

FINANCIAL TIMES

1330 Avenue of the Americas, New York, NY 10039
Tel: +1 212 446 6000 Fax: +1 212 446 6059

Number One Southwark Bridge, London SE1 9RU
Tel: +44 20 7453 3000 Fax: +44 20 7453 3700

25th Floor, 85, Central, Hong Kong
Tel: +852 2845 3011 Fax: +852 2848 4224

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LEADERS & LETTERS

Crossed wires on European defence

The US needs to show calm, the EU more transparency

It is quite proper for the US to remind the Europeans that when, as now, they go into constitution-drafting mode, they should not ignore the interests of itself or Nato. They did so at the time of the Maastricht treaty negotiations, and are doing so again. But the US is in danger of overplaying its hand.

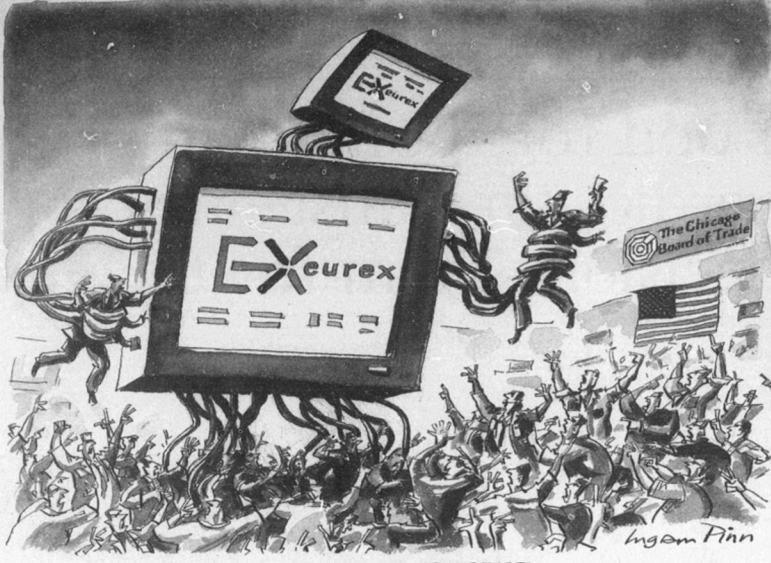
Its ambassador to Nato has called the notion of the European Union setting up its own military headquarters "one of the greatest dangers to the transatlantic relationship". That might be true, particularly in an atmosphere of distrust fomented by the Bush administration as much as anyone else, but beside the point. France and Germany have, at least for the moment, dropped their call for a separate EU headquarters, as well as the idea of the EU's issuing Nato-style mutual defence guarantees to its members.

However, the one defence idea that is making headway in the Union's inter-governmental conference is for so-called structured co-operation. This would let a core of EU states develop military integration, while keeping this vanguard open to other members. France and Germany have pushed the idea. But it now has Tony Blair's support for one simple reason that the US should be able to comprehend: it is the clear historical desire of the EU to flesh out its Union with a military dimension. It is to be expected that the EU will develop openly within the structure of the EU than in some cabal outside.

After all, Nato and the EU are supposed to be strategic partners. Even where they are not acting together, Nato has a handle over the EU in any use by the Union of alliance military assets. Washington also stands to gain politically from the widest possible EU involvement in defence, because of the growing membership overlap between Nato and the EU. Eight of the states

joining the EU next year are due to become Nato members, and most are pro-US. In addition, there is talk in the EU of setting out military criteria - akin to those for monetary union - that countries would have to meet to be able to join the Union's defence vanguard. This might get Europe to improve its military capabilities where years of Pentagon jaw-boning have up to its own military headquarters.

These reasons should encourage Washington to believe the EU can develop its defence dimension in ways that the US can influence or would approve of. But there is still a risk that the more the EU spreads its defence wings, the more it will appear to duplicate Nato, and make Americans feel redundant. If not unwelcome, in Europe. At present, at home Europe faces no direct threats and barely needs defence from either Nato or the EU, which are busy dividing up peacekeeping tasks elsewhere. But it would only take some future threat from, say, Russia to remind Europeans what a useful insurance policy Nato has been for their defence. In these circumstances, it would make sense for the EU to redouble its efforts to be as open as possible with the Americans about the defence plans they are laying in their IGC negotiations. The form of consultation between Nato and the EU exists: Nato ambassadors to the EU's Political and Security Committee get together every month. But these consultations have tended to focus on peace-keeping operations of the two organisations, because France and many others in the EU refuse to discuss their constitutional plans for defence in front of non-EU states such as the US. This is absurdly nothing on the defence side, could be more important for the EU than getting its relationship with the US right.



