



FINANCIAL TIMES

'Without fear and without favour'

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Trump cannot change China without help

Unilateral trade sanctions are not as effective as multilateral action

It is testament to the economic wrong-headedness and political ineptness of Donald Trump's trade policy that even when he has a point, his actions manage to alienate America's natural allies.

First Mr Trump announced tariffs on steel and aluminium, ostensibly aimed at enhancing national security but in fact squeezing those US allies that do not manage to negotiate exemptions.

His next target, China's abuse of intellectual property, is a far more justified focus of activist policy.

There is an international coalition there for the taking – it has even started to assemble itself – if Mr Trump wants to take on China's distorting policies on trade and investment. But that will require subtlety on the part of his administration, and a willingness to use all the tools, including multilateral ones, at its disposal.

Brexiters are spoiling for a transition fish fight

Britain's negotiating hand is not as strong as some would like to think

Of all the concessions that the UK government has made to the EU in Brexit negotiations thus far, the one exercising hardship Brexiters the most is about fish. They saw taking back control of UK territorial waters as an obvious quick victory in the longer battle to repatriate sovereign powers from the EU.

As with other Brexit-related issues, the Brexiters have failed to articulate what taking back control might entail in an area where a degree of shared management is environmentally essential and practically speaking necessary.

Not is the UK's negotiating hand on fisheries as strong as some would like to believe. True, EU vessels catch far more fish in UK waters than UK vessels' catch in EU waters by a factor of four to one.

If Britain plays hard ball over EU access to UK waters, the bloc can easily retaliate by slapping tariffs on British exports. This would potentially be more damaging to UK fishermen and fish-processing industries than extending the current arrangement.

What is more, if the UK plays tough on fish, the EU can choose to penalise the UK in other areas such as the financial sector or aviation. How fisheries are managed post-Brexit was, in other words, always likely to be part of a broader trade arrangement the UK hopes to negotiate during the 21-month transition period.

Given that fishing contributes only a tiny proportion of the UK's gross domestic product, it was always likely that the government would use it as

Letters

Mis-step on the road to not objectifying women

Sir, The Financial Times' Special Report on watches and jewellery (March 22) carries an article entitled "Sexual harassment fightback gathers pace", by Sarah Shannon, which highlights the views of Barbara Palumbo on sexual harassment in the jewellery and watch industry. This well written and fact-filled article runs over on to the back page, which in turn has a lead article entitled "Following the trail from jewellery to justice", by Siona Jenkins.

At first glance, the latter is an interesting piece about a Scottish designer's role in identifying crime victims through the use of jewellery. In terms of content and style, however, the two sit in uneasy juxtaposition. Ms Shannon's article, rightly, focuses on the need to broaden, or better publicise, the discussion about sexual

harassment: she places particular emphasis on the representation of women and on the importance of women providing support to other women in the course of the debate, as well as in daily life. I note there is no photograph of Ms Palumbo, nor is her age given. On the back page, in contrast, a large photograph shows "29-year-old" Maria MacLennan, smiling into the camera. She's initially styled as "the world's first forensic jeweller", but there's a caveat: "Ms MacLennan is quick to point out that she is not a forensic scientist, but she is thoughtful and articulate about her subject."

Following a brief summary of Ms MacLennan's credentials, a physical description is given: She "is physically petite, with delicate tattoos around her neck and on her forehead, and piercings on her face".

The article goes on to quote Robert Organ of the Goldsmiths' Company, who recalls, "with a laugh", that "she's, well, striking in appearance... But as soon as she opens her mouth she's engaging, quite brilliant". He adds: "It's funny how appearances can be deceiving sometimes." Is it really funny? In these enlightened times, that might be considered a harmless comment, or a backhanded compliment, but equally, it might not.

As an article about a woman carrying out what appears to be a unique and valuable role, this has many merits. As a move forward on the long road to ensuring that women are not objectified or belittled in the media, it reads like an unfortunate mis-step. Lisa Fox Deepwater Bay, Hong Kong

Future cities will stand or fall by infrastructure

Sir, Sarah O'Connor, in "Cities only work if they accommodate rich and poor" (March 21), identifies rising housing costs for lower-paid workers as a problem for London and New York. It is also a problem for Shanghai, Mumbai and Lagos.

Mumbai and Lagos. In her masterly work on cities, the economist and activist Jane Jacobs described how poor immigrants formed inner-city communities and moved on when they grew wealthier. She did not note that this depended on transportation systems that enabled the rising poor to move not very far and keep a role in the city.

