

Financial Times 번역요약본 ('25. 8/26)

1. 'You will have AI friends':Character.ai bets on companionship chatbots : 'AI 친구가 생길 것이다':Character.ai, 동반자형 챗봇에 승부수 ('25. 8/17)

- AI 챗봇 제작사 Character.ai의 대표는 미래에 대부분의 사람들이 "AI 친구"를 갖게 될 것이라고 말하지만, 이 회사는 아동 피해 의혹으로 제기된 일련의 소송에 직면해 있으며, 일부 시민단체는 이른바 "동반자형" 앱을 금지해야 한다고 주장하고 있음. 실리콘밸리의 대표적 벤처캐피털인 안드리센 호로위츠의 투자를 받은 이 샌프란시스코 기반 스타트업은, 과거 메타가 인수 대상으로 검토했던 기업으로, 다양한 페르소나를 가진 AI 챗봇을 통해 사용자와 상호작용하는 기술 선두주자 중 하나이며, 이 플랫폼은 "이집트 파라오", "HR 매니저", "독한 여자친구" 등 가상의 캐릭터 챗봇을 제공하며, 젊은 사용자들 사이에서 큰 인기를 끌고 있음. 미국 시민단체 Common Sense Media 등은 미성년자가 이런 AI 동반자 앱을 사용하는 것을 금지하는 법안을 추진 중임.

2. Does HR still need humans? : 인사 (HR)는 여전히 사람을 필요로 할까? ('25. 8/18)

- 팬데믹 절정기, 원격 근무 확산으로 고객이 급증하자 커뮤니케이션 소프트웨어 기업인 링센트럴 (RingCentral)은 4천명을 채용하였음. 그러나 지난 2년간 이 회사는 팬데믹 시기에 300명까지 늘렸던 인사팀 (HR)을 거의 절반으로 줄였으며, 회사의 HR 챗봇 링고 (Ringo) 같은 인공지능 도구를 활용하면 "모든 이해관계자에게 동일한 수준의 서비스를 제공하면서도 업무를 지속할 방법을 찾아낼 수 있을 것"이라는 이유에서임. 인사 부서에서 인간을 배제하는 흐름은 기업 전반에서 나타날 수 있는 현상의 축소판이지만 아직은 초기 단

게임. 구글 인사총괄 출신이자 HR 기술 창업가 라즐로 복은 “AI의 생산성 향상이 자본의 몫 (이익, 경연진 보수 증가)으로만 돌아갈지, 아니면 노동자에게도 (근로시간 단축, 임금 인상 등의 형태로) 나눠질지가 핵심 경제적 질문”이라고 지적하며, “포스트 코로나 시대는 HR 경영진이 자신들이 기업의 비밀경찰인지, 아니면 직원들의 옹호자인지를 증명할 최적의 기회”라고 덧붙임. “HR 기능의 80%는 결국 자동화될 것이지만, 나머지 20%는 반드시 사람이 담당하게 될 것”이라며, 기계가 할 수 없는 것이 아니라, 인간과의 직접적인 교류를 원하는 본질적 이유 때문“이라고 지적.

3. Investors warn of ‘new era of fiscal dominance’ in global markets : 투자자들 “글로벌 시장, ‘재정 지배 (fiscal dominance)의 새로운 시대’ 진입” 경고 (‘25. 8/20)

- 투자자들은 주요국들이 ‘재정 지배 (fiscal dominance)’의 새로운 국면으로 들어서고 있으며, 이는 사상 최대 규모의 정부 차입 부담을 상쇄하기 위해 중앙은행이 금리를 인위적으로 낮게 유지하라는 압력에 직면하는 상황을 뜻함. 가장 대표적인 사례는 미국이며, 트럼프 대통령은 연준 (Fed)에 수천억 달러 규모의 부채 상환 비용을 절감하기 위해 금리를 대폭 인하할 것을 요구하고 있음. 영국과 일본 등에서도 정부 부채와 차입 비용 상승으로 중앙은행들이 통화 긴축을 늦추거나, 보유자산 축소 속도를 늦추는 방식으로 완화 압력을 받고 있다고 경제학자들은 지적함. 경제학자들은 이런 추세가 각국 정부로 하여금 장기채보다 단기채 발행에 의존하게 만들 수 있으며, 이는 금리 변동성에 국가 재정이 더 취약해진다는 의미라고 경고함. 글로벌 시장은 사상 최대의 정부 부채와 차입 비용 상승 속에서 중앙은행이 독립성을 유지할 수 있을지가 큰 변수로 떠오르고 있으며, 투자자들은 이를 “재정 지배의 시대”로 규정하며 통화정책의 정치적 압력이 갈수록 커질 것이라고 경고함.

4. The Japanese city betting on immigration to breathe life into its

economy : 일본 도시, 이민자 유입으로 경제 활력 모색 ('25. 8/20)

- 도쿄에서 서쪽으로 250km 떨어진 인구 77만의 하마마쓰는 일본을 세계에 알린 기업들의 산실임. 혼다는 이곳에서 창립되었으며, 스즈키 본사는 불과 몇 킬로미터 떨어진 곳에 있으며, 야마하, 가와이, 롤랜드는 이 도시를 세계적인 피아노 제조 중심지로 만들었음. 유스케 나카노 하마마쓰 시장의 가장 중요한 과제는 일본의 주요 산업 중심지 중 하나인 이 도시가 인력 부족에 빠지지 않도록 하는 것임. 그러나 수 년간 지속된 인구 감소는 시 당국과 주요 고용주들의 성장을 가로막고 있으며, 나카노 시장은 일본이 그동안 주저해온 정책, 즉 적극적인 이민자 유치를 통해 줄어드는 노동력을 보충해야 한다고 강조함. 그는 이를 통해 더 역동적인 도시를 만들고, 도쿄로 빠져나간 일본 청년들을 다시 불러올 뿐 아니라, 하마마쓰 기업들의 경쟁력도 높일 수 있다고 전망함. 하마마쓰는 모든 인력을 환영하지만, 최근 가장 빠르게 늘고 있는 집단은 인도 출신 이민자임. 이들은 과거와 달리 더 높은 학력과 전문성을 갖췄으며, 공급망이나 서비스업 종사자뿐 아니라, 엔지니어, 소프트웨어 개발자들이 도시로 오고 있음. 또 다른 문제인 기존 인력 유출에 대해, 나카노 시장은 도쿄와 경쟁하는 대신, 하마마쓰를 가족을 만들고 정착할 수 있는 도시로 그리며 청년들이 언젠가 돌아올 수 있는 곳으로 만들겠다는 비전을 제시함.

