Bailey, head of the Prudential Regulation Authority, to tell him the Co-op bank'***s*** finances were in a far weaker position than he had thought. Shortly thereafter, Barry Tootell, Rev Flowers and other directors were told to leave. In June, the regulator revealed a £1.5bn hole in the Co-op bank'***s*** balance sheet.

Mr Sutherland quickly put in place a restructuring plan that would have allowed the Co-op group to keep a majority stake in its bank and forced severe losses on its creditors.

But behind the scenes, US hedge funds, including Aurelius and Silver Point, were amassing a blocking stake in a tranche of the Co-op'***s*** bonds. As Mr Sutherland insisted there was no Plan B, advisers to the hedge funds approached the Bank of Englandwith what they thought was a better solution.

They worked out that if they blocked the Co-op'***s*** offer, the regulator could trigger a resolution process that would hand them all the bank equity and wipe out the group. Pressed by regulators, Mr Sutherland started listening to the bondholders.

Astring of hostile meetings followed as Co-op executives, and their advisers from UBS and Greenhill on one side, and the LT2 group, including Aurelius and adviser Moelis on the other, thrashed out a rescue deal.

At first dismissive of the bondholders' plan, the Co-op Group soon realised there was an alternative that would mean it had to put in less money but keep the biggest equity stake, 30 per cent, although it would have to relinquish majority control.

The two big stumbling blocks were how to deal with the 10,000-strong army of retail ***investors*** that own £170m of low-ranking Co-op bank bonds; and, somewhat ironically, given the revelations that have since emerged about Rev Flowers, how to ensure the hedge funds would not usurp the bank'***s*** ethical values.

The deal was finally struck on November 4. The Co-op Group agreed at the last minute to inject £129m of cash to compensate retail ***investors***. And the hedge funds agreed to honour a host of ethical values, including restrictions on which companies the Co-op can do business with.

People close to the Co-op say the early submissions for the vote on the bank restructuring are promising, despite the recent damage to its brand. The final outcome, however, will not be known until next month.

Even if the restructuring is approved the Co-op bank still has a long way to go to repair its battered reputation. Its new management team plans to shrink the bank and return it to its roots as a conservative lender to individuals and small businesses.

The bank also faces years of distracting and intrusive reviews from UK authorities. One of its biggest immediate challenges will be convincing customers that it is any more ethical than other institutions.

The fact that the values will be legally embedded in the bank for the first time is enough to convince some.

"I vary between anger and laughter thinking that when the bank was part of the Co-op Group it was less ethical than it will be owned by some of the most aggressive commercial ***investors*** in the world," says one person ***involved*** in the restructuring.

The blight of sloppy governance

A tale of two parts: London and the rest of the UK

Given his six-month battle to save the movement'***s*** banking operation, Euan Sutherland might feel like the most bruised co-op chief executive in the world . But the head of the UK'***s*** Co-operative Group is in good company, writes Patrick Jenkins.

At Dutch co-operative Rabobank, a similar betrayal of the lender'***s*** founding principles triggered the resignation last month of its CEO. Rabo, founded by and for Dutch farmers, was fined $1bn ***over*** lending-rate manipulation - the latest bank caught up in scandals surrounding benchmark lending rates, such as Libor.

France'***s*** mutually owned banks, including the world'***s*** biggest - Crédit Agricole - is under investigation by the European Commission ***over*** involvement in the same affair, although its chief executive is adamant his institution is different and is refusing to settle.

Fans of the co-operative movement insist there are plenty of beacons of success, such as Canada'***s*** Desjardins network. But in the aftermath of the 2008 financial meltdown, much of the movement is in crisis.

Analysts believe the woes of the world'***s*** co-ops have two common causes. "It all comes down to corporate governance and capital allocation," says Carola Schuler at Moody'***s***, the credit rating agency.

Sloppy governance, a contributor to all these scandals, is perpetuated by local community interests overriding better management structures. As for capital, co-operatives are institutionally constrained in their ability to raise funds, a crucial weakness after losses incurred in the financial crisis.

Additional reporting by Jim Pickard

Two Democratic senators who are usually harsh critics of Wall Street are stepping up a battle ***over*** regulating non-banks in a way that could help big investment companies, including BlackRock and Fidelity Investments, fight tighter ***rules*** in the US.

The lawmakers have attacked the process by which US regulators decide which non-bank financial institutions warrant stricter regulation as untransparent.

The backlash stems from the way the Financial Stability Oversight Council has designated certain insurance companies as posing a risk to the financial system and its plans to widen the review to include asset managers.

If they are deemed systemically important financial institutions by the council, which is made up of the heads of the US regulatory agencies and falls under the Treasury department, they could face higher capital standards and other increased regulation.

Mark Warner, Democratic senator and a member of the Senate banking committee, sees the council'***s*** work as important but thinks it is too secretive about how it makes its decisions.

He plans to raise his concerns with senior Treasury officials, including Mary Miller, acting deputy secretary, said a person familiar with the matter.

Fellow Democrat Jon Tester has also criticised the council'***s*** lack of transparency. In April, he and Mike Johanns, Republican senator, wrote to Jack Lew, Treasury secretary, urging the council to set up specific guidance for each industry that is under review.

Mr Tester brought up his concerns again this month at the Senate hearing for Janet Yellen, the nominee to be next head of the US Federal Reserve. In that position, Ms Yellen would have a seat on the council.

The senators' criticisms could delay the council'***s*** assessment of asset managers, giving them more time to lobby for the regulation to be watered down.

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>The Treasury department argues that the FSOC process, set up in statute by the Dodd-Frank bill, is completely transparent. Companies chosen for review are asked to submit all the information they have that could dissuade the council from ***ruling*** against them.

"The council has developed a robust process for evaluating whether a non-bank financial company should be subject to board of governors supervision and to enhanced prudential standards," according to a fact sheet on FSOC.

If a company is deemed systematically important, it receives a written explanation for the decision. The company can also request a hearing to contest it. It is then up to the Federal Reserve to set up the capital standards and other measurements.

In September, the US Treasury'***s*** Office of Financial Research issued a report detailing ways in which the asset management industry could create vulnerabilities in the financial system. This was criticised by market participants.

While the asset management industry has fought back against the council'***s*** efforts, insurance companies have not been as united. They were the first to receive the systematically important designations and American International Group and GE Capital accepted them without a struggle.

Prudential Financial, the second-largest life insurer in the US, opposed being designated systematically important in September, but the company declined to pursue legal action. Fellow life insurer MetLife is under review by the council.

Luxembourg, Liechtenstein and Malta have agreed to share tax information automatically with Britain, in the latest sign of the crackdown on international tax evasion.

The countries, along with Colombia, Greece and Iceland, are the latest to sign up to an information-sharing pilot scheme launched in April by Britain, France, Germany, Italy and Spain. It now includes 37 countries.

George Osborne, the chancellor, said that such sharing would provide HM Revenue & Customs with vital information to fight evasion and reflected a recognition by financial centres that prosperity depended on transparency.

He said: "This government has been leading the way in pushing for greater tax transparency and information-sharing - putting it at the heart of our G8 agenda."

The announcement coincided with the conclusion of new tax agreements between Britain and many UK Overseas Territories, in another sign of the growing momentum behind the international crackdown on evasion.

The agreements follow groundbreaking US legislation that has been pivotal in forcing tax havens to become more transparent.

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>The UK has agreed similar measures to those secured by the US ***Foreign*** Account Tax Compliance Act, which requires overseas banks to report information about ***foreign*** clients either directly or through their governments.

Agreements were struck with Bermuda, the British Virgin Islands, Gibraltar, Montserrat and the Turks and Caicos Islands, following deals concluded earlier this year with the Isle of Man, Guernsey, Jersey and the Cayman Islands. Anguilla has not yet signed the new agreement, but it has committed to do so.

As well as signing agreements with the UK, the Crown Dependencies and Overseas Territories have agreed to be part of the G5 multilateral information-sharing pilot.

Many employees have had the satisfaction of telling employers to take their job and stick it. Few have done so with timing quite so dangerous to their boss as Philip Smith. In a statement, the rugby-loving head of RSA in Ireland alleged he was the "fall guy" for difficulties there. A fortnight ago these forced the UK-based general insurer, led by Simon Lee, to pump EUR100m into the Irish unit.

The resignation of Mr Smith will intensify City worries that the Irish problem is worse than first imagined. That would increase pressure on RSA to bolster its regulatory capital, seen as low by analysts at just ***over*** £700m. A fundraising of several hundred million pounds would make it harder for Mr Lee to hang on to his job. A troubleshooter outgunned by his troubles, Mr Lee issued two profits warnings in a week in early November.

Rising Irish motor ***claims*** were one reason. But future profits also looked weaker than expected because of doubts ***over*** the quality of bookkeeping, according to an internal investigation. One apparent difficulty was that some premiums may have been recognised too early. Seemingly, insurance ***claims*** may meanwhile have been underreported.

Mr Smith reputedly refused to participate in the investigation or to attend subsequent disciplinary meetings set up by RSA. Now he is outside the tent, chucking rocks in. That is unusual. When accounting irregularities are alleged, executives generally keep their heads down and keep quiet. Mr Smith'***s*** refusal to do either further reduces Mr Lee'***s*** control of events in Ireland, whose central bank is investigating RSA.

"The stock of goodwill enjoyed by the chief executive has run very low," says Eamonn Flanagan of Shore Capital.

A public row with Mr Smith - who plans to "seek justice" - would deplete it even further. No matter how blame for RSA'***s*** Irish misadventure is assigned, it will be hard for Mr Lee to duck accusations that the fast-growing Irish unit should have been better controlled.