Today, it seems, cities all over the world with more than about 10m people fall into the same pattern: an uber-wealthy centre with the same 5-star hotel and shop chains, a rising wealthy inner ring and a slum periphery of the poor. Perhaps developments in transport will change this, as the 19th century railways changed London, but the cost of new infrastructure to make cities work in the 21st century will surely be many, many times what building the railways cost. Yet if ever there was an investment that it made sense for governments to make, this is it.

Chris Gilchrist Bristol, UK

Fioramonti may be given the chance of a lifetime

Sir, Like many Financial Times readers following the recent Italian elections and the rise of Five Star I have been rather sceptical about their unrealistic promises and lack of qualifications to govern. However, reading Lorenzo Fioramonti's op-ed "Italy's Five Star can be a force for renewal across the EU" (FT.com, March 12) gives me a glimmer of hope.

Professor Fioramonti, as Five Star's candidate for minister of economic development, paints a completely different picture of a party so often depicted, as he says, "as fanatics with populist objectives and a threat to the stability of Italy and the EU". There is more to the party than meets the eye. Whatever the cynics and doomsayers have to say ("Italy will never change" is their mantra), a political candidate who talks of creating a "knowledge-based green economy", a fourth



'How long will you be visiting this fantasy?'

industrial revolution" and "managed migration", and has the credentials to back this up, deserves a hearing. This is a fresh voice in a tired and corrupt system and, importantly, comes from a respected economist.

Prof Fioramonti's book also suggests that if he obtains a position in government we could see something radically new as he is one of the leading thinkers in the increasingly relevant "beyond GDP" debate. He has written several books on the subject and works with international groups on sustainability, natural capital accounting and the economics of wellbeing. From a position of government in Rome he would have the opportunity of a lifetime to put the theories into practice. Michael Street Noto, Sicily, Italy

Two rules support our statement on fiscal money

Sir, Andy Thompson, in his letter of March 21, refers to the statement in our letter of March 16 whereby under European accounting rules a government bearer bond that could be redeemed after two years to obtain tax rebates would not constitute public debt, having never heard of such a "ludicrous" rule. Mr Thompson wonders if it really exists.

We would like to refer Mr Thompson to the following sources. Section 4.4.6, Conceptual Framework of Financial Reporting (IFRS), states: "A liability is recognised in the balance sheet when it is probable that an

outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably." And Eurostat Guidance Note of August 29 2014 on Treatment of Deferred Tax Assets states: "As regards their time of recording, non-payable tax credits are normally recorded at the time they are used to reduce the taxes due."

Considering that the fiscal money instrument we propose is a non-payable tax credit which does not involve outflows of resources embodying economic benefits, the two rules above support our statement whereby fiscal money does not constitute public debt and must not be reported in the fiscal budget until it is used to reduce the taxes due (that is, not earlier than the two years after issuance of the bond).

Instead of trying to invalidate others' arguments with denigrating adjectives, it would be much more constructive and appropriate to apply sound knowledge. Blagjo Bossone Marco Cattaneo Massimo Costa Stefano Sylos Labini Members, Group of Fiscal Money, Italy

House prices? Blame QE

Sir, According to the evidence from antiquity, the main cause of excessive house prices is the substantial increase in the money supply due to high leverage and quantitative easing, rather than a dearth of construction. Suetonius, in *The Twelve Caesars*, describes how the emperor Augustus, bringing the treasure belonging to the kings of Egypt to Rome in his Alexandrian triumph, "made money so plentiful, that interest rates fell, and the price of land rose considerably". Martin Allen London N4, UK

Monty Python lives!

Sir, Those of us overseas who are addicted to British humour are very grateful to Jacob Rees-Mogg and the fish throwers. Now we know Monty Python is truly alive and well in Britain and we can sit back waiting for the next series to start. Dean Eyre Ottawa, ON, Canada

Agreement on Ireland and customs union can't be left until transition period

Sir, You are right: the toughest part of the Brexit deal – the future of the border with Ireland and its implications for the UK's trade relationship with the EU – is still to be settled (Editorial, March 21). And you are right that at some point Prime Minister Theresa May will be forced to recognise there is no viable alternative to a new customs union agreement.

The draft withdrawal agreement made public on Monday includes a protocol on Ireland/Northern Ireland the terms of which will be annexed to the withdrawal agreement and will apply unless a future agreement between the EU and UK addresses the unique circumstances on the island of Ireland. While portions of the protocol have been agreed, there is no agreement on text proposed by the EU for a "common regulatory area" – an area without internal borders in which the free movement of goods is ensured and north-south co-operation protected – between the EU and the UK with respect to Northern Ireland.