TRADING BLOWS

If you reject scientific knowledge perhaps you would prefer a life expectancy of just 35

From Mr Anthony Trewavas.

Sir, The world science means knowledge and Rachel Cusk's tirade "Free trade can be hard to stomach", FT Weekend October 11-12 is against knowledge and education. No evidence is presented for her extreme bias against GM in particular and science in general and her celebration of ignorance masquerading as morality is equally hard to stomach.

If you do not like knowledge, try ignorance is the answer to her

extremist views. Go back to the Stone Age, dispense with clean water, abundant food, medicines, warm houses, electricity, all products of science. Live with a life expectancy of 35 years if that is what you really believe.

I have made the same statement in the past to a number of people with similar views but the offer is never taken and the reader can draw his own conclusions.

As for the chemical smell Ms Cusk

claims she experienced walking through Bury St Edmunds fields it was probably manure or slugs at this time of year. Odours of all sorts are merely chemicals, a fact she does not appreciate which is why it is easy to reject her views on science, food or GM.

Anthony Trewavas,
Institute of Cell and Molecular Biology,
University of Edinburgh, EH9 3JH

Keynes' thinking continues to inspire us today

From Mr Daniel J Aronoff.

Sir, In his review of Robert Skidelsky's biography of John Maynard Keynes ("The sum of triangles and squares", FT Magazine October 11) Mark Archer ably describes the influence Keynes' views on probability and uncertainty had on his economic theory.

It is true that Keynes believed, given the inherent impossibility of predicting future events - other than knowing that "in the long run we are all dead" - investment depended on a spontaneous optimism that could not be supported by mathematical expectation and that the collapse of optimism after the first world war required government intervention ultimately to turn mass psychology round. But there is much more to Keynes' economic thought.

Keynes's member of the Bloomsbury set mocked the hypocrisy of Victorian morality. Keynes the economist believed the demise of the Victorian moral consensus, epitomised by the disappearance of belief in the inviolability of the gold standard after Britain's suspension of convertibility during the war, contributed to the pervasive sense of uncertainty that inhibited investment after 1914.

He wrote at length about the decline in investment opportunities in the 20th century and believed the Victorian virtues of thrift and enterprise, which fuelled economic growth in the 19th century, were the cause of stagnation and under-consumption in the new century. This he labelled "the paradox of thrift" and it provided a rational basis for the decline in investment Britain experienced between the wars.

He believed western society would turn to the pursuit of worthy ends - which for him were related to beauty and friendship - and away from the working world of means. While he never produced a blueprint for his utopia, he muscled over it in an essay entitled "On the economic possibilities of our grandchildren".

Yet, at the same time that Keynes was considering the possibilities of a new utopia, he negotiated the Lend Lease programme with the US that allowed Britain to finance his war effort and became the principal architect of the Bretton Woods framework that governed international economic affairs for half a century.

It is impossible to summarise the core of his economic beliefs because his range and insights were protean. Some pretensions, like the impotence of monetary policy and the exhaustion of investment opportunities, have proved wide of the mark, while others continue to challenge and inspire many of us today.

Daniel J Aronoff,
President and CEO,
The London Companies,
Bloomfield Hills, MI, US

Correction

Our Science Briefing yesterday included an item about a gene therapy trial at Necker children's hospital, Paris. The headline on the story was misleading, and we would like to make clear that the two children mentioned in the item have not died. We apologise for the error.

Harbour horrors: Hong Kong has yet to capitalise on its waterfront

FT.com/leaders

Divisive churches

Christianity is still struggling hard with modernity

As became painfully apparent at its summit in London this week, the worldwide Anglican communion is facing a schism over the confirmation of its first openly gay bishop, Canon Gene Robinson of New Hampshire. This upheaval comes as Pope John Paul II completes 25 years as primate of the Roman Catholic church, prompting - not least because of his manifestly failing health - a review of his record and speculation about who will succeed him. But another way of seeing his shining unusually brightly on the problems that Christian churches have in coming to terms with modernity.

This is not, as one current prejudice would have it, an problem peculiar to Islam. Christianity, in various terms of numbers, but there are distinctions in how Christians are facing up to the challenges of a secular era. Rowan Williams, the archbishop of Canterbury and senior cleric to 70m Anglicans worldwide, says that the problem about bishop-elect Robinson is that New Hampshire has involved other branches of his church in a decision in which they have had no voice. Theoretically, that problem does not arise in the 1bn-plus Catholic church, where Pope John Paul insists there is only one voice - his.