Waving not drowning

Harriet Green, chief executive of Thomas Cook, is the human antithesis of a cosmic black hole. She roams the stock market, devouring and neutralising negativity. When she took charge of the venerable travel agent last summer, it had already been rescued from financial collapse by predecessor Sam Weihagen. But the market value was a shrunken £146m and Thomas Cook was hopelessly outclassed by Tui Travel. On Thursday, better than expected annual results and higher savings targets lifted the shares 14 per cent, leaving the group capitalised at £2.5bn.

Ms Green, a jargon-spouting travel tyro, has begun to look like respectable competition for Peter Long, the industry veteran who leads Tui.

A company that has suffered a near-death experience is ripe for reform. Ms Green has swapped Thomas Cook'***s*** dated blue logo for a "sunny heart" and slashed the number of sub-brands from 85 to 30. Delivering sincere flattery to Tui, she has increased the number of exclusive hotels on offer and driven the business online, though at 36 per cent of sales, penetration is surely lower than she would like.

Hurricane Harriet has beaten a savings goal of £170m for 2013, designated "Wave One", by £24m. She has increased the target for 2015 ("Wave Two") by £40m to £440m. Thomas Cook ***claims*** to have made an operating profit for the first time since 2010, although that ***involves*** adjustments without which a statutory loss of £158m was realised.

Never mind. Sales and margins are improving. ***Investors*** are suitably grateful. Ms Green'***s*** staff, who have fallen in numbers, must just be exhausted trying to keep up. They could probably do with a holiday.

Feat of clay

Prospects for brick makers look weaker following the Bank of England'***s*** decision to stop subsidising housebuilding via Funding for Lending. One hopes the renaissance of this ancient industry will continue, even so. It would be tragic if the UK lost irreplaceable expertise in digging up clay and cooking it in big ovens.

Critics would say there is very little to know about a brick. Certainly, the product is simpler than, say, an iPad. The classic model has five flat sides and a dimple in the top, called "the frog". But regional varieties are as distinctive as apples. To enthusiasts (who typically smoke roll-ups and belt their trousers with string), an orange-red "Eldon" from Durham is poles apart from a blue-grey "Hamblet" from Walsall. Collectors pay thousands for the finest specimens. Well, fivers at least.

As one construction executive poignantly told an FT reporter this week: "A brick is not just for Christmas, it is for life."

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Scottish consumers face the risk of higher energy bills if they vote for independence in next year'***s*** referendum because of having to shoulder a higher proportion of the UK'***s*** renewable energy subsidies, Ed Davey has warned.

The Liberal Democrat UK energy secretary told MPs on Thursday that an independent Scotland might be forced to take on a higher proportion of green levies, which would drive up bills for those north of the border.

Mr Davey'***s*** comments come as part of a broad assault from pro-union politicians on the ***claims*** made in a Scottish government white paper published on Tuesday that sets out the Scottish National party'***s*** case for leaving the UK.

The paper argues that even if Scotland became independent, Scottish renewable energy would continue to be the most cost-effective way for the rest of the UK to meet its climate change targets.

However, Mr Davey said: "If Scotland votes for independence, and there can be no guarantee of support for renewables in Scotland from English, Welsh and Northern Irish consumers, Scottish consumers and industry could see price rises."

Tom Greatrex, Labour'***s*** energy spokesman, said Scotland'***s*** renewable energy potential was being tapped through the "pooling of risk and reward" in a single national energy system - with costs shared by consumers across the country.

The Scottish white paper argues that even if Scotland becomes independent, it will still be in the remaining UK'***s*** own interest to continue to maintain a single energy market and renewable subsidies.

"Scottish generation is now essential to ensuring the lights stay on across these islands: without Scottish generation and Scottish renewable energy, the spare capacity margin across the [British] grid would already be in negative figures," says the white paper.

Pro-union politicians have assailed the Scottish white paper on numerous fronts. UK ministers have accused the SNP of naivety for refusing to draw up a Plan B for if it cannot gain UK agreement to a currency union allowing continued use of the pound.

The Scottish government'***s*** ***claim*** that it would be able to retain EU membership smoothly after independence has also come under attack abroad.

Mariano Rajoy, the Spanish prime minister, said this week: "I am very clear, as everyone is, that a country that obtained independence from the EU would end up outside of it, and it'***s*** right that Scottish citizens and all the citizens of the union know that."

Scottish nationalists waved aside Mr Rajoy'**s** comments as an effort to weaken support for Catalan nationalists seeking independence from Spain.

Energy bills could prove a powerful weapon for UK pro-union campaigners to attack the Scottish independence campaign, with rising energy prices already causing a political controversy.

Last year, the UK spent about a third of its renewables support in Scotland, because of the large numbers of wind farms there, even though it is home to less than 8.5 per cent of the British population.

Mr Greatrex said: "Were this support to be removed, Scottish bill-payers or taxpayers would have to fill the gap, or the support would have to be reduced."

That financial support is set to rise sharply this decade from a current £2bn a year to nearly £8bn a year by 2020, when the current system of Renewables Obligation Certificates and feed-in tariffs is largely replaced by a new system of "contracts for difference".

The faded red banners welcoming the "Wirral council leaders" were propped against locked glass doors just inside the office of Sam Wa Resources Holdings on Tuesday in Jiangyin, a city on the banks of China'***s*** Yangtze River.

This is the home of the company whose chairman Stella Shiu, is supposed to be the driving force behind a large Chinese investment in Britain.

However, there was no indication of a thriving business in the small dusty office, let alone a large mining and trading conglomerate, ready to invest millions of pounds to regenerate the Mersey riverside in northwest England.

The Peel Group, a British developer that is proposing a £10bn project along the Mersey river, signed a joint venture with Ms Shiu last year to attract tenants to the International Trade Centre, a £175m business development planned as part of the waterfront scheme.

This project is among a series of Chinese investments presented as proof that the British government'***s*** business-oriented approach to diplomacy is paying off as David Cameron, UK prime minister, prepares to fly to Beijing this weekend.

However, a close look at Sam Wa suggests that not all of the deals are equal.

At one end of the spectrum are Chinese state-owned ***investors*** such as China General Nuclear Power Group, which will take a one-third stake in the French utility EDF'***s*** project to build a £16bn atomic power station in southwest England.

These companies are effectively arms of the Chinese state which enjoy access to cheap credit from state banks and the full backing of the ***ruling*** Communist party.

At the other end of the scale are ***investors*** such as Ms Shiu, whose partners in other ventures include an Iranian pomegranate juice exporter and an investment adviser in New Jersey who recently settled US Securities and Exchange Commission allegations of fraud and violation of securities regulations.

Corporate filings in Hong Kong show that Ms Shiu changed her Chinese name after a 2008 ***ruling*** by a Hong Kong court that declared her bankrupt for failure to pay a loan.

Several companies registered under her former name have been dissolved on the Chinese mainland, including one in Jiangyin, and the address of Sam Wa'***s*** headquarters in Beijing turns out to be a closely guarded military hotel that does not allow outsiders to enter.

"There are a lot of governments and companies in the west that are starved of capital, and so when the promise of Chinese billions comes along they tend to get 'China fever'. Unfortunately it can sometimes be fatal," says James McGregor, chairman for greater China at Apco Worldwide and author of the book No Ancient Wisdom, No Followers.

"In China you need to do due diligence on ***investors***."

Peel executives have made frequent trips to China, often with British local government officials in tow, and Ms Shiu has visited Liverpool many times.

On a visit in October, she helped Lindsey Ashworth, Peel Group development director, to open Peel'***s*** latest office project. He joked that he picked Ms Shiu as a partner because of her ability to drink him under the table.

On May 28 2012, Peel signed a joint venture with Ms Shiu at a ceremony in a Beijing hotel, attended by Lord Green, UK minister of state for trade and investment, and Phil Davies, Wirral council leader.

Peel'***s*** proposed International Trade Centre would be built on desolate former docks on the Wirral peninsula, near Liverpool, one of the most deprived cities in the UK. Once the second biggest port in the world, many of the wharves along the Mersey are crumbling.

Demolition of existing buildings on the site has not yet begun. Ms Shiu is supposed to help attract up to 1,000 companies from across Asia to move into 2.5m sq ft of self-contained units where they can exhibit, sell and distribute goods into the European market.

During his China visit, Mr Cameron plans to highlight the Merseyside scheme as an example of regeneration projects in the UK that are ready to be marketed to Chinese ***investors***.

Council-owned investment agencies in Liverpool and the Wirral have maintained that Ms Shiu is a "high-ranking member of the Chinese government" who has put £25m into the project, echoing ***claims*** made in the local press. Their publicity talks of Chinese government approval and the multibillion-dollar size of Ms Shiu'***s*** group.

Liverpool Vision said it made the ***claims*** in "good faith" while Invest in Wirral declined to comment.

Richard Kemp, leader of the opposition Liberal Democrats on Liverpool city council, said local authorities should "remove their rose-tinted spectacles. There has been lots of talk and little result."

The Financial Times was unable to find any evidence that Ms Shiu works for the Chinese government.

Ms Shiu and Peel Group both declined interview requests and did not respond to a list of emailed questions.

Additional reporting by Zhao Tianqi

Americans were set to surge into the shops in search of bargains earlier than ever on Thursday evening as US retailers opened on Thanksgiving to kick off an intensely competitive holiday season.

Walmart was due to release its first round of "door buster" discounts at 6pm.