5. US-South Korea nuclear reactor tie-up proposed amid accusations of 'slave contract' : '노예 계약' 논란 속 한미 원자로 합작 법인 추진 ('25. 8/21)

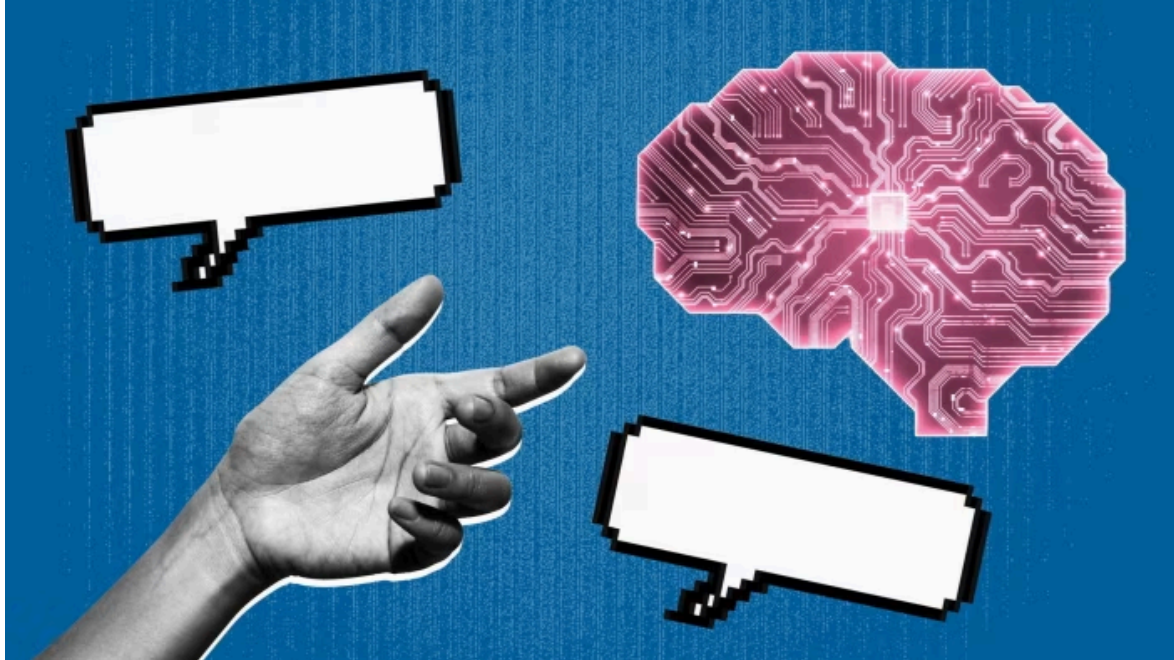
- 한국 국회의원들이 “노예 계약”이라고 부른 법적 합의를 뒤고 하고 새로운 협력 관계를 모색하는 움직임의 하나로, 한국수력원자력(KHNP)과 미국 원전 기업 웨스팅하우스가 미국 및 유럽 시장 진출을 위한 합작 법인 설립을 협의 중임. KHNP는 황주호 사장이 토요일 워싱턴을 방문해 펜실베이니아에 본사를 둔 웨스팅하우스 경영진과

만날 예정이며, 이번 합작 법인은 트럼프 미국 대통령이 2050년까지 원자력 발전 용량을 4배로 확대하겠다고 공언한 가운데, 한국 기업들이 미국 시장에 더 적극적으로 진출할 길을 열어줄 수 있을 것으로 전망. 서울의 한 관계자는 “합작 법인이 성사되면 양측 모두에게 윈윈이 될 것이며, 웨스팅하우스는 설계 역량만 있고 원자로 건설에는 한국 기업이 필요함. 따라서 두 회사의 강점을 결합하는 것이 해외 진출의 핵심”이라고 말함.

Artificial intelligence

‘You will have AI friends’: Character.ai bets on companionship chatbots

Company argues persona-based chatbots will aid real-life interactions but critics say they create dependency



Character.ai is the subject of lawsuits from families that allege their children have suffered real-world harms from using the platform © Alex Wheeler/FT montage/Getty Images

Cristina Criddle in San Francisco

Published AUG 17 2025

The chief executive of artificial intelligence chatbot maker Character.ai believes most people will have “AI friends” in the future, as it faces a string of lawsuits over alleged harm to children and advocacy groups call for a ban on “companionship” apps.

The San Francisco-based start-up — backed by top Silicon Valley investors such as Andreessen Horowitz and a past acquisition target of Meta — is at the vanguard of tech groups building AI-powered chatbots with different personas that interact with people.

It offers AI chatbots that have characters such as “Egyptian pharaoh”, “an HR manager” or a “toxic girlfriend”, which have proved popular with young users.

“They will not be a replacement for your real friends, but you will have AI friends, and you will be able to take learnings from those AI-friendly conversations into your real-life conversations,” said Karandeep Anand, who took over as CEO in June.

He was appointed just under a year after Google [poached the founders of Character.ai](#) in a \$2.7bn deal. The company said it has 20mn monthly active users, with around half of those female and 50 per cent Gen Z or Alpha, people born after 1997.

However, [Character.ai](#) is also the subject of lawsuits from families that allege their children have suffered real-world harms from using the platform.

One case in Florida claims the platform played a role in the suicide of a 14-year-old. Another Texas complaint cites a teen discussing a screen-time dispute with the chatbot, which apparently suggested killing his parents as a potential solution, and a 9-year-old girl exposed to hypersexualised conversations.

The company declined to comment on pending litigation but highlighted recent changes, including launching a separate AI model for under 18s and notifying users if they have spent more than an hour on the platform.

Character.ai also prohibits non-consensual sexual content, graphic or specific descriptions of sexual acts, or promotion or depiction of self-harm or suicide.

“Trust and safety is non-negotiable,” said Anand. “We are constantly evolving how to make it safer.”

Advocacy groups, such as US-based Common Sense Media, have been pushing for US legislation that would ban such AI companionship apps being used by minors.

Its survey of more than 1,000 US teens found that 39 per cent have transferred social skills they practised with AI companions to real-life situations, while 33 per cent have chosen to discuss important or serious matters with AI companions instead of real people.

“These products are designed to create emotional attachment and dependency, which is particularly concerning for developing adolescent brains that are still learning how to navigate social interactions and relationships,” said Robbie Torney, senior director of AI programs at Common Sense Media.

Character.ai has recently introduced advertising and has plans to integrate creator-led monetisation features, such as tipping or in-app purchases for digital content. Its primary revenue is through subscriptions, which it said has increased by 250 per cent year-over-year but would not give specific financials. It charges \$9.99 a month or \$120 annually.

Although the average Character.ai user spends 80 minutes a day on the app, Anand said it offers a more immersive and entertaining experience where users control the narrative “as opposed to purely leanback content consumption”. The company launched its version of a social media feed this month, further emphasising its focus on entertainment.

Another emerging trend is the use of such platforms for romantic and suggestive conversations. Elon Musk’s Grok, created by his start-up xAI, recently launched AI characters that engage in explicit role-play, and Meta’s AI chatbot will also allow romantic interactions for adults.

Character.ai permits romantic conversations with adult users, but not sexually explicit ones. “There’s a whole plethora of 18+ applications which, unfortunately, the feedback loop for them . . . is they want more of it,” Anand said, adding that safety “will never be a trade-off against engagement”.

Meta boss Mark Zuckerberg, who is also pushing these types of AI-generated chatbots to its users, told podcaster Dwarkesh Patel in April that interacting with AI as a friend could help address loneliness.

Anand also argues that such offerings will help people with real-life human interactions. “I see a very utopian world where AI makes us better,” he said. “People end up using these characters . . . as a test bed for making the real-life relationships a lot deeper, a lot more useful and a lot healthier.”

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The Big Read Artificial intelligence

Does HR still need humans?

AI can perform many of the duties of human resources staff, a symbol of how it is changing companies and the nature of work

Andrew Hill in London

Published 18 MINUTES AGO

At the height of the pandemic, RingCentral, a communications software company, hired 4,000 people to deal with a surge of clients as remote working took hold.

But over the past two years, the company has cut its pandemic-era human resources team of 300 by nearly half. Head of HR, Alvin Lam, has told his superiors that he cannot lose more people. But, if it came to it, he says he probably could cut back again. Artificial intelligence tools such as the company's HR chatbot Ringo would probably allow him to "figure out a way to continue to produce the same level of service [for] all our stakeholders and still be able to deliver".

Lam's admission goes to the heart of the challenges facing companies as they grapple with the possibilities of generative AI. Executives in all areas are examining how, and how fast, they can use the technology in their own teams, while also defending themselves against the assumption that AI agents could perform many of their teams' duties more efficiently and more cheaply.