Ultra-centralisation, the reputation of the reforms of the Second Vatican Council (1962-65), and a fierce doctrinal clampdown have been hallmarks of this Polish pope's tenure. He and his Curia of enforcers have shut down debate on priestly celibacy, the ordination of women, artificial contraception and homosexuality. The relationship between the spread of AIDS in Africa (home to 120m Catholics) and the Vatican injunction against condom use appears to escape him, as did the need to tackle vigorously the scandals of child abuse in Catholic schools.

But Pope John Paul is also the champion of the poor, articulate in all major languages against war, and respectful of the world's other great religions. In a more emblematic sense, he is a survivor of the hagiology of Poland's intelligentsia by Hitler and Stalin, against both of whom he stood his ground.

But both mainstream Protestantism and Anglicanism are losing market share: to bewildering varieties of New Age-ry, to western interpretations of the Bible, and to the sheer dynamism of prosperity - at least in the west. The main Christian denominations in Europe have their biggest followings in Latin America, Africa and Asia, the regions now bolstering a conservative but Christianising market.

An almost as stark a divide is across the Atlantic. Americans are 10 times as likely to go to church as Europeans. Religion - and fundamentalist religion - is much more public, and its character is different: more black and white. This week the Pentagon backed Lt Gen William Boykin, deputy under-secretary for defence, in charge of tracking Osama bin Laden, who said the "war against terror" was a battle with Satan, and that "we are hated by us, we are a nation of believers... a Christian nation".

Such words are almost inconceivable in the European context, where history has embedded a profound mistrust of overarching belief systems. God gets no mention in the new European constitution; unlike the dollar, no euro banknotes will be emblazoned with "In God We Trust".

George Orwell, a militant non-believer, nevertheless had the insight that the decline of mass belief would leave a dramatic hole, that "the major problem of our time is the decay of belief in personal immortality". Would that he were alive to examine the forms that change is taking.

Tell it how it is

When all else fails, honesty is the best policy

Congratulations to Matt Barrett for admitting what anyone who has given a moment's thought to the matter knows to be true. The chief executive of Barclays - Britain's biggest credit card issuer - told a parliamentary committee he had advised his four children against "piling up debts" on the plastic because the interest rates are so high. By admitting what is self-evidently true, Mr Barrett may have attracted approbrium, but his honesty is nonetheless refreshing.

He is not the first businessman to admit he warns his children off the company's products. Martin Broughton, chairman of British American Tobacco, said last year he had advised his son and daughter not to smoke. An occasional cigar smoker, he also admitted there were health risks attached to smoking. No surprises there, then!

Other top executives who have 'fessed up include David Shiphead,

who in 2001 reported the young customers at his Topman stores to football hooligans and said they were often buying suits for their first court appearance. The same year, Anders Dahlgren, chief executive of Ikea, described the weekend service at the Swedish furnishing retailer as "appalling" with overcrowding and queues. It seems to have done neither organisation long-term harm - Ikea ran advertisements saying it would not be so cheap if its service was perfect.

Some have been damaged by their candour. The most notorious was Gerald Ratner, forced in 1992 to resign from the jewellery chain that bore his family name after poking fun at its products and describing one popular item as "total crap". Yet there is little point in denying what anyone can see for themselves. Honesty is usually the best policy - and is always better than the alternative.

Lawrence Franko,
Concord, MA 01742, US

Derelict site will help raise cash for Cliveden estate

From Ms Fiona Reynolds.

Sir, Your article on the National Trust's plans for Cliveden ("Cliveden courts scandal with housing plan", October 11) contained some serious red herrings.

There is no question of the Trust selling off the family silver in a nationwide property development spree. And not one square inch of the magnificent Cliveden estate is up for

sale. Instead we are turning a local eyesore - 15 acres of derelict wartime hospital buildings - into an exemplary community development in an area with an acute housing shortage.

All the money raised will go to the restoration of the estate, replacing an essential income the Trust lost in 1986 when the National Health Service closed the hospital. This was the late Lord Astor's intention when he

donated the estate and the hospital site to the Trust.

The real scandal would be the alternative: the inexorable decline of a glorious piece of English heritage.

Fiona Reynolds,
Director General,
The National Trust,
London SW18 9AS

Industry should not have to fund finance training

From Mr David Sinclair.

Sir, The Financial Services Authority has a responsibility to promote public understanding of the financial system. But is a levy on the industry either fair or logical?