Holiday shopping traditionally begins the day after Thanksgiving on Black Friday, but in a fragile post-crisis economy where ecommerce is booming retailers such as Walmart, Best Buy and Macy'**s** are starting early to woo customers.

The long weekend that begins with Thanksgiving accounts for about 10 per cent of total retail sales in November and December, according to analysts at Cowen & Co.

Toys R Us, the toy store, was set to open at 5pm on Thanksgiving and Best Buy, the electronics chain, at 6pm. The department stores Macy'**s**, JC Penney and Sears were to open at 8pm, as will Target, the style-oriented discount chain.

The pressure to capture sales has been intensified this year by the fact Thanksgiving falls late in November, which means six fewer days to Christmas than last year and a compressed shopping season.

The National Retail Federation has forecast that holiday sales will rise by 3.9 per cent from a year ago and the International Council of Shopping Centers has predicted a 3.4 per cent increase.

But analysts have warned that retailers' big discounts mean they will be sacrificing profits at the expense of sales.

According to Retail Metrics, a research group, analysts expect the earnings at 120 retailers it follows to rise by just 2.2 per cent year on year in November, December and January.

November and December are make-or-break months for most retailers, which generate 20-40 per cent of their annual revenue in the period, according to the National Retail Federation.

But the Thanksgiving weekend is not always a good indicator of how spending will ultimately pan out. Some years have got off to a strong start but had a weak shopping reason overall. In other years the pattern has been reversed.

Two men have been charged with involvement in football match-fixing, and five others bailed, in an investigation that has raised concerns about the spread of betting corruption to the game in England.

Chann Sankaran, a Singaporean national, and Krishna Sanjey Ganeshan, who has dual UK-Singpaorean nationality, were charged with conspiring with others to defraud bookmakers "by influencing the course of football matches and placing bets thereon".

The National Crime Agency said they were alleged to be members of a Singapore-based international illegal betting syndicate. They will appear before magistrates on Friday.

The investigation follows an undercover operation by The Daily Telegraph newspaper.

Europol, the EU law enforcement agency, revealed in February that an international network of fixers had targeted 380 matches across Europe in the past five years.

Singapore has been on the radar of investigators as a centre of match-fixing activity.

At least three footballers are believed to be among those detained in the Midlands by the National Crime Agency. One of them, believed to be Delroy Facey, had a brief spell in the Premier League a decade ago, after which he dropped down the football pyramid and plied his trade in non-league football.

Chris Eaton, Fifa'***s*** former head of security, said progress was being made in tackling match-fixing networks in some parts of the world. But he warned that the problem remained "endemic" across the globe.

The Europol investigation spanned 13 European countries. But the problem has been prevalent in Africa, and four British players were arrested and charged ***over*** alleged match fixing in Australia earlier this year.

Match-fixing experts have long warned an attempt to manipulate matches in England was inevitable.

The Football Association, like governing bodies in other sports, has an integrity unit working with the police, licensed betting operators and the Gambling Commission.

But resources are limited and sports bodies say they have none of the investigatory powers required to take enforcement action. They are limited to education and awareness programmes for players and officials.

Asking such bodies to lead the fight against match fixing is difficult, but not completely impossible, said Mr Eaton.

"But the solution is to look at betting fraud and sports gambling organisations, not to ***over***-regulate the sport," he added.

Even with more resources at their disposal, the national boundaries in which these bodies operate restrict their ability to tackle what is an international phenomenon.

"The risk is clearly coming from illegal operators who are not regulated by the UK licensing system," said the Association of British Bookmakers.

Mr Eaton said football was facing a critical time in the battle against match-fixing and called for a united international response.

"Sports betting organisations roam globally, sports roam globally, organised crime roams globally," he said. "[A national response] doesn't make sense."

When Manchester announced plans in October for a giant Chinese-backed industrial park at its airport, the £650m project signalled a new front in the city'***s*** historic rivalry with Liverpool.

At the other end of the M62, Merseyside has been pushing its own huge Chinese-financed regeneration scheme for more than three years without a brick being laid.

Now, Manchester is threatening to steal a march after securing the backing of a Chinese state-backed construction company and the country'***s*** biggest bank for its airport scheme - with the possibility of direct flights linking the city to China.

Liverpool believed it had lots of advantages in the regional race for Chinese investment. Prime Minister David Cameron visited the proposed £10bn Wirral Waters and Liverpool Waters schemes. John Whittaker, chairman of property giant Peel Holdings, which conceived it, visited China with Mr Cameron.

Liverpool was a twin city of Shanghai. Squint at the Chinese city'***s*** famous waterfront Bund and you could be on the Mersey: its European architects modelled it on the second-largest seaport of the day. Liverpool now wanted to ape Shanghai'***s*** modern-day skyscrapers.

Liverpool Vision, the city investment agency, says local businesses have won £26m of contracts and orders since the 2010 Shanghai Expo, where it was the only British city to exhibit.

But Richard Kemp, Liberal Democrat leader on Liverpool council, admits to doubts ***over*** Peel'***s*** venture with Stella Shiu, a Chinese entrepreneur. "Manchester dealt with a state-owned bank. We have a private businesswoman we know little about."

- An article on November 27 twice incorrectly referred to Shandong Huawei Security Group, instead of Huawei International Security Management ("Chinese companies go private for security").

The hedge fund that was instrumental in forcing the Co-operative Bank to abandon its mutual structure and list on the stock exchange has walked away from the struggling lender.

Aurelius Capital Management, the biggest hedge fund ***involved*** in the Co-op Bank'***s*** recent debt restructuring, has sold virtually its entire interest in the lender, according to three people familiar with the process.

The sale to Perry Capital, a London-based hedge fund took place within days of the Co-op Bank becoming engulfed in a series of lurid allegations ***over*** its former chairman, the Reverend Paul Flowers. He was filmed apparently buying crystal meth, cocaine and other illegal drugs and is under investigation by the police.

The Co-op admitted on Thursday that recent events "may have caused some brand and reputational damage" to the bank and may also have contributed to a recent loss of current account customers.

Aurelius snapped up the Co-op Bank'***s*** bonds after a severe capital shortage emerged at the lender in the summer. Along with several other hedge funds, including Silverpoint Capital and Beach Point Capital, it built a blocking stake in the bonds, which it used to secure a far better deal for creditors than had originally been offered by the bank.

People familiar with Aurelius'***s*** decision to sell said it had offloaded the bonds because they had performed strongly after the restructuring deal was announced.

The Co-op agreed last month to hand the ***investors*** in the lower tier two bonds a 70 per cent equity stake in the bank as part of a sweeping restructuring aimed at plugging a £1.5bn capital hole.

Perry Capital is locked into the terms of the restructuring, and will also have to support a legally binding agreement to support the bank'***s*** ethical policies.

News of the sale comes as thousands of the Co-op'***s*** creditors are preparing to meet Friday'***s*** first-round deadline to vote on the bank'***s*** restructuring.

People ***involved*** in the process said the mutual had secured early support for the debt exchange, with the small number of votes that had been received so far coming in strongly in favour.

Securing support from creditors is vital to avoid the collapse of the bank.

The biggest hurdle for the Co-op has been mobilising its 10,000 or so retail ***investors***, who own about £170m of low-ranking bonds, to vote. Many of these ***investors*** are pensioners, who have had to decipher complex legal documents. The Co-op needs two-thirds of these retail ***investors*** to take part in the vote, and requires the support of three-quarters of those that do vote.

LT2, a group of hedge funds and other ***investors***, on Thursday pledged its support for the restructuring, after asking the Co-op to make a last-minute amendment to the terms.

The change is intended to close a loophole that was providing an opportunity for brokers and traders to undermine the new equity issuance by submitting ***claims*** for larger numbers of shares than they were entitled to. This could have meant that the LT2 group ended up with a smaller equity stake than they expected.

"The LT2 Group confirms its support for the recapitalisation of the Co-op Bank and . . . is fully supportive of the new management team for the bank," it said.

Aurelius could not be reached for comment while the Co-op Bank declined to do so .

Mark Carney has faced endless questions about what he will do about Britain'***s*** resurgent housing market since he took ***over*** as Bank of England governor in July.

The response came on Thursday. The BoE and Treasury are ending the incentives for household lending in the Funding for Lending Scheme that provides cheap liquidity to banks. It is keeping them for businesses.

They are also ending a waiver on bank capital requirements for household lending.

These steps to rein in a stimulus to consumer borrowing mean the BoE is reducing the need for "larger interventions" down the line, Mr Carney told a news conference.

They also mark the first policy reaction by the authorities to a rising tide of warnings about a property price bubble, after more than four years of ultra-low interest rates.

House prices nationally may be below their 2007 levels, Mr Carney said, but they are rising at an annual rate of nearly 7 per cent and are unlikely to slow soon.

Household indebtedness is close to historic highs, the BoE said in its twice-yearly Financial Stability Report. Its Financial Policy Committee is watching a growing "tail" of particularly indebted borrowers who would be acutely vulnerable to a sharp rise in interest rates.

Households with debts more than five times their income accounted for nearly 20 per cent of mortgage debt, according to information published by the BoE.

While shares in housebuilders took a knock on Thursday, lenders played down the significance of the FLS changes for the mortgage market.

Banks' use of the scheme, which was launched last year, has slowed significantly in recent quarters. The latest figures showed £17.6bn of FLS lending in mortgages and SME loans, compared with total expected mortgage lending next year of more than £200bn.

The cost of financing in wholesale funding markets has fallen sharply for banks in the past year or two as ***investor*** faith has been restored, in part thanks to interventions such as FLS in Britain and a broad suite of measures introduced by central banks in Europe and the US.