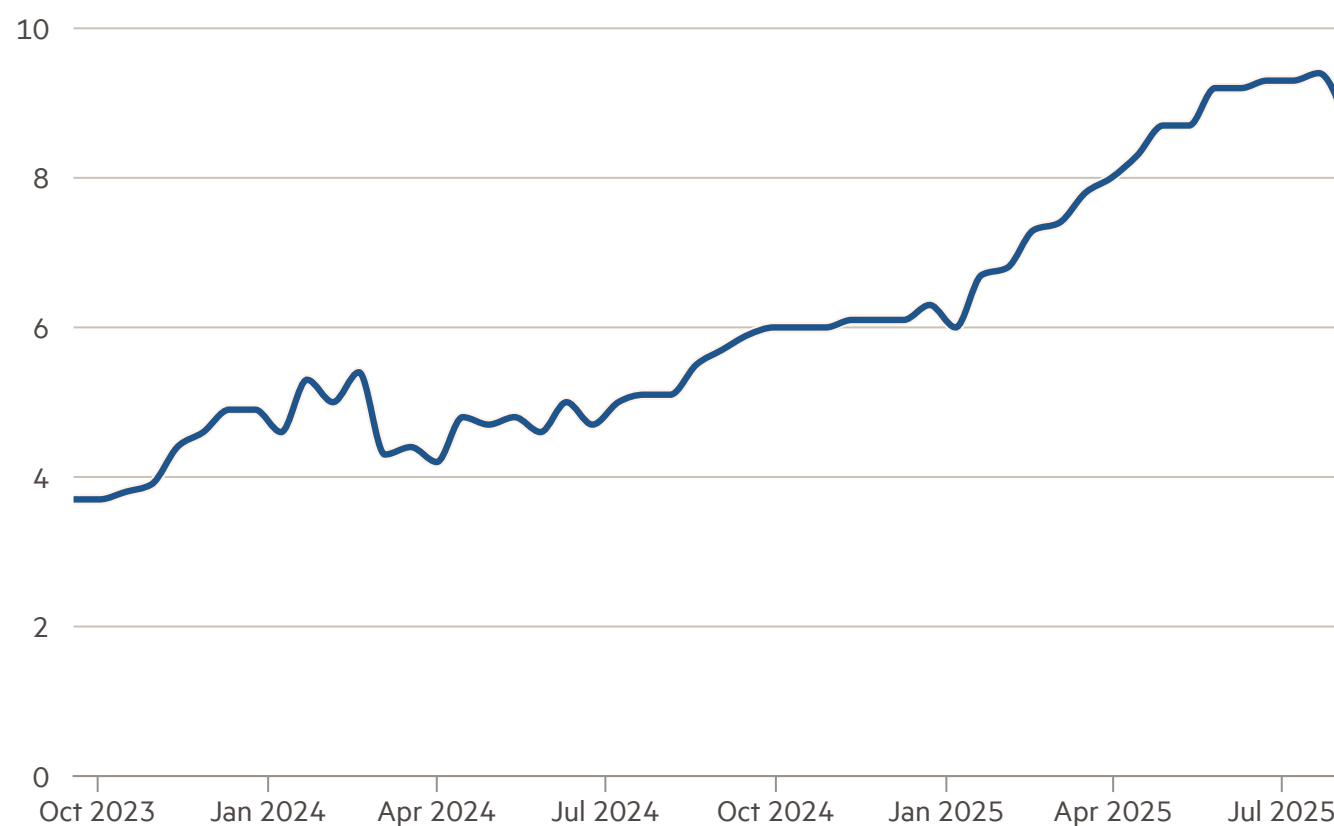
The removal of humans from human resources is emblematic of what could happen across many more corporate functions. "Almost all of my [HR] peers in [Silicon] Valley . . . are really struggling because [of the] consistent mandate from the C-suite: 'Leverage AI to reduce workforce. Make sure the entire workforce are AI equipped'," says Lam. "That is something that we all struggle with."

It is still relatively early days. US Census Bureau [second-quarter data](#) on 1.2mn companies show just over 9 per cent reporting they had used generative AI in production of goods and services, though that figure is rising quickly.

Chief executives at large companies such as Salesforce, Amazon and JPMorgan Chase, however, are increasingly vocal about how jobs will be lost and productivity will improve as AI changes the nature of work.

US companies are increasingly using AI for production of goods and services

Businesses that used AI in past two weeks for their goods and services (% , sample size is 1.2mn companies)



FINANCIAL TIMES

Source: US Census Bureau

In May, Marianne Lake, CEO of consumer and community banking at JPMorgan Chase, [told investors](#) that the group's operations department, which provides support in areas such as tackling fraud and processing statements, was "at the tip of the spear on using and leveraging new AI tools and capabilities". She added: "We expect headcount will trend down by about 10 per cent over the next five years or so, even as the business grows by another more than 25 per cent."

Executives are trying to resolve the tension between the need to comply with such top-down corporate productivity goals and the risk that AI could hollow out vital operations.

In the rush to apply the technology, one fear is that the core of important corporate activities such as HR will be delegated prematurely to the equivalent of RingCentral's Ringo and other administrative automata.

Laszlo Bock, former head of people operations at Google and a serial founder of HR technology companies, says the big economic question is whether AI's productivity benefits are claimed by capital — feeding through to bigger profits or higher executive pay — or shared with labour, in the form, say, of shorter working hours or higher salaries.

Where people managers come down in this debate is "the ultimate test", he says, of whether HR executives are "the secret police of corporations [or], as they claim to be, champions of employees . . . Post-Covid, it's the best opportunity they're going to have to prove who they are."

Traditionally, the department formerly known as “personnel”, now sometimes called “people”, helps operating executives by handling the minutiae of staff policies as well as advising about the hiring and firing, welfare and wellbeing of employees. HR managers were heavily involved in tackling the disruption of the shift towards remote working and the mental and physical toll of the pandemic, for instance.

HR staff are also, however, regularly derided as paper-pushing tools of senior management, hatchet-wielding enforcers of mass lay-offs, and, lately, purveyors of “woke” diversity initiatives.

Human resources departments are not only responsible for redesigning how staff work with AI. They have to train the workforce to implement the new technology or shift to new jobs. Where necessary, they must also push through the job losses caused by widespread rollout of AI tools.



Executives are trying to resolve the tension between the need to comply with top-down corporate productivity goals and the risk that, implemented prematurely, AI could hollow out vital operations © Shutterstock

By January 2024, nearly two-thirds of organisations using AI in HR were applying it to “talent acquisition” (that is, recruitment) according to a [survey](#) by the Society for Human Resource Management, which represents HR professionals. Leadership and development — such as training courses or coaching — and performance management were the next most common areas of application.

At Vendasta Technologies, HR team members review all incoming applications. But the Canadian software company plans to use an automated talent agent, Scout, to screen by phone all candidates who reach the next stage, using a standard set of questions. Kim Coutts, director of people operations, says that could save more than 1,000 hours of human recruiters’ time annually, which Vendasta can reinvest in more demanding tasks.

Companies were using automated screening before OpenAI’s release of ChatGPT to general users in November 2022, in part to overcome the risk of human bias. Now they are also having to use AI to fight fire with fire, because candidates have [learnt how to deploy generative AI](#) to draft convincing applications and résumés, and submit them automatically at scale.