After the Democratic Unionist party objected in December to a paragraph in the negotiators' Joint Report that stated there would be a "regulatory alignment" of Northern Ireland and the republic in regard to trade and commerce after the UK's exit, the report was amended. The UK stated in paragraph 49 of the amended report that it understood that any future arrangement with the EU must be compatible with the overarching requirements of maintaining and protecting the 1998 Good Friday Agreement and avoiding a hard border on the island, that it intended to achieve those objectives through the overall EU-UK relationship and that, should this not be possible, it would propose specific solutions to address the unique circumstances of the island. And in what has come to be called the "backstop", it said that, in the absence of agreed solutions, it would maintain full alignment with those rules of the internal market and the customs union which, now or in the future, support north-south co-operation, the all-island economy and the protection of the 1998 agreement.

There is one, and only one, way to create a "common regulatory area" which would ensure an open border and the free movement of goods between the EU and Northern Ireland while also maintaining the full integrity of Northern Ireland in the UK internal market – by remaining in the EU customs union. It would no doubt be easier, in terms of internal party politics, for the government to wait until it has already exited the EU and in the transition period to agree to remain in the customs union. But it can't wait until then for one simple reason: if it doesn't address the issue with a legally operative version of the "backstop" in the withdrawal agreement, there won't be a withdrawal agreement and a transition period.

David R. Cameron Professor of Political Science, Yale University, US

COMMENT ON FT.COM David Allen Green The blue passport affair shows why Brexit may see more public contracts going abroad www.ft.com/david-allen-green

Little Nix, the Bond villain obscuring the real mastermind

Notebook

by Robert Shrimsley



There does seem to be more than a touch of the Bond villain about Alexander Nix, the perfectly turned-out figure at the centre of the Facebook data row.

Ah, 007. Our target is this man, chief executive of Cambridge Analytica, Alexander Nix. Is that Dr Nix? Er, no, just Mr Nix. Pity. Dr Nix sounds more sinister. So what's Little Nix done? He's inserted himself into the world's most powerful data engine and is using it to change election outcomes. I see. How do we know this? He's been telling everyone. Telling everyone? Isn't this the kind of thing you do secretly? Probably from a bunker hidden inside a volcano on an island in the Pacific which doesn't exist on radar.

new tool he calls psychographics. It fuses demographic data with personality traits. OK, so it's very targeted advertising. This psychographics could be the most powerful weapon of mind control we've ever seen.

Here's an article he wrote on how he used it in the Republican primaries for Ted Cruz. Didn't Ted Cruz lose rather badly? Well, yes. So if these psychographics are so awesome, why isn't Mr Cruz president? Even world-dominating tools have their limits, Bond. I don't see why this is one for me. But it's called psychographics, Bond. You have to admit that sounds evil. He's an adman bigging up his data-science firm. There are lots of them. Yes, but he worked for Trump and Trump won. We cannot allow for the possibility that people voted for Trump of their own free will. They must have been tricked. Yes, I see. An evil genius able to manipulate public opinion with a few ads is a much more comforting idea.

We also think the data science is a cover. Earlier this month he was caught on camera trying to sell his operation to some new clients. He was boasting about honeypots and talking of sending some Ukrainian girls around to a rival candidate's house. I thought he was an evil genius. Now he's arranging a couple of tariffs. Are you sure he's for real? Are there any other clues? Distinctive disabilities? A

fake hand, a hideous scar? No, but he did go to Eton. Ah, high-functioning sociopath given to hideous bouts of overconfidence. You went there yourself, Bond. Yes, but I was expelled. Anything else? Glamorous aides with improbably sexual names? I think his assistant is called Kevin. There are other worries. Mr Nix mixes with some nasty rightwingers and he may have strong Russian connections. Why do you think that? As I said, he went to Eton. Where does he get all his data? From Facebook. Facebook allowed him to access their data in return for taking a personality quiz. Facebook let him take this data and then use it in the election? And they've closed that loophole now. So who has access to the data now? Only Facebook and its customers. I see, Facebook. That's run by Mark Zuckerberg, isn't it? That's right. Billionaire computer genius, philanthropist, built an AI for his home. Polite, publicity shy. Now you're talking. Oh, but he's shocked by all this. He's promising to do whatever it takes to regain public trust. So he's a billionaire genius who owns basically all the data in the world, can control what people see online and may have political ambitions. I see where you are going here, Bond. You think the real target is Mr Z. Could we call him Dr Z?

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