"This won't be a big change in terms of pricing," said Stephen Pegge, a director of Lloyds who has been closely ***involved*** in FLS. "There are still going to be very attractive mortgage deals out there."

Kevin Daly, UK economist at Goldman Sachs, said the announcement is more important for its signals, rather than its practical implications. The BoE was sending a clear message that it will not sit idly by if a bubble develops, laying out extensive analysis of the resurgent property market in its Financial Stability Report.

The publication pointed out that property has played a starring role in previous financial crises. It cited research from the International Monetary Fund showing that recessions accompanied by property busts were two or three times more severe than other types of downturn.

Accordingly the BoE was at pains to emphasise its range of weapons, in case it needs to respond to further rises in house prices. For example, the FPC may in future order lenders to test borrowers' ability to withstand much sharper increases in interest rates.

The FPC can also make recommendations on maximum mortgage loan-to-value ratios, loan-to-income ratios, debt-to-income ratios, or mortgage terms, the stability report said.

The Bank'***s*** stern words on mortgages jar with a Treasury that has just launched its Help to Buy mortgage subsidy scheme.

Mr Carney played down the seeming contradiction, saying that Help to Buy is a policy targeting would-be homeowners who are struggling to raise a deposit.

He also reiterated that the BoE could advise changes to the Help to Buy scheme at any time "if we deem it'***s*** appropriate to help with financial stability".

Analysts were not entirely convinced. As Jens Larsen, chief European economist at RBC Capital, said: "There is an element of putting your foot on the pedal while also holding down the brake, which doesn't always work very well."

Couples will be able to share up to 50 weeks of parental leave for the first time in 2015, under an overhaul of "Edwardian" workplace ***rules*** that was immediately dubbed a "nightmare" by one business group.

Nick Clegg, the Liberal Democrat deputy prime minister, said the move was a "major social breakthrough" that was achieved in the face of attempts by Tory cabinet ministers to water it down.

He said he wanted to challenge "the old-fashioned" assumption that women will always be the parent that stays at home.

Although the plan was amended during a consultation with business, Mr Clegg said its main thrust remained unchanged. "Women deserve the right to pursue their goals and not feel they have to choose between having a successful career or having a baby," he said.

Most business groups appeared satisfied with concessions to limit disruption to companies, but the Institute of Directors said the plans would be a "nightmare for small businesses".

The adoption of the policy reflects growing optimism in the coalition that the economy is in recovery: previously, ministers have been highly sceptical of any policy that was thought to undermine business competitiveness.

Lib Dem officials say that some Conservative ministers, including Grant Shapps, Tory chairman, Philip Hammond, defence secretary, and Jeremy Hunt, health secretary, fought to water down the plan further.

But Tory aides said the ***claims*** were "total nonsense" and that the party was completely happy about the outcome. "It wasn't held up for ideological reasons," said one ally of David Cameron.

Mr Clegg was delighted to finalise details of a plan that he will present to the electorate in 2015 as proof the Lib Dems have added a "stronger society" element to the coalition'***s*** tough economic policies.

"There shouldn't be a one size fits all approach - that'***s*** not how families are set up," Mr Clegg said. "Many businesses already recognise how productive and motivated employees are when they're given the opportunity to work flexibly, helping them retain talent and boost their competitive edge. This is good for families, good for business and good for our economy."

Lib Dem officials said Mr Clegg had conceded ground on the idea that parents returning to work after more than 26 weeks should have the right to return to exactly the same job: instead they might be offered a "similar" position.

Other concessions limit to three the number of requests for leave or changes to previously agreed patterns.

They also encourage staff to give early notification of leave plans and allow employers to ask for leave to be taken in a continuous block.

The British Chambers of Commerce said it thought members would be satisfied, while the CBI and Federation of Small Businesses said they were pleased the government had listened to companies' concerns. But the IoD said the proposed system was "considerably more complex and unwieldy than the current laws".

The EEF manufacturers' organisation was supportive, but said it was "still concerned by proposals about the right to return to the same job, as employees' roles can change frequently when companies need to make significant changes to their business."

The question of employment rights has been one of the most divisive issues in the coalition.

India'***s*** competition commission will investigate Ericsson for alleged abuse of a dominant position, the Swedish telecoms equipment maker confirmed on Thursday, as its legal battles with Indian handset maker Micromax ***over*** patents escalated.

Ericsson in March ***sued*** Micromax in a Delhi high court alleging that the Indian consumer electronics company infringed its patents and had refused to license Ericsson'***s*** technology on so-called fair, reasonable and non-discriminatory (Frand) terms.

Micromax, in return, brought a complaint to the Competition Commission of India alleging that Ericsson sought to charge exorbitant royalty payments for its GSM mobile technology patents.

The CCI has now referred the case to its director-general for an in-depth investigation. Ericsson said it would fully co-operate with the CCI "to reach a fair and reasonable conclusion".

Ericsson'***s*** legal battle with Micromax has some similarities to one of Samsung'***s*** patent lawsuits against Apple. Samsung had ***sued*** Apple in Europe for allegedly infringing its 3G wireless technology. In that case, the European Commission probed Samsung'***s*** use of its patents and concluded that the South Korean company abused its dominant position in its deployment of patent injunctions.

Samsung reached a provisional antitrust deal with the commission in September that includes legally binding promises on how it will treat licensees that have no choice but to use essential patents, including a clearer definition of when that licensee should be seen as willing to negotiate fair payment terms.

Xu Weiping likes to discuss his grand vision for future real estate projects, which include a plan to rejuvenate London'***s*** long-abandoned Royal Albert Docks.

Despite the fact he has never attempted to build anything outside the Chinese mainland, and only has one completed development to his name, Mr Xu describes the £1bn docks project as "a small deal".

"I spent three years negotiating with London and only came up with one project, and it'***s*** a small project at that," Mr Xu said on Thursday. "In China I only need six months to strike a very big deal."

His company, Advance Business Park, is building or plans to build three other massive office parks around China, in addition to the sprawling collection of about 400 low-rises in Beijing'***s*** cheapest and least desirable district.

Mr Xu has been a citizen of the Seychelles since 1996 and is driven around in a Cadillac Escalade with diplomatic number plates registered to the Embassy of the Seychelles, thanks to his role as an "adviser" to the Seychelles government.

Most of his companies are based in the Seychelles or British Virgin Islands, allowing him to represent himself in China as a ***foreign investor***.

When asked why he presents himself as the face of Chinese investment in Britain but as a ***foreign investor*** in China, Mr Xu would only say he is a "citizen of the world".

He also says he has been given 50 out of 200 invitations reserved for UK-bound Chinese ***investors*** at a promotional event to be held next week at the British embassy in Beijing and attended by David Cameron.

His well-publicised courtship with London mayor Boris Johnson appears to have been consummated with a plan to move the headquarters of ABP to London.

He cites high UK unemployment as one of the reasons for the move, saying it has made skilled labour cheap. He is especially interested in hiring ethnically Chinese Londoners for his new HQ.

"Chinese are genetically diligent and hard-working but if they have been given a complete European education then they also have good breeding and manners," he said.

For the docks rejuvenation project, Mr Xu plans to borrow about two-thirds of the £1bn investment from UK and Chinese banks and says he will tap ***investors*** or use his own money for the rest.

He intends to sell about half the units in Royal Docks to Chinese companies and says he has already signed letters of intent with 13, with expressions of interest from 50 or so others. When asked what he will do if he cannot convince enough Chinese companies to fill the development, he says the word "if" is not in his vocabulary.

In stark contrast to Mr Xu, the Chinese tycoon behind a plan to redevelop London'***s*** Crystal Palace is more elusive. After repeated requests for interviews, a spokesperson for Ni Zhaoxing, founder of ZhongRong Holdings, said he could not be reached for comment because he was inspecting a mine outside China and had no mobile phone reception.

Apollo Global Management is closing in on the purchase of a £400m block of distressed UK property holdings put up for sale by Aviva, the FTSE 100 insurer, said people familiar with the matter.

The private equity house has emerged as the preferred bidder for the assets. The sale is the latest sign that ***investor*** demand for high-yielding assets is helping banks and insurance companies unwind previous real estate losses.

The Aviva portfolio is comprised largely of commercial and retail-related property and covers about 135 assets. It is twice as big as the set of industrial property assets that Royal Bank of Scotland brought to market last month.

A deal would mark the second big transaction between Aviva and Apollo in recent months. The private equity group controls Athene Holding, which last month completed the purchase of the UK insurer'***s*** US arm for £1.7bn.

New York-based Apollo looks to have fought off competition from other prospective buyers, including other private-equity houses, after being named the preferred bidder this week in what was a relatively speedy six-week sales process.

Apollo'***s*** real estate group has assets under management of about $9.3bn. The private equity group, which specialises in distressed debt, was founded by Leon Black in 1990.

However, the people familiar with the matter said that no final deal had been sealed and the transaction was subject to due diligence.

Aviva appointed Jones Lang LaSalle to advise on the sale, known as Project Moon. It is the first time since the financial crisis that the insurer has brought such assets to market.

The sale by the insurer comes after several lenders - including RBS, Lloyds Banking Group and Co-operative Bank - have disposed of parts of their distressed property portfolios ***over*** the past couple of years.

About £4bn of Aviva'**s** total £8.4bn UK property portfolio is underperforming. The insurer has set aside £1.5bn of provisions for losses on it.

The group disclosed in the summer that £3.1bn of loans had loan-to-value ratios of more than 100 per cent and £493m of them were in arrears.

"There has been a rise in impairments, restructuring of loans and requests for forbearance," Aviva said in its half-year accounts in August.