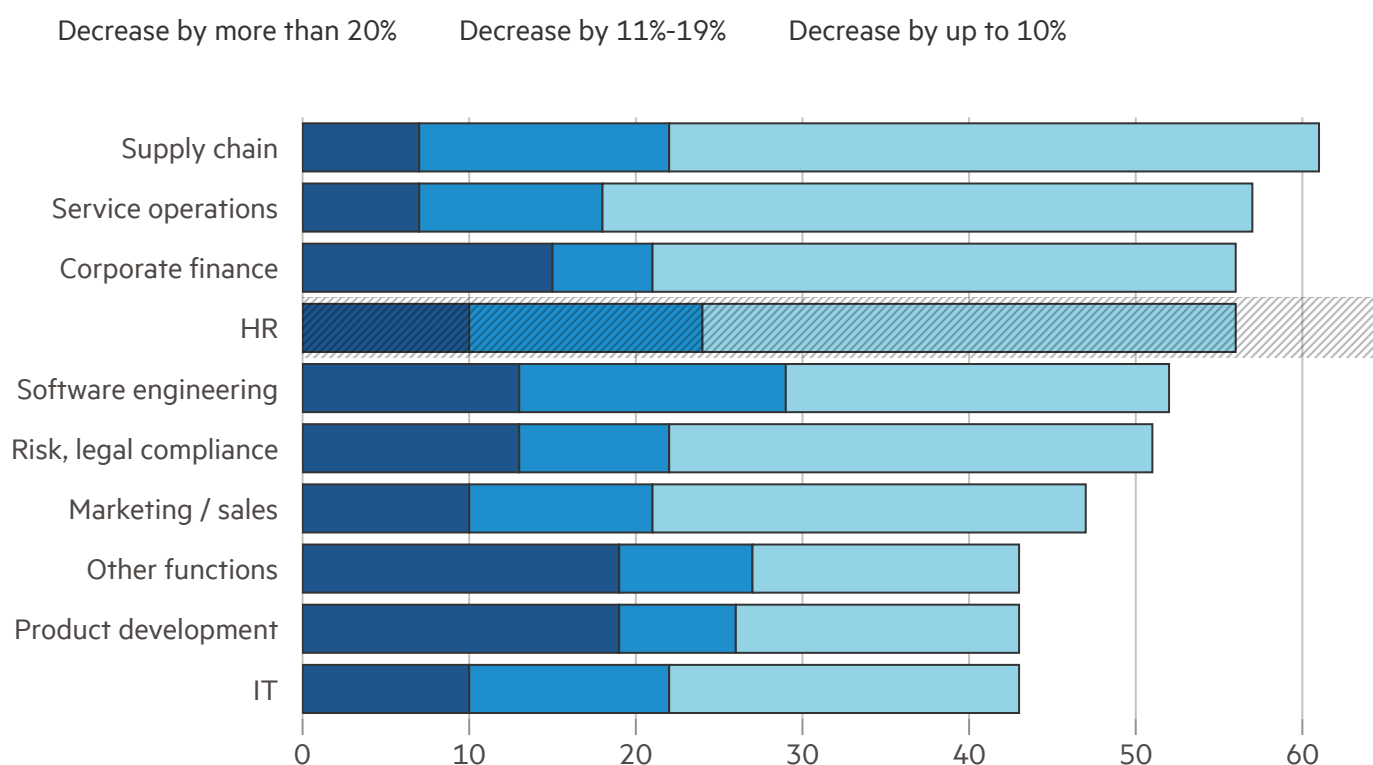
Inside many companies, AI chatbots now respond to common staff inquiries about the location of specific policies or how to book time off. At IBM, 94 per cent of such queries are handled by its tool AskHR, which, since August 2024, has used generative AI to produce answers based on a vast pool of HR policy documents.

HR's use of AI is hemmed in, however, by a tangle of regulation. It includes existing data protection measures, but also new legislation such as the [EU's AI Act](#), which deems some HR-related AI activity to be "high risk" because such systems "may have an appreciable impact on future career prospects, livelihoods of those persons and workers' rights". The state of California is considering a ["No Robo Bosses" Act](#), which would bar companies from using automated decision-making systems such as AI to promote, punish or sack workers without any human oversight.

Litigation is already looming. In the US, technology worker Derek Mobley has [sued Workday](#), alleging an algorithm in its ubiquitous candidate-screening software discriminated against him on the basis of age, race and disability, throwing out his applications for more than 100 posts at different companies since 2017. The potential implications for the whole HR technology industry as it rolls out more sophisticated tools have "got everyone scared", according to Stacia Garr, co-founder of RedThread Research, an HR technology research consultancy. (Workday has said the suit is "without merit".)

HR ranks high among departments enjoying savings from AI use

Per cent of respondents, second half of 2024, reporting a cost decrease within their business units from generative AI use over past 12 months, by level



FINANCIAL TIMES

Source: McKinsey global surveys on 'The State of AI', 2024

Jon Lester, IBM's vice-president of HR technology, data and AI, says: "A lot of [chief human resource officers] don't want to go to Gen AI, because they have to get it compliant. Our view is, if we can make it compliant, we can make it innovative." For instance, by testing different applications, IBM discovered its own large language model, Granite, provided better answers on sensitive questions about staff benefits, which met the legislative and regulatory standards.

Bock, the tech entrepreneur, says HR should also defend its role within companies, by submitting clearer evidence of the return on its investment in AI, such as the relative performance of employees recruited via an AI-enabled screening process against those hired by human recruiters.

As for the impact on jobs, recruitment site Indeed's [index of postings](#) in big economies such as the US, UK, France and Germany shows hiring for HR departments has slowed more than the overall jobs market since the advent of generative AI. But it is hard to disentangle such data from general business trends, let alone link the decline to the advance of technology.

While IBM will not give precise numbers, there are now fewer people in the IBM HR function than there were in 2016. The amount IBM spends on HR has dropped by 40 per cent over the past four years, including savings made by cutting nearly 9 out of 10 of the systems the department was using.

That there is scope for more efficiency is not in doubt. A March [report](#) on the state of AI by McKinsey puts HR in the top four of business units that reported cost reductions from generative AI use in the second half of last year, above marketing and sales and product development, the two areas where generative AI use is most widespread. This is despite the fact that the same report ranks people operations, on average, low in a list of corporate functions that said they were regularly using AI.



By January 2024, nearly two-thirds of organisations using AI in HR were applying it to recruitment, according to one survey © Shutterstock / PeopleImages.com

HR heads pioneering AI use say that as well as saving money, the technology is helping them improve the mix of work done by their teams and, in some cases, the rewards for taking on more complex tasks.

IBM HR staff told Lester: “If I’m too busy answering queries, managing data, I’m too busy to do my own job better.” He says they now have “space to think”. At US regional bank Citizens Financial, which has used AI to create an interactive internal marketplace for skills, recruiters have turned into “talent advisers” who help with workforce planning: “We make it clear that these jobs are going to change quite dramatically, so if you don’t shift, there will be some degree of displacement over time,” says chief human resources officer Susan LaMonica.

Human resources teams’ adaptation to, and integration of, AI suggests five main ways other divisional heads might tackle the unbending top-down mandate to improve productivity.

First, implementation of AI, like the previous wave of digitisation, has to be handled strategically. The data on which the technology feeds and the processes it is designed to improve must be in order. Healthcare group Johnson & Johnson spent more than five years reorganising and refining its global HR organisation and procedures as it gradually introduced AI. Peter Fasolo, who has recently stepped down as chief human resources officer, says: “It had nothing really to do with technology per se . . . The mistake that can be made is [if] you’re applying those technologies to inefficient processes or broken processes.”

Second, the simplest savings can come in support and administrative functions. Just as HR is introducing automation of internal queries, companies are upgrading customer service chatbots with AI, making them more conversational, and simultaneously shrinking their call centres. In July, Marc Benioff, chief executive of Salesforce, which, like IBM, has an interest in promoting its AI tools, wrote [in the FT](#) how the cloud software group’s AI agents were already “resolving 85 per cent of [customers’] incoming queries”.