Imagine that John Tiner ("Consumers need financial 'toolkit'", FT Money October 11-12) had as his topic "mobility". All sorts of questions need to be answered by the consumer. "How do I get from A to B? What form of transport should I use? Should I rent or buy? Push-bike or Ferrari?"

Would it be fair that the bicycle or car industry should suffer a levy to help potential consumers decide? I think not.

Where our home and social environment is unable to provide it, education must come from the state. Good schools should be producing rounded pupils. For instance, they should be exposing the scientist to the arts and vice versa.

Financial awareness should be on the curriculum of our time and it is right that the FSA should ensure this. But do not expect financial services providers to pay.

David Sinclair,
Alton GU34 4PW, Hants

Too much smoke, not enough clarity?

From Mr Lawrence Franko.

Sir, What has Christopher Caldwell been smoking ("A smoke without the harsh taste of progress", FT Weekend October 11-12) to imply that the west brought us "slavery and the Gulag"?

Slavery was around long before "the west" existed, and still is in parts of the non-western world. And it was the west - and particularly those much-denigrated Christians - that led the modern world to slavery's abolition.

The Gulag? In the west? Please. Mr Caldwell's basic point - that the "progressives" among us are actively working to undermine western civilisation - is self-evident enough. Why indulge them in distortions that lend credence to their falsehoods?

Lawrence Franko,
Concord, MA 01742, US

Inflation-linked bond is 'seat-belt' in today's volatile economic times

From Mr Marino Valensise.

Sir, While I agree with Philip Coggan's scepticism that gross developed product bonds will ever take off in developed countries ("Patina of GDP bonds dulled by complexity", FT Money October 4-5) he fails to mention that the activity-linked instrument of choice - for issuers and investors in developed markets - will be inflation-linked bonds. Nor does he mention that GDP bond structures remain a natural fit for emerging markets.

GDP-linked securities were issued by Bosnia-Herzegovina and Bulgaria; and these prototypes will probably be followed soon by new Argentine GDP-linked bonds, as part of the country's future debt restructuring. For a sovereign issuer, the "fiscally stabilising" nature of GDP-linked bonds is an attractive feature.

Where GDP growth is volatile, any emerging country would be interested in the insurance policy offered by GDP-linked bonds: pay lower coupons

and survive if growth disappoints or pay higher coupons if all goes well.

However, most developed industrialised countries, with stable GDP growth, will find the issuance of inflation-linked bonds does the trick, offering investors inflation protection plus a premium giving a real yield. As this premium has fluctuated in recent years in a 2 to 4 per cent range, so it has been in line with the rate of GDP growth produced by western developed countries.

No single asset class provides the investor with a one-stop shop investment. Today, active management of bond duration is the key to achieving positive returns. And in today's volatile economic climate an important element of a bond investor's portfolio, in the effect of the seat-belt, remains the inflation-linked bond.

Marino Valensise,
Head of Fixed Income and Currency,
Baring Asset Management,
London EC2M 3XY

Monte is not just home for jet-setters

From Mr Francis E Wright.

Sir, Your article "Monte for the weekend" (FT Weekend October 11-12) is in some ways misleading. Sure, there are Bentleys and Ferraris parked outside the famous Casino de Monte Carlo and some with Citroens and Renaults as neighbours. Monaco is mentioned as the home of grand prix, wealthy tax exiles and endless

opportunities to lose a fortune gambling. But it is also home for some 20,000 hard-working men and women, many earning just enough to make ends meet.

Francis E Wright,
Monte Carlo,
MC 98006 Monaco

Final horizon for a world of clubs

From Mr Patrick J Wye.

Sir, In response to your piece "End of the high-flyers' club", FT Weekend October 11-12 many flyers' clubs have come to an end.

For my generation of PanAm One and PanAm Two Pan American round-the-world service. One going east, two going west. There was the Argonaut Club - British Overseas Airways' propeller service to Singapore with stopovers in Karachi at the Speedbird Club. There was the Flying Boat Club (Southampton-Hong Kong), the most romantic of them all, stopping

overnight at exotic places with exotic names.

There was Concorde's brief excursion to Asia with Singapore Airlines where "club members" met in the Haffles ballroom to recount how they first came east.

Before "flyers' clubs" there were "liner clubs". P&O Message Maritimes and Cunard in pre-flying days provided the same service. If Mr Tyler Birtle is young enough he will find many more clubs on which to write the obituary.

Patrick J Wye,
La Quinta,
CA 92253, US

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