"These relate to loans made before the current financial downturn, with particular exposure to the retail sector in the north of England."

Additional reporting by Anne-Sylvaine Chassany

Swiss asset manager Raoul Weil has agreed to be extradited to the US to face charges that he helped American clients with $20bn of assets to evade US taxes during his previous job at UBS.

Mr Weil was arrested in October while holidaying in Bologna in Italy. Although he was declared a fugitive from justice by the US courts in 2009, he had been working openly as chief executive of Reuss Private Group, which handles assets of SFr4bn ($4.4bn). Reuss is based in the Swiss canton of Schwyz.

A 2009 US indictment accused Mr Weil and other bankers of aiding the tax evasion between 2002 and 2007, helping UBS gain EUR200m in revenues from 17,000 US clients.

Also in 2009, UBS paid a $780m settlement for its role in abetting tax evasion and handed ***over*** the names of 4,450 US clients in a deal that presaged a wider European and US crackdown on the country'***s*** bank secrecy.

UBS declined to comment.

Mr Weil'***s*** lawyer, Aaron R Marcu of Freshfields Bruckhaus Deringer in New York, said: "Mr Weil agreed to extradition to the US because he has always been prepared to confront these charges.

"He lives and works in his native Switzerland, where he was when he was indicted in 2008, and he has never run or tried to hide. We expect him to be fully vindicated when we have the opportunity to present our case to a fair and impartial jury." Mr Weil has denied any wrongdoing.

Under Swiss laws, a suspect has to consent to an extradition. Italian law offers less protection.

Britain has been accused of softening its stance on human rights in China to attract ***foreign*** investment, despite doubts ***over*** the credibility of some of the groups who have offered to fund big projects.

A tale of two parts: London and the rest of the UK

As David Cameron, prime minister, prepares for a long-awaited visit to Beijing, a Financial Times investigation has raised questions about a project with Chinese backing in northwest England.

The FT has identified several anomalies with Sam Wa, a Chinese company that has proposed an investment in the £175m development on the Wirral. The investment has been championed by UK Trade and Industry.

Stella Shiu, Sam Wa'***s*** chairman, was declared bankrupt by a Hong Kong court in 2008, after which she changed her name, it has emerged. Several companies registered on the Chinese mainland under her previous name have since been dissolved.

Richard Ottaway, chairman of the ***foreign*** affairs select committee, told the FT: "UKTI has got to justify its actions, it has got to explain why it recommended investment from this group."

The deal between Peel Holdings, the company leading the Wirral redevelopment, and Ms Shiu'**s** company was originally signed in the presence of senior UKTI officials, including Lord Green, who was then the trade minister. It was touted as an example of the kind of deal that is being promoted by Mr Cameron as he focuses Britain'**s** relationship with China firmly on securing trade between the two countries.

The prime minister will travel to China next week for the first time since the new Chinese leadership took ***over***, ending a year-long diplomatic stand-off ***over*** his decision to meet the Dalai Lama in 2012.

He will take a large trade delegation with him, including dozens of executives from blue-chip companies and others from small and medium-sized businesses.

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>But the trip comes amid mounting concern that Britain is so keen to sign new deals that it is failing to carry out enough due diligence on prospective ***investors***.

One of the biggest projects to have attracted Chinese backing is a £1bn property development in London'**s** docklands. But Advanced Business Park, a Chinese company planning an office complex on the site, has only one completed project to its name: a development located on the far outskirts of Beijing in the city'**s** least affluent district.

John Spellar, a Labour member of the all party group on China, told the FT: "UKTI and the ***Foreign*** Office have to be careful and undertake due diligence to make sure of the bona fides and assets of any potential ***investors***."

Senior diplomats in China believe Britain may be going too far in trying to encourage inward investment into the country.

"Total capitulation" was the way one senior Beijing-based Asian diplomat described Britain'**s** climbdown ***over*** the Dalai Lama debacle.

"The whole situation has been poorly handled - 18 months ago Mr Cameron was the great defender of human rights speaking truth to China and saying the UK will act on principle but now it seems to be about business and nothing else," said Kerry Brown, an associate fellow at Chatham House and a former British diplomat.

<>"There'***s*** a strong case to engage with serious Chinese companies and to welcome their investment but some of the companies people like Boris Johnson are talking to have no record abroad at all. It all seems extremely unsophisticated."

One senior European diplomat said it was clear from internal European meetings that Britain had downgraded human rights as an issue when dealing with China, a move which has made it harder for other countries to talk tough on the subject.

Most of the dozen or so senior diplomats who spoke to the FT on the matter said Britain'**s** willingness to downgrade human rights was unlikely to help it in dealing with Beijing, which would only sense weakness in London'**s** about-face.

Another European diplomat said that by agreeing to allow more Chinese investment in its telecoms, nuclear and banking sectors as a way of getting back in Beijing'**s** good graces, the UK had given far more than any other European country would consider.

"It certainly appears that they have sold the store and what are they actually getting in return?" asked one senior diplomat in Asia.

Edrington, the Scottish spirits group, plans to invest ***over*** £100m in a new distillery and visitor centre for its popular malt whisky, The Macallan.

The plan for a strikingly modern new complex next to the existing Macallan distillery in northeast Scotland'**s** Speyside distilling region underscores Edrington'**s** confidence that the global whisky boom will continue.

The independent Scottish group, which is controlled by the charitable Robertson Trust, sees large potential from consumers in emerging economies in Asia, Africa and Latin America.

The new distillery, to be designed by Rogers Stirk Harbour and Partners, would have larger capacity than Macallan'**s** current facilities, which can produce around 10m litres of alcohol a year, but have been unable to keep up with demand, said Gerry O'Donnell, Edrington spokesperson.

The existing distillery will be mothballed, giving Macallan the potential to restart it at some point if demand warrants.

Scotch producers are investing billions of pounds in new capacity at distilleries across Scotland. Around 15 new distilleries are planned, under construction or in the early stages of production, said Gavin Hewitt, chief executive of the Scotch Whisky Association.

The value of Scottish whisky exports increased by 11 per cent to almost £2bn in the first six months of this year compared with the same period in 2012, SWA data shows.

In a recent interview with the Financial Times, Ian Curle, Edrington chief executive, said whisky demand would continue to be driven by the twin engine of growing populations and expanding wealth in Asia, Latin America and Africa.

"There are millions of new consumers, with higher income levels, emerging. If you look at the demographics that'**s** going to go on for years and years and years," Mr Curle said.

The investment in The Macallan reflects the growing importance of single malt whiskies in an industry where the vast bulk of sales are accounted for by blends. Edrington also produces The Famous Grouse, Scotland'**s** top selling blend.

The new complex is also intended to make The Macallan more attractive as a visitor destination. Visitor centres are an increasingly important part of whisky marketing and have become tourist destinations in their own right.

Edrington suffered a £90m loss for the year to March 2013 because of a £275m writedown of the value of its Brugal rum brand, acquired in 2008 and since battered by the troubles of key southern European markets.

But the group'***s*** underlying performance has been strong, with pre-tax profits hitting £169m, up from £119m in the year to 2010.

From Mr DC Bates.

Sir, I would suggest that John Swinney ("Why Scotland can go it alone", November 27) take note of the push for independence by the Province of Quebec many years ago. Following President De Gaulle'***s*** visit and the famous "Vive le Québec libre" speech, many of the largest companies fled to Toronto with the inevitable consequences. Quebec has not tried again.

DC Bates, London E1, UK

From Mr Stan Trybulski.

Sir, In linking the argument for Scottish independence with the notion of prosperity in your editorial "Scotland cannot have it both ways" (November 27), you have got it rather backwards. An error equally shared by Alex Salmond, leader of the Scottish National party. In modern history there are many examples, such as Czechoslovakia, Poland, the post-second world war exodus, Bosnia, Chechnya and Slovenia, where peoples have sought an independent nation that would encompass their national or religious identities, regardless of the negative economic consequences. Importantly, all these peoples were aware of the possible consequences of achieving their desires. The same should hold true for Scotland and its people.

Therein lies the fundamental flaw in the SNP'***s*** argument: the unnecessary linking of independence with a better economic future - not that the SNP'***s*** white paper adequately explains how a better post-independence prosperity shall be accomplished. Instead of issuing a white paper that is more intended to build castles in Spain than industry on the Clyde, Mr Salmond should simply state that "as Scots, we want to be independent, come what may" and let his fellow Scots decide. If independence is that important to them, they will vote Yes, even if it means giving up the pound and other financial benefits that the Union brings. If independence is not that important to them, they will vote No.

Stan Trybulski, Branford, CT, US

Here are three forecasts for what will happen to the economy next year. First, from economists (to sound of air sucked through teeth): the US will grow less than thought, at 2.6 per cent, down from a prediction of 2.8 per cent in January, according to Consensus Economics' survey.

Second, from the stock market (with the Flying Lizards' hit "Money" playing loudly in the background): all'***s*** good! The ***S***&P 500 is up 26 per cent, the Russell 2000 index of smaller company shares is up 34 per cent and the outlook for the economy has improved.

Third, what Dr Copper says (cue Darth Vader theme): Copper is known as the only metal with a PhD thanks to the tight link between its price and the state of the world economy, and its latest prognosis is grim. Copper has dropped 11 per cent this year and is down almost a third from its 2011 peak. Other base metals have seen similar moves, as industrial demand weakened and mines expanded.

Those of a bullish persuasion will dismiss copper and other base metals as a useless guide. Prices are being driven down by a glut after ***over***-investment by the miners. Equities, meanwhile, lead the economy and - while admittedly not perfect - are a better guide to what will happen than a bunch of econometric models projecting current conditions into the future.