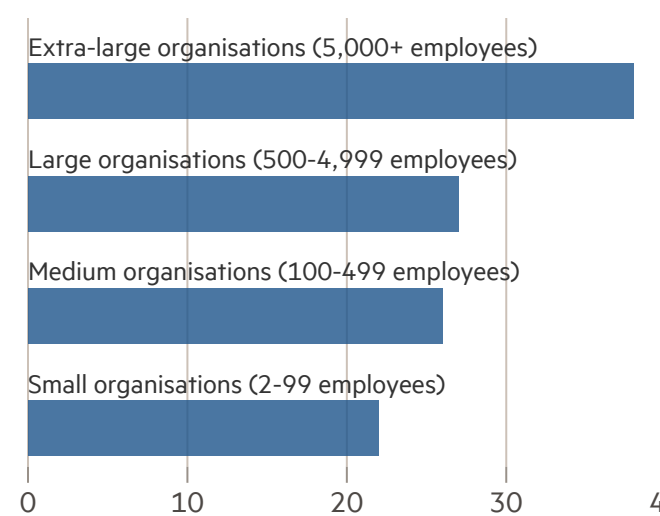
Third, senior executives must be engaged in the rollout of internal AI tools. McKinsey found that the proportion of “C-level” executives (those with “chief” in their title) regularly using generative AI for work was greater than for mid-level managers. At IBM, Lester says 98 per cent of the group’s managers and 97 per cent of executives use AskHR. That includes leaders who have their own (human) personal assistants. Chief executive Arvind Krishna likes to tell clients how he used the tool to prepare a job verification letter he needed to act as guarantor on the lease on his child’s student accommodation.

Fourth, AI can be used to blur the boundaries between different divisions and make visible previously unseen inefficiencies. A recent article in [MIT Sloan Management Review](#) describes how leaders from different operations use AI to interrogate data quickly and directly – what it calls “vibe analytics”. One south-east Asian telecoms company brought together account and product managers, as well as executives from finance and marketing, to apply large language models to customer data, budgets, research and product plans, to identify high-margin, high-risk and high-cost contracts. What would otherwise have taken 90 days took 90 minutes.

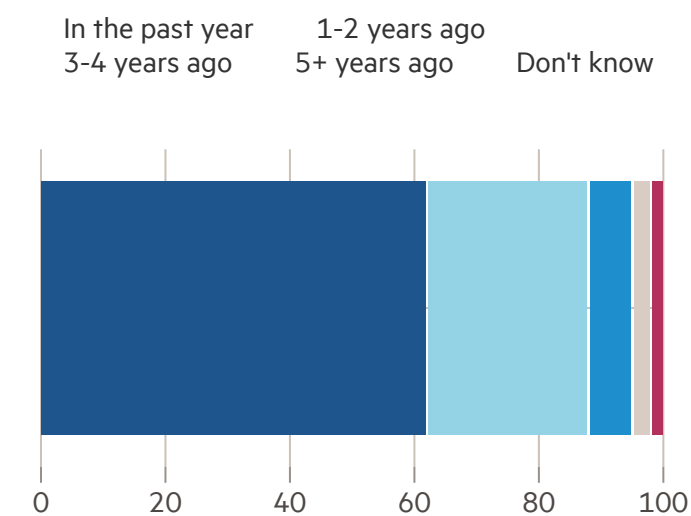
Larger companies were quicker to adopt AI but most groups have done so only recently

Based on a US survey in Jan 2024

Companies that use AI to support HR-related activities, by size (%)



When organisations began using AI to support HR-related activities (%)



FINANCIAL TIMES

Source: SHRM

Pharmaceutical company Moderna has gone so far as to merge its technology and human resources functions under HR head Tracey Franklin. “The traditional model that separates talent from technology is increasingly outdated,” [she said](#) in a recent interview with Unleash.ai, an HR technology events business.

Fifth, AI requires a redesign of how work is done. Moderna used to plan what the future workforce would look like separately from the group’s technology needs. Franklin now aims to design “how tasks, information and decisions get done” and create the optimal mix of people and technology, such as ChatGPT agents.

Evidence of AI-induced job losses is so far largely anecdotal and has had only a small effect on macroeconomic statistics. A July report from Goldman Sachs analysts, citing the US Census data, pointed out that “the vast majority of [US] companies still have not incorporated AI into regular workflow”.

US employment growth in areas such as marketing consulting, graphic design, office administration and call centres has fallen “well below trend” since ChatGPT’s public release. But the banks’ economists are sceptical about warnings that AI will cause long-term mass unemployment. They suggest AI models’ limitations and the fact humans still perform many tasks better than machines will give people “a meaningful comparative advantage” in lots of areas “for the foreseeable future”.

Automation could also lead to increases in jobs in some areas, and may create new, as yet unimagined, roles as workers acquire new skills. “Humans must remain at the centre of the story,” Benioff wrote last month, adding that AI use was “freeing [Salesforce’s] human teams to accelerate projects and deepen relationships with customers”.

In human resources, Bock, formerly of Google, predicts that 80 per cent of functions will end up being automated. But that last fifth of tasks will always be handled by a core group, “not necessarily because machines can’t do it”, but because in some critical cases “people will just prefer to deal with people . . . It’s why people go to a priest for confession. You could pray to the sky, but you’re going to feel a little better telling a human being the darkest things.”

Additional reporting by Delphine Strauss

Central banks

Investors warn of ‘new era of fiscal dominance’ in global markets

Combination of record government debt and rising borrowing costs puts central banks under pressure



Donald Trump and Jay Powell © FT montage/Getty Images

Ian Smith, Senior Markets Correspondent

Published 4 HOURS AGO

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Investors have warned that big economies are entering a new period of “fiscal dominance”, in which central banks are under growing pressure to keep interest rates artificially low to offset the cost of record government borrowing.

The most prominent case is the US, where President Donald Trump has urged the Federal Reserve to slash [rates](#) to save billions of dollars in debt-servicing charges.

But government debt loads and rising borrowing costs in countries such as the UK and Japan are also putting [central banks](#) under pressure to ease monetary policy, economists and investors say, through other means such as slowing plans to reduce the size of their balance sheets.