Bears can point to the close ties between world shares and copper up until late last year. This year'***s*** divergence is the most significant since 2006-07, when copper fell by a third in nine months while world shares carried on up. Copper rebounded, but the plunge offered a glimpse of the chaotic markets soon to come.

Alternatively, metals may merely have repriced to reflect slower growth in China, the biggest user of industrial metals. Equities might be floating on a sea of liquidity injected by central banks and tell us next to nothing about the outlook for profits or the wider economy. In this case, both tell us as little as the economists' models.

The Australian government has blocked Archer Daniels Midland'***s*** A$3.4bn (US$3.1bn) takeover of GrainCorp, saying the acquisition was not in the national interest.

The surprise decision follows months of wrangling between members of the ***ruling*** Liberal National coalition ***over*** the deal, which would have seen Illinois-based ADM take control of the largest grain handler in eastern Australia. The decision also comes just months after newly elected prime minister Tony Abbott declared that Australia was open for business.

ADM had tried to win support of farmers and politicians wary of the deal with a package of measures aimed at showing the importance of the takeover for the agricultural trader'***s*** plans to broaden crop supplies away from the US.

Australia is usually the world'***s*** third largest wheat exporter after the US and Canada, and is close to fast-growing markets in Asia and the Middle East.

ADM'***s*** commitments included a pledge to invest additional A$200m in Australian agricultural infrastructure and cap rises in grain handling charges at silos and ports for three years.

Joe Hockey, the Australian treasurer, said the proposed acquisition had been one of the most complex undertaken by the country'***s*** ***Foreign*** Investment Review Board, which could not come to a consensus view on the sale.

But after "long and careful deliberation" Mr Hockey said he had decided the takeover risked "undermining" public support for ongoing ***foreign*** investment and was therefore not in the national interest.

"Many industry participants, particularly growers in eastern Australia, have expressed concern that the proposed acquisition could reduce competition and impede growers' ability to access the grain storage, logistics and distribution network," he said.

"Given that the transition towards more robust competition continues and a more competitive network is still emerging, I consider that now is not the right time for a 100 per cent ***foreign*** acquisition of this key Australian business," Mr Hockey said.

The last big deal rejected by Australia was the proposed A$8.4bn takeover of ASX, the securities exchange, by Singapore Exchange just ***over*** three years ago.

ADM'***s*** takeover offer won the approval of GrainCorp'***s*** board in April but has been fiercely opposed by some farm groups and the Nationals, who argue a sale could put Australia'***s*** food security at risk. GrainCorp owns 280 grain storage facilities and seven of the eight ports that ship grain in bulk from the nation'***s*** east coast.

Mr Hockey'***s*** decision to block the deal is a blow to ADM. Although it is one of the world'***s*** biggest traders of agricultural commodities the company is looking to diversify its assets beyond the US. After an unprecedented wave of consolidation in the agricultural trading sector, GrainCorp was one of the few remaining assets of size and close to fast-growing markets in Asia.

ADM agreed to pay GrainCorp shareholders A$12.20 per share in cash, plus a one-time A$1.00-per-share special dividend.

Mr Hockey said he had decided not to cap ADM'***s*** investment in GrainCorp, which currently stands at 19.85 per cent.

"In fact, to encourage ADM to demonstrate its commitment to the Australian grains industry through its continued investment in GrainCorp, I am inclined, based on current circumstances, to approve any proposals from ADM to increase its shareholding in GrainCorp up to an interest of 24.9 per cent."

In a statement ADM said it would look to work with GrainCorp to "maximise returns on our investment and create value for both companies".

Patrica Woertz, chairman and chief executive, said: "Throughout this process, we worked constructively to create an arrangement that would be in Australia'***s*** best interests and made substantial commitments to address issues that were important to stakeholders."

From Mr Lorenz Jorgensen.

Sir, I am struck by the manner in which British companies are urged to invest in countries such as Bulgaria and Romania, in large part to take advantage of lower unit labour costs. Such lower costs are caused in part by a lower welfare net in many such countries, and the profits from such investments flow chiefly back to the ***investor***: in other words, the British company. The dividends are then presumably taxed in the UK and flow back to the Treasury. Yet at the same time David Cameron, the British prime minister, wishes to curtail the freedom of the citizens of those countries to travel to, and work in, the UK ("Free movement within Europe needs to be less free", November 27).

In other words, it appears to be acceptable to exploit and profit from their lower wages on Bulgarian and Romanian soil but not to allow those people to improve their wages on UK soil.

Does the word "imperialism" spring to the mind of anyone other than me?

Lorenz Jorgensen, Saffron Walden, Essex, UK

From Mr Seth Merrin.

Sir, The news that Europe has reached a deal to cap "dark pools" trading (November 22) is bad news for long-term ***investors*** and good news for predatory traders. This may sound counter-intuitive, but it is true.

The practice of so-called dark trading is not new to equity markets, but the phenomenon has certainly flourished as markets have embraced electronic trading. Originally, dark pools were set up to meet a demand from large institutions to trade in large blocs and avoid the disproportionate market impact of their trading activities in the "lit markets", ie traditional stock exchanges.

It is true that the majority of dark pools that exist today offer no value above and beyond what can be found on exchanges. And they should be regulated as they have been very effectively in other countries without harming the end ***investors***. But not all dark pools are the same, and to cap the activity of other trading venues, irrespective of the value they provide for long-term ***investors***, is irresponsible and goes against the stated objective of the regulation, which is to protect the end ***investor***.

Policy makers in Europe could do worse than look to Australia and Canada for a solution. These jurisdictions have introduced a price improvement condition for dark-pool trading. This has proved sufficient to return enough trading activity to the lit equity markets while at the same time ensuring that large pension-fund ***investors*** can continue to execute on their investment decisions and generate performance for end ***investors*** without being targeted by predatory traders that operate on the lit markets.

The irony that policy makers in Europe are looking to restrict trading activity at a time when long-term ***investors*** are returning to Europe'***s*** equity markets is not lost on everyone. Europe'***s*** listed companies, the engine of the economic recovery, stand to lose the most.

Seth Merrin, Founder and CEO, Liquidnet, New York, NY, US

Too soon? Some Americans may still be too full later today to think about chicken, pork and beef - and don't even mention turkey. But US poultry producers are clucking, and for good reason. Last year, they endured a severe drought in the Midwestern part of the country. The price of corn - a key component of feed - spiked above $8 a bushel in 2012. It has since fallen back to half that, and the US will harvest a record crop this autumn.

Lower grain costs factored into the positive outlook at Hormel Foods, which this week said it expects earnings per share in 2014 to rise by as much as 16 per cent. Hormel processes turkey and pork and manufactures packaged foods such as Spam and Dinty Moore stew. Now is a good time to be in the turkey business. As input costs have fallen, so have production levels (242m birds in 2013 versus 254m, according to the USDA). That bodes well for pricing. But it is not all good news down on the farm. The outlook for hogs is less clear - a virus has created uncertainty. Still, in 2013, Hormel also bought Skippy brand peanut butter, which it expects will bump up earnings per share by a mid-single digit percentage next year.

Investors are already reaping gains. Shares of Hormel have risen 50 per cent ***over*** the past year as prospects improved. At $45, the stock trades at 20 times next year'***s*** earnings. Fellow meat producers Tyson Foods (chicken, beef and pork) and Pilgrim'***s*** Pride (chicken), which have also rallied sharply, trade at 12 and 9 times, respectively. The latter two are more pure commodity plays versus Hormel, which is a diversified seller of branded products. That justifies some premium. Hormel'***s*** earnings multiple was also higher than the median (17x) ***over*** the past 10 years. Here, too, expansion is warranted given growth expectations and the addition of Skippy.

But at these prices, Hormel, is starting to look a bit stuffed, too.

Email the Lex team in confidence at *lex@ft.com*

Australians have tied their flying kangaroo down, Sport. So implies the country'***s*** treasurer, Joe Hockey, after some heavy lobbying by the kangaroo itself, Qantas. The flag carrier'***s*** shares bounced on Mr Hockey'***s*** musings about Qantas'***s*** ownership. Yet a debate about the airline is a political slugfest that does little to ease its path right now.

Qantas'***s*** problems are a perennial topic for national debate. Ownership is one of the issues. The state does not own any of the airline but under the 1992 Qantas Sale Act, foreigners cannot own more than 49 per cent of it and ***foreign*** airlines, in total, cannot hold more than 35 per cent. Overseas capital is thus deterred. Its outrage, then, is understandable as it watches three ***foreign*** state-backed airlines plan to raise their stakes in Virgin Australia, its domestic rival, to 70 per cent via a A$350m cash call. Add to that Virgin'***s*** aggressive capacity expansion which is hurting Qantas'***s*** yields, and anyone would be hopping.

Qantas'***s*** domestic unit produced 30 per cent more pre-tax profits than the group did ***over*** the past two years, underlining its key role in patching ***over*** heavy international losses. It must hurt watching Virgin burn through cash - A$425m in the in the 12 months to June - and turn to Etihad, Singapore Airlines and Air New Zealand, all Qantas rivals overseas, for a top-up. The fight makes it harder for Qantas to rely on home profits to support its overseas restructuring and it will divert management attention. Regulators have been called on to examine issues ranging from how Qantas uses its home heft - it has about two-thirds of the market - to whether Virgin'***s*** cash call is a ***foreign*** takeover in disguise. Mr Hockey said Qantas'***s*** "regulatory handcuffs" mean Aussies should either step up and fund the airline, or allow overseas ***investors*** to do so. It is hard to see either wanting to stump up until this battle is resolved.

Email the Lex team in confidence at *lex@ft.com*

Japan and South Korea have both sent military aircraft into the controversial air defence zone created by China, escalating regional tensions ***over*** territorial ***claims*** that have also drawn Washington into the ***dispute***. Neither country notified Beijing of the surveillance operations which took place in recent days.

"They [the Japanese jets] are carrying out surveillance activity as before in the East China Sea, including the zone," Japan'***s*** chief cabinet secretary Yoshihide Suga said on Thursday.

"We are not going to change this out of consideration to China," he added, without saying how often Japanese military aircraft had entered the air defence zone since it was unilaterally announced by Beijing on Saturday. Under the restrictions China had insisted that any aircraft travelling through the zone - covering an area including a chain of islands in the East China Sea controlled by Japan but ***claimed*** by Beijing - had to inform China.

The South Korean flight on Tuesday was a regular surveillance mission ***over*** a submerged rock where Seoul has a scientific research centre, but to which China also lays ***claim***, the defence ministry in Seoul said.

China has said the creation of the zone - which overlaps with the corresponding Japanese and South Korean zones - was a "legitimate action" and not targeted at any one country, although it has stirred up opposition across the region and drawn sharp criticism from the US.

At a meeting in Seoul on Thursday, Chinese military officials rejected calls from South Korean officials to reconsider the defence zone, according to Seoul'***s*** defence ministry.

"Japan and the US should carefully reflect upon and immediately correct their mistakes," a Chinese ***foreign*** ministry spokesman said on Thursday. "They should stop their irresponsible accusations against China and refrain from remarks and actions that harm regional stability."

The Japanese and South Korean surveillance missions came after the US sent a pair of B-52 bombers through the air defence zone on Tuesday. On Wednesday Japanese airlines also began flouting the ***rules*** laid down by Beijing, which demand that aircraft notify it before passing through the area.

William Fallon, a former head of US Pacific Command, warned on Wednesday that the Chinese zone would raise the potential for an accidental conflict.

"It is another stick on the fire, and absolutely unnecessary," said Mr Fallon. "If you send up fighters, it is another opportunity for people to screw up."

US vice-president Joe Biden will tell Chinese leaders on a trip to Beijing next week that the establishment of an air defence zone is "unsettling" to its neighbours and raises questions about its broader international behaviour.

Additional reporting by Mitsuko Matsutani in Tokyo, Geoff Dyer in Washington, Demetri Sevastopulo in Hong Kong and Tom Mitchell in Beijing

A tale of two parts: London and the rest of the UK

Hope should not spring eternal when it comes to oil and gas deals. A transaction last week - Devon Energy'***s*** $6bn acquisition of high quality energy assets in the Eagle Ford area of Texas - has sparked hopes of a dealmaking revival. Yet persistently low natural gas prices and years of excessive investment have forced more disciplined capital allocation among onshore-focused energy producers. So despite the pricey terms Devon agreed to in this deal, it is hard to imagine more tie-ups at such valuations being struck in such a conservative climate.

One approach to developing energy resources is to bet on exploring in unproven areas and hope that it works out. Devon took the opposite tack in the deal, buying $6bn of mostly oil assets from private equity-backed GeoSouthern Energy. The assets include 83,000 acres in the Eagle Ford shale deposit. Those assets currently produce just 53,000 barrels of oil equivalent per day, but 400m barrels are estimated to be recoverable. And most of that qualifies as proved reserves. Output is to ramp quickly.

As such, Devon'***s*** purchase price is just 2.5 times estimated 2015 operating cash flow. But as certain as the oil beneath the earth may be, it is not cheap to get to it. Credit Suisse estimates that Devon will need $6bn in capital expenditure ***over*** six years. The deal boosts Devon'***s*** net asset value by about 5 per cent, around how much its shares rose after the announcement.

Another measure of the high price paid is the value put on the undeveloped acreage acquired. Morningstar calculates that the price per acre is $50,000, exceeding previous highs of around $30,000.

Apart from the Devon deal, US oil and gas transaction volume has slowed considerably. And while the GeoSouthern terms are not quite the home run that management has depicted, Devon'***s*** bosses have run their business well enough to pull off an aggressive if modestly profitable acquisition.

The dearth of other landmark transactions confirms that this is quite an accomplishment.

Email the Lex team in confidence at *lex@ft.com*

Banks will no longer receive subsidised funding to boost mortgage lending and personal loans in 2014, the Treasury and Bank of England announced on Thursday in a change to its Funding for Lending Scheme (FLS).

Believing the problems with household lending to be largely fixed, the chancellor and BoE governor have decided to concentrate bank funding subsidies entirely on lending to companies next year.

The Treasury sees this as an indication that there is no longer any shortage of lending to households from British banks although deficient lending remains a problem for companies and, in particular, small companies.

The move also demonstrates a concern in the authorities that they do not want the growth of mortgage lending to get out of hand.

In an exchange of letters between George Osborne, chancellor, and Mark Carney, BoE governor, the FLS scheme for household lending in 2014 has been cancelled while it remains for corporate lending.

Banks will still be able to bring mortgage assets to the BoE for cheaper funding under the FLS scheme, but will only have access to additional funds if they can demonstrate an increase in net lending to companies. The fee on the FLS scheme for corporate lending has also been cut.

The BoE'***s*** Financial Policy Committee welcomed the changes to the FLS scheme while the Monetary Policy Committee judged that the move did not constitute a tightening of monetary policy.

In his letter to Mr Osborne, the BoE governor said: "We should refocus the FLS so that it continues to support lending to the business sector, without adding further broad support to household lending at a time when that is no longer necessary".

The chancellor responded that because lending to small companies remained muted, it was "very important" the joint Treasury/BoE scheme "continues to support lending to businesses and provides strong incentives to small and medium sized lending in particular".

Only two things are certain in the debate ***over*** plain packaging for tobacco products. The anti-tobacco lobby will produce data proving why it is an effective way to cut smoking. And tobacco companies will produce data proving why it is not. Expect both to be in evidence ***over*** the next four months as the UK considers whether to introduce the measure.

Australia is the only market which has enforced plain packaging so far. It has been in place for about a year. Supporters will point to a study by Cancer Council Victoria, published in the British Medical Journal. It shows that people smoking from plain packs were more likely to think about quitting that those smoking from branded packs. Opponents say the measure has done nothing to affect smoking overall, other than driving trade to the black market. They will point to a study from KPMG - commissioned by tobacco companies - which says that illicit tobacco has grown from 11.8 per cent of the Australian market in 2012 to 13.3 per cent in the first half of 2013.

Aside from potentially driving volumes to the black market, one of the biggest concerns for the tobacco companies would be prices and margins. The absence of branding could convince smokers of premium cigarettes to trade down. Imperial Tobacco, which has a 45 per cent UK market share, would be most exposed. According to Berenberg, a fifth of its profits come from the UK. At Japan Tobacco the proportion is half of that.

Plain packaging in the UK would be bad news for the industry, but it could cope with the consequences. A bigger threat would be the chance that regulators elsewhere consider making the same move. Volumes in developed markets have been falling for some time, but emerging markets have compensated for that. If Asia were to start to think about plain packaging, there would be very good reason for the industry to worry.

Email the Lex team in confidence at *lex@ft.com*

Business leaders said the government'***s*** move to focus bank subsidies on credit to companies would help spur lending, which remained hard to obtain at reasonable rates for smaller companies.

Lee Hopley, chief economist at the EEF manufacturers' organisation, said: "After putting the Funding for Lending Scheme 'on steroids' in March, the chancellor has now doubled the dose. Putting further firepower behind the banks through FLS to make more finance available and at a lower cost should provide a further spur to lending, which is still challenging for many SMEs despite recent improvements."

She added: "With the recovery in business investment still weak, getting credit flowing to business is critical to turning this round."

John Allan, national chairman of the Federation of Small Businesses, said it was "a surprising yet refreshing announcement, which will make a difference to lending to thousands of our members and millions of small firms. It is something the FSB has raised with the governor of the Bank of England and he is clearly listening".

Mr Allan said it was encouraging that Mark Carney, Bank of England governor, had recognised the contribution small firms make to job creation and that the real economy had been given priority ***over*** the housing market, which is receiving assistance in other areas such as Help to Buy.

"FLS has already helped reduce the cost of finance for businesses. What we now need is to see a focus on increasing the number of firms getting access to the finance they need to grow," he added.

John Longworth, director-general of the British Chambers of Commerce, said the move showed that the government and the BoE recognised the difficulties faced by businesses in accessing finance.

"The real test for Funding for Lending has always been whether it is able to get credit flowing to young and fast-growing firms and unfortunately any improvement in credit availability is only being felt by 'safe bets', while young, fast-growing firms continue to struggle to find the finance they need to expand," he said.

Mr Longworth added: "Policy makers need to go further to help new and growing companies by delivering a British Business Bank with far more scale than under the government'***s*** current proposals."

The Treasury and the BoE increased the incentives to lend to SMEs under the scheme earlier this year, by increasing the amount of cheap finance banks could access. The fee banks pay will now be cut to the lowest point on the FLS scale.

Lending volumes to small and medium-sized enterprises have fallen by nearly a quarter to £170bn since their 2009 peak, according to a report for Royal Bank of Scotland by Sir Andrew Large, former BoE deputy governor.

The Bank'***s*** latest data showed that net lending to businesses fell by £2.3bn in the three months to August and contracted across all sizes of company.