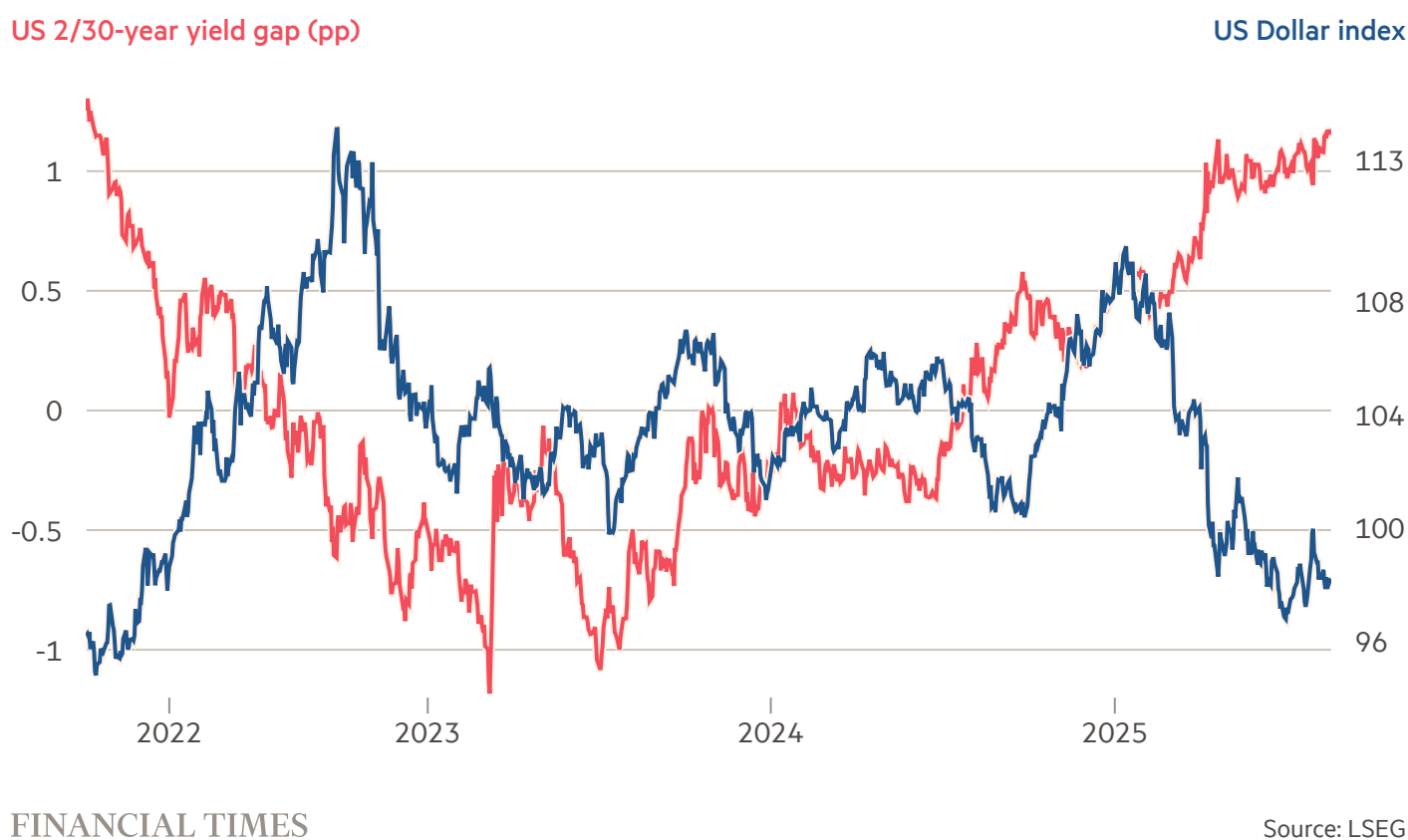
The combination of government debt and increased costs was “creating enormous political incentives for governments around the world to put pressure on central banks to lower rates”, said Kenneth Rogoff, a professor at Harvard and former chief economist of the IMF.

While the US stands out for the explicit confrontation between the administration and the Fed, the global surge in long-term borrowing costs fuelled by government spending has put other central banks under market pressure to adjust policy to contain rising yields.

“We have entered a new era of fiscal dominance,” Rogoff added.

In the US, analysts say the current disparity between short-term rates — which are largely shaped by central bank policy — and more market-driven long-term borrowing costs partly reflects concerns that monetary policy will be kept looser than would be necessary to contain consumer prices.

Investors push **long rates** higher as the **dollar** weakens



The gap between two-year and 30-year Treasury yields is about its widest since early 2022, as short-term yields fall in the expectation of rate cuts.

In the UK, long-term borrowing costs are particularly high, with the yield on 30-year gilts at 5.6 per cent, close to its highest level in more than a quarter of a century, compared with about 4.9 per cent for 30-year Treasuries.

Analysts at Capital Economics highlighted the aftermath of last week's US [inflation numbers](#), following which Trump renewed his attack on Fed chair Jay Powell. While two-year US Treasury yields fell 0.02 percentage points on the day, as investors cemented their bets on rate cuts, 30-year yields rose 0.04 percentage points.

“That is an unusual response to a relatively uneventful data release,” the Capital Economics analysts noted, saying it hinted “at what would happen if Powell were actually removed or . . . the White House took other steps to exert more control of monetary policy, in particular nominating a new Fed chair seen as a stooge for the president”.

The temporary [appointment](#) to the Fed board of governors of [Stephen Miran](#), a White House insider expected to push for rate cuts, shows that “the risk of US fiscal dominance is growing”, said Trevor Greetham, head of multi-asset investing at Royal London Asset Management.

Thierry Wizman, global rates strategist at Macquarie Group, said there were signs of a “fiscal capture trade”, pointing to futures markets that are pricing in five quarter-point rate cuts by the end of next year — even though big Wall Street banks have improved their economic forecasts in recent months.

“[Five cuts] seems excessive if you are not pricing in a recession,” Wizman said. “It must be because some people think we are going to have a structurally dovish Fed chair and a structurally dovish FOMC,” he added, in reference to the Federal Open Market Committee, which sets interest rates.

Many other countries share many of the US’s debt dynamics — even if the rhetoric elsewhere is less highly charged.

The OECD says it expects sovereign borrowing among the high-income group of countries to reach a record of \$17tn this year, compared with \$16tn in 2024 and \$14tn in 2023.

Developed-market central banks are still bringing their monetary policies and balance sheets back to a more “normal” setting, after years of quantitative easing — the massive bond purchases intended to help their economies recover from the financial crisis and the Covid pandemic.

But efforts to shrink balance sheets by selling back such bonds can also push up yields and add to government debt servicing costs.

Investors are watching the Bank of England closely to see whether it significantly scales back its bond sales programme — so-called quantitative tightening — at a decision scheduled for next month.

“The dilemma they have is, if financial conditions tighten because of the government’s moves on fiscal policy, the bank cannot be seen to be accommodating that fiscal policy,” said Mahmood Pradhan, global head of macroeconomics at Amundi Asset Management, referring to the Labour government’s debt and spending plans. “I think the bank will resist pressures of fiscal dominance very strongly.”

But even in Germany, long known for its balanced budgets, 30-year borrowing costs have risen to more than 3 per cent — their highest since 2011 — largely because of the new Berlin government’s plans to increase borrowing to revive the country’s infrastructure and boost defence spending.

Some economists worry that such trends will encourage governments to switch from long-term to short-term debt — making countries more exposed to interest rate gyrations.

“The volatility makes it harder to own the long end, and therefore harder to issue there,” said Matthew Morgan, head of fixed income at Jupiter Asset Management.

The countries with the biggest debt as a share of GDP may be the most exposed. Veteran macro investor Ray Dalio has warned of a “debt death spiral” in an extreme scenario where governments are forced to borrow more to service surging interest costs.

If bond yields “get too high, central banks will need to step in again, print money and buy [bonds] to try to hold rates down, which will reduce the value of money”, he said in an interview.

Dalio added that such concerns could reduce the value of “major reserve currencies” — such as the dollar and the euro — against gold, which has hit a record high this year.

Japanese society

The Japanese city betting on immigrants to breathe life into its economy

Hamamatsu fears it will lose out as its own younger workers are drawn to Tokyo

David Keohane, Harry Dempsey and **Leo Lewis** in Hamamatsu

Published 4 HOURS AGO

One job dominates Yusuke Nakano's time as mayor of Hamamatsu: how to stop one of Japan's most important industrial centres running short of people.

With a population of 770,000, his city 250km west of Tokyo has spawned companies that have defined Japan to the outside world. Honda was created here. Suzuki is headquartered a few kilometres away. Yamaha, Kawai and Roland make this the global home of the piano.

But for years, Hamamatsu's shrinking workforce has gnawed at city authorities and key employers, which fear for their ability to grow.

Nakano, offering what may prove a template for dozens of other cities around Japan, says Hamamatsu needs to do something Japan has often been hesitant to do: actively recruit immigrants to bolster its dwindling stock of residents and workers.

His bet is that doing so will help to create a more dynamic city that can also lure young Japanese back from Tokyo, while bolstering the competitiveness of Hamamatsu's companies.

"The declining population is extremely damaging to the local economy. We are trying to do something about it," Nakano said in an interview. "The key question will be how many people from abroad can we attract, and how gradually we can slow down this population decline."



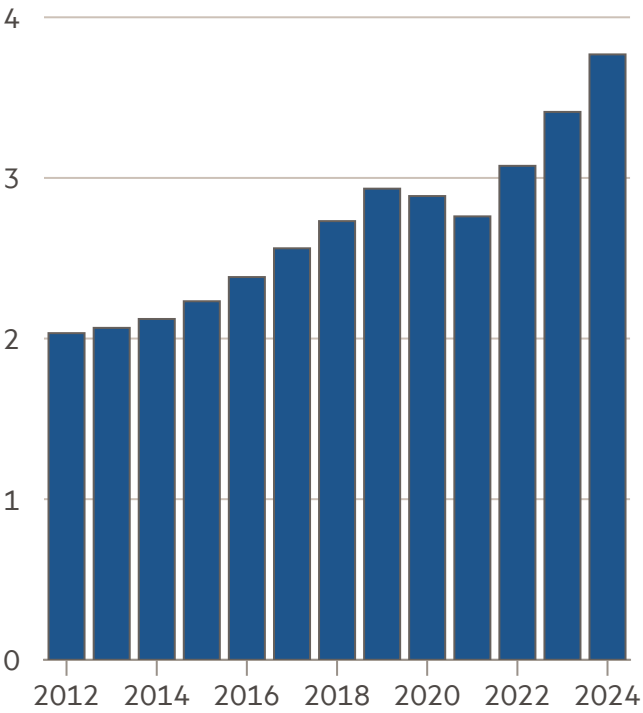
Hamamatsu mayor Yusuke Nakano predicts its population could fall by 10% by 2040

If places such as Hamamatsu can draw in many more immigrants, it could point to a way forward for much of Japan as it wrestles with falling birth rates and a shrinking workforce.

Immigration in the country has grown substantially, with the government reporting the number of foreign workers was more than 2mn last year and the foreign population is now near 3 per cent of the total. But this is vastly behind numbers in many western countries.

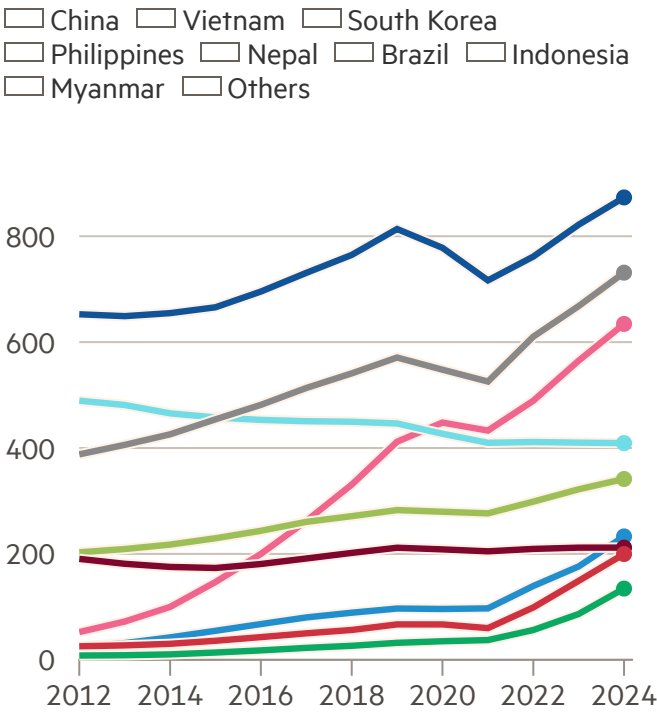
Japan's foreign population has grown over the past decade ...

Foreign population (mn)



... with the biggest increases coming from China and south-east Asia

Foreign population in Japan ('000)



FINANCIAL TIMES

Source: Japan's Immigration Services Agency • Data covers people who are to be granted residence cards or special permanent resident certificates

Hamamatsu, where Nakano predicts the population could fall by 10 per cent by 2040 based on current trends, wants to go further. Around 30,000 of its population are foreigners.

“Hamamatsu is one of the most ‘advanced’ cities in terms of immigrant policy. If Hamamatsu actually tries to implement such a policy seriously, it is path-breaking,” said Shigeki Sato, a professor of social sciences at Hosei University.

Rare for Japan, the city has had a previous wave of migration. Japan’s “miracle” growth phase of the 1970s and 80s drew in thousands of non-Japanese to fill lower-end jobs in the automotive supply chain. So many Brazilians came to live in Hamamatsu that its ATMs offered services in Portuguese.



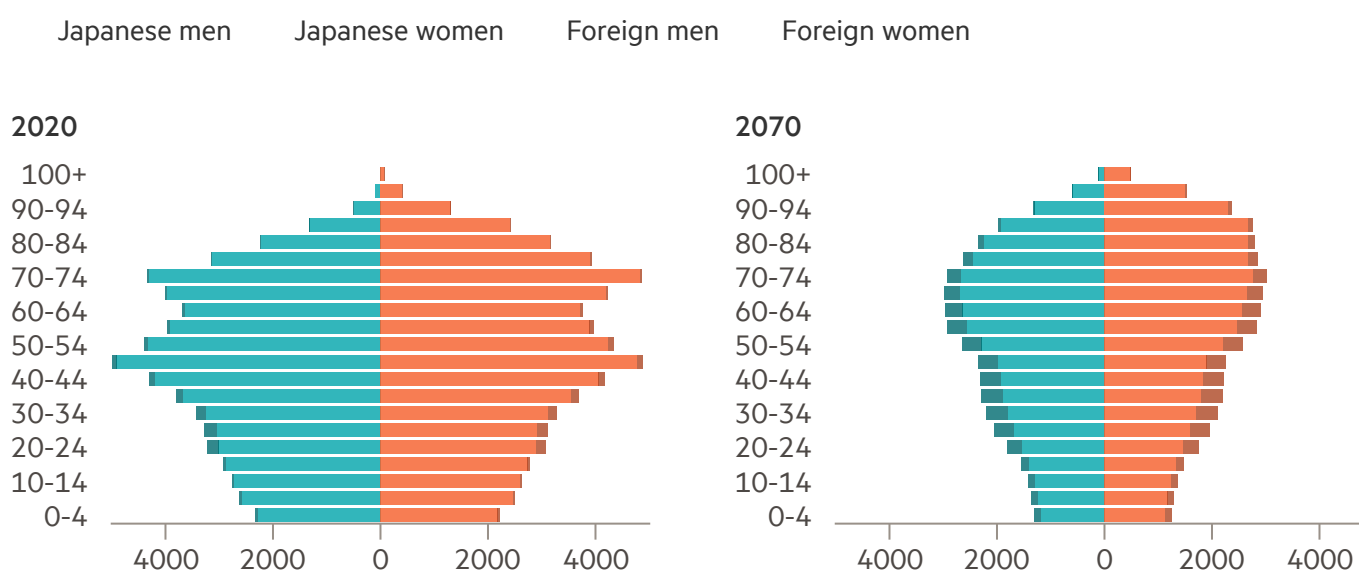
The number dropped after the 2008 global financial crisis when Japan’s government — in a panic that mass unemployment was about to afflict manufacturing — offered immigrant workers and their families pay-to-leave incentives to return home.

This time, the need for workers from outside is not to maintain white-hot industrial growth, but to offset a population decline and domestic migration to Tokyo that threatens businesses outside the capital.

Hamamatsu is looking for any workers willing to move, with Indian immigrants the fastest-growing proportion. The newcomers are also better educated and more highly skilled than in the previous immigration wave: engineers and software developers are as likely to be tempted to the city as those working in supply chains or hospitality.

Japan’s foreign population to hit 10.8% by 2070

Population ('000) by age and gender



The town is deploying services and programmes to help immigrants and their families assimilate, including cultural outreach, funds to support foreign workers learning Japanese and increasing the use of interpreters. Language classes target the needs of daily life.