According to an EEF survey, more manufacturing companies are seeking finance to invest, but at a price. Businesses, especially smaller ones, reported that the cost of finance was going up.

Michael Saunders, an economist at Citi, said: "We suspect the government will do more to encourage SME lending in the Autumn Statement."

Sir Andrew'***s*** report drew attention to structural problems in the business lending market.

Andrew Bailey, head of the Prudential Regulatory Authority, said there had been a substantial change in the mechanics and capacity of mortgage lending, but the capacity and mechanics of lending to small and medium-sized businesses may have fallen behind.

Andy Haldane, the BoE'***s*** executive director for financial stability, said the Financial Policy Committee, the new stability regulator, would examine Sir Andrew'***s*** suggestion of a credit registry to pool information on SMEs.

"It'***s*** a difficult market to get into because all of the credit history and information on the SMEs is stored in the incumbent, it'***s*** not generally available," Mr Haldane said.

A registry could be used to "bundle SME loans, and package them for onward sale, in other words to create securitisation market for SMEs. Which I think would be really positive as a second channel for SME bank financing," he said.

Additional reporting by Claire Jones

The founder of one of the earliest virtual currencies has re-emerged with a rival to Bitcoin, more than five years after his first venture, e-gold, was shut down by the US Department of Justice.

Douglas Jackson is consulting for a membership organisation called Coeptis that hopes to launch a new version of his gold-backed currency, which attracted millions of users at its height.

The aim is to lure many of the people who have been attracted to Bitcoin and other virtual currencies this year, including businesses that are looking for a cheap way to process payments outside the traditional banking system.

Coeptis'**s** "global standard currency" would be fully backed by reserves of gold, held in a trust, effectively turning the precious metal into a medium of exchange.

Mr Jackson and two others pleaded guilty in July 2008 to running an illegal money transmitting business and to aiding money laundering, after federal investigators charged that "criminals of every stripe gravitated to e-gold as a place to move their money with impunity".

Bill Cunningham, chief executive of CMO, the Florida company behind Coeptis, said the technology behind e-gold has been updated and expanded to ensure it complies with the emerging regulations covering virtual currencies. Unlike e-gold, it would verify members' identities before allowing them to trade.

"We believe we will have better anti-money laundering procedures than any other virtual currency business and that we will compare well with the banking industry," Mr Cunningham said.

"One of the advantages of seeing what happened to the e-gold system is we understand where we fell down before."

CMO is planning to buy its currency system from Mr Jackson, but because of his conviction, he will not have an operational role in the company.

For several years, Mr Jackson had hoped to resurrect e-gold himself, but it became clear he would not be able to obtain the money transmitter licences required in most US states.

Mr Cunningham said CMO had begun approaching state regulators about obtaining licences itself and hopes to launch before the middle of next year.

The membership organisation'**s** name comes from the phrase annuit coeptis, meaning "he has favoured our undertakings", which appears on US banknotes.

The emergence of Bitcoin has sparked a wave of experimentation in currencies and in online payments. Regulators and monetary authorities have so far been content to allow such currencies, but have pressured exchanges and brokers to introduce the same money-laundering checks as traditional financial institutions.

A European Central Bank study last year conlcuded virtual currencies were too small to worry about yet, but their growth should be monitored lest they start to threaten financial stability.

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Industry:

Geographic: LONDON, ENGLAND (95%); LEEDS, ENGLAND (92%); EDINBURGH, SCOTLAND (92%);

SHEFFIELD, ENGLAND (79%); KINGSTON UPON HULL, ENGLAND (79%); UNITED KINGDOM (99%); SCOTLAND (97%); ENGLAND (95%); NORTHERN IRELAND (94%); EUROPE (94%); WALES (94%); AUSTRALIA & NEW ZEALAND (92%); EUROPEAN UNION MEMBER STATES (92%); NEW ZEALAND (79%); GERMANY (79%); ***UNITED STATES*** (79%); AUSTRALIA (79%); GB United Kingdom; GB United Kingdom; GB United Kingdom; GB United Kingdom; GB United Kingdom; PL Poland; BR Brazil; CN China; AU Australia; CH New Zealand; NZ Singapore; SG Switzerland; FR France; PL Poland; MO Macao; EE Estonia; GB United Kingdom; PH Philippines; BR Brazil; UA Ukraine; CH France; FR Switzerland; BR Brazil; US ***United States*** of America; BR Brazil; CN China; US ***United States*** of America; FR France; MX Mexico; SE Sweden; TH Thailand; US ***United States*** of America; RU Russia; ES Spain; GB United Kingdom; BG Bulgaria; DE France; FR Germany; GB Lithuania; LT Romania; RO United Kingdom; BG Bulgaria; GB Romania; RO United Kingdom; BY Belarus; GE Republic of Georgia; TR Turkey; UA Ukraine; CH Netherlands; NG Nigeria; NL Switzerland; BR Brazil; PH Philippines; TH Thailand; US ***United States*** of America; CN China; IN India; US ***United States*** of America; PH Philippines; DE Germany; GB United Kingdom; GB United Kingdom; GB United Kingdom; US ***United States*** of America; GB United Kingdom; AU Australia; GB United Kingdom; GB United Kingdom; GB United Kingdom; US ***United States*** of America; GB United Kingdom; US ***United States*** of America; JP Japan; GB Japan; JP United Kingdom; SE Sweden; US ***United States*** of America; GB United Kingdom; GB United Kingdom; PE Peru; GB United Kingdom; CN China; NE Chad; TD Niger; CN China; AU Australia; JP Japan; CN China; JP Japan; US ***United States*** of America; AU Australia; GB United Kingdom; CN China; IQ Iraq; NL Netherlands; US ***United States*** of America; IR Iran; GB United Kingdom; CH Iran; IR Switzerland; TR Turkey; IT Italy; AF Afghanistan; SO Somalia; FR France; AU Australia; GB United Kingdom; FR France; GB United Kingdom; FR France; FR France; JP Japan; CZ Czech Republic; PL Poland; AU Australia; IE Ireland; GB United Kingdom; US ***United States*** of America; AM Armenia; GE Lithuania; LT Moldova; MD Republic of Georgia; RU Russia; UA Ukraine; US ***United States*** of America; FR France; RU Russia; DE Germany; TH Thailand; AU Australia; ZA South Africa; LT Lithuania; RU Russia; UA Ukraine; CH Philippines; PH Switzerland; US ***United States*** of America; GB United Kingdom; IT Italy; US ***United States*** of America; ES Greece; GR Italy; IT Portugal; PT Spain; GB United Kingdom; US ***United States*** of America; CO Colombia; DE France; ES Germany; FR Greece; GB Iceland; GR Italy; IS Liechtenstein; IT Luxembourg; LI Malta; LU Spain; MT United Kingdom; GB Ireland; IE United Kingdom; GB United Kingdom; CN China; GB United Kingdom; US ***United States*** of America; GB Singapore; SG United Kingdom; CN China; CN China; GB United Kingdom; GB United Kingdom; IN India; SE Sweden; CN China; GB United Kingdom; CH Italy; IT Switzerland; US ***United States*** of America; CN China; GB United Kingdom; GB United Kingdom; GB United Kingdom; BA Bosnia-Hercegovina; CZ Czech Republic; GB Poland; PL Russia; RU Slovenia; SI United Kingdom; US ***United States*** of America; AU Australia; US ***United States*** of America; BG Bulgaria; GB Romania; RO United Kingdom; US ***United States*** of America; AU Australia; CN China; JP Japan; KR South Korea; US ***United States*** of America; GB United Kingdom; AU Australia; GB United Kingdom; US ***United States*** of America; UKIR; UKIR; UKIR; UKIR; UKIR; ESEU; ASIA; STAM; ASIA; AUST; WSEU; ESEU; WSEU; ASIA; ESEU; UKIR; ASIA; STAM; ESEU; WSEU; STAM; NTAM; STAM; ASIA; NTAM; ASIA; NTAM; STAM; WSEU; ESEU; UKIR; WSEU; ESEU; UKIR; WSEU; ESEU; UKIR; ESEU; WSEU; MEAA; WSEU; STAM; ASIA; ASIA; NTAM; ASIA; ASIA; NTAM; ASIA; WSEU; UKIR; UKIR; NTAM; UKIR; UKIR; AUST; UKIR; UKIR; UKIR; NTAM; NTAM; UKIR; ASIA; ASIA; UKIR; NTAM; WSEU; UKIR; UKIR; STAM; UKIR; ASIA; MEAA; ASIA; AUST; ASIA; ASIA; NTAM; AUST; UKIR; ASIA; MEAA; NTAM; WSEU; MEAA; UKIR; MEAA; WSEU; WSEU; ASIA; MEAA; WSEU; AUST; UKIR; WSEU; UKIR; WSEU; WSEU; ASIA; ESEU; AUST; WSEU; UKIR; NTAM; ESEU; NTAM; WSEU; ESEU; WSEU; ASIA; AUST; MEAA; ESEU; ASIA; NTAM; WSEU; UKIR; NTAM; WSEU; WSEU; UKIR; NTAM; ESEU; STAM; UKIR; WSEU; UKIR; WSEU; UKIR; ASIA; UKIR; NTAM; ASIA; UKIR; ASIA; ASIA; UKIR; UKIR; ASIA; WSEU; ASIA; UKIR; NTAM; WSEU; ASIA; UKIR; UKIR; UKIR; ESEU; UKIR; NTAM; AUST; NTAM; ESEU; UKIR; NTAM; AUST; ASIA; NTAM; UKIR; AUST; UKIR; NTAM

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