Japan’s central government is also making it easier for workers to stay long term, granting more and easier access to “skilled worker” visas, which open up a path to staying in the country indefinitely.

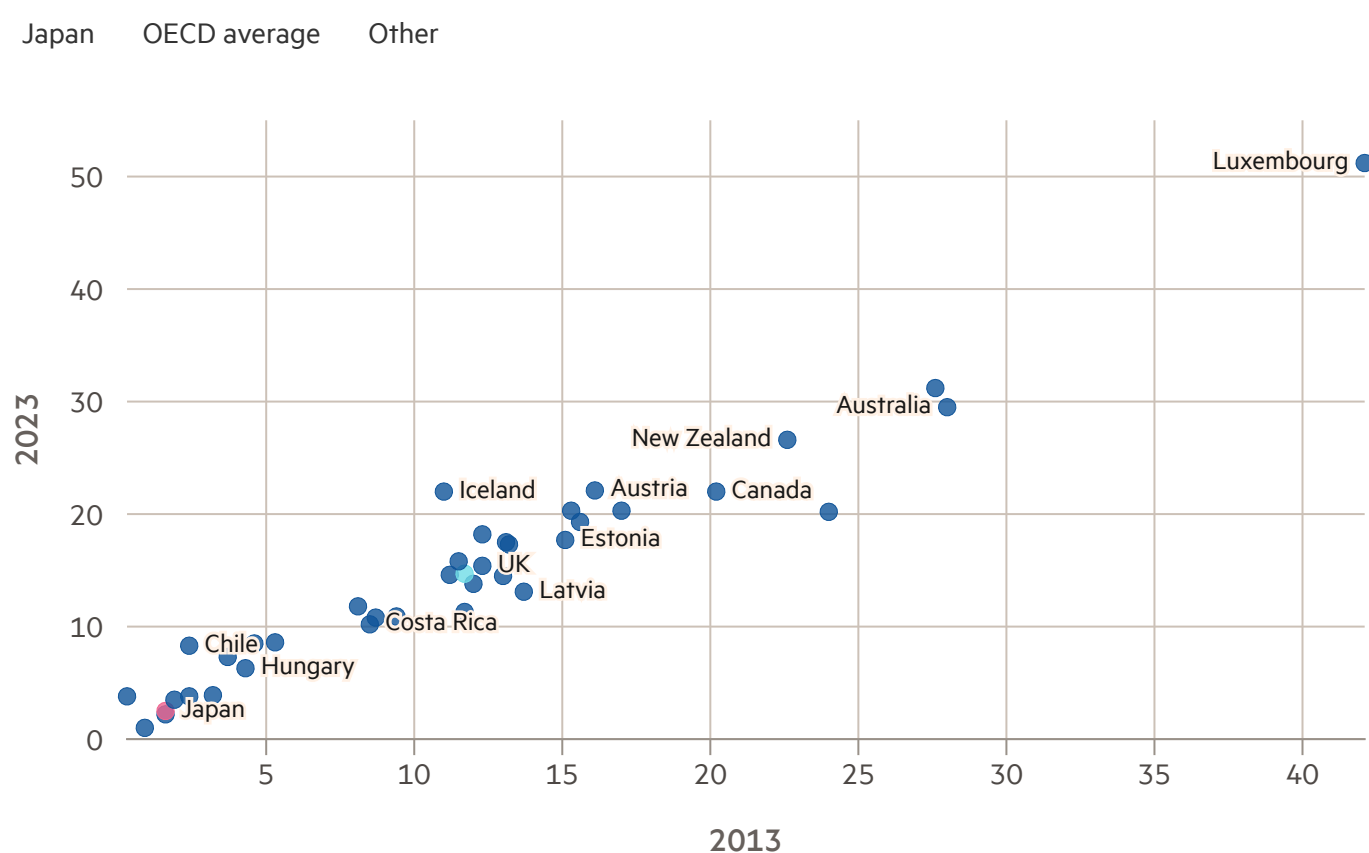
Bigger companies have their own reasons to want to bring in such workers.

[Suzuki](#)’s Hamamatsu headquarters has brought about 200 engineers from its Indian subsidiary to beef up its skills as technology transforms the car industry’s business models. It is also recruiting directly from Indian universities, such as Hyderabad.

“We had a lack of resources for new technology because we are too traditional. We only had mechanical engineers and no software engineers,” said Junya Kumataki, who is in charge of new mobility services at Suzuki in Hamamatsu. “We will also bring in young engineers and more Indian management . . . as business creation is critical but a weak area of Japanese [groups].”

Japan has relatively few foreign residents compared with many other OECD countries

Number of foreigners as a % of total population, 2013 vs 2023



Source: International Migration Outlook 2024, OECD, Eurostat, UNDESA • Data for Japan and South Korea refers to foreign population, consisting of people who still have the nationality of their home country. Data for other countries refer to foreign-born population

Still, too few of those brought to Japan seem ready to stay for the long term.

“Most of the people come here for a short time and don’t want to settle here. At least 80 per cent don’t have the intention to stay,” said Sumesh, a Kerala-born engineer standing near the gates of automaker Suzuki, who said he had been in Japan for six years and in Hamamatsu for six months.

“It’s hard to say if we will stay here,” said Sundararaj Muthu Selvan, a 41-year-old from Tamil Nadu who has worked for a Suzuki contractor for the past two and a half years.

He noted that Hamamatsu lacks an international school for his two children. “If they have such institutions, then people will come here,” he said, holding a bag containing local eel-flavoured snacks gifted to him by a colleague. The city says it plans to open schools in the coming years.



Sundararaj Muthu Selvan from Tamil Nadu criticises the lack of international schools in Hamamatsu © David Keohane/FT

Increasing immigration has, in recent months, become more politically sensitive than many in the government had expected.

A [July election](#) for the upper house of parliament became a platform for several strongly anti-foreigner parties to voice concerns over rising numbers of immigrants.

“How Japanese society reacts to more immigrants in the coming years, including in Hamamatsu, depends on the economic situation. Right now, most Japanese people are welcoming because our labour shortage is so serious, but if the economic situation changes, that tendency could change too,” said Atsushi Kondo, a professor at Meijo University, Nagoya.

Hamamatsu’s other problem is to retain its existing workforce.

“The critical point in Hamamatsu is people leave Hamamatsu,” said Kumataki, particularly 18 to 22-year-old women. “They don’t feel they can have a proper job here.”

Uchiyama, a 19-year-old student, said his ex-girlfriend and older sister had gone to Tokyo for university and work, and were not coming back. He also planned to leave, and disliked the idea of shift work in factories.

“There’s nothing that draws people here,” he said.

Nakano, the mayor, is clear-eyed about the difficulty of competing with Tokyo and its bars, life and job opportunities. Instead, he paints his city, Hamamatsu, as a place to return to, start a family and settle down.

“Young people go to Tokyo and learn various things, then come back and create new things from here,” he said. “We will develop this city by doing things that Tokyo cannot do.”

Nuclear energy

US-South Korea nuclear reactor tie-up proposed amid accusations of ‘slave contract’

Korea Hydro & Nuclear Power may link up with Westinghouse on deals as they try to put lengthy legal dispute behind them



South Korea's APR-1400 nuclear reactors were the subject of a legal dispute with Westinghouse © Jean Chung/Bloomberg

Song Jung-a and **Christian Davies** in Seoul

Published YESTERDAY

Two nuclear energy giants are in talks to set up a joint venture for US and European projects as they try to move on from a legal settlement that South Korean lawmakers described as a “slave contract”.

Korea Hydro & Nuclear Power’s chief executive will travel to Washington on Saturday to meet executives from Pennsylvania-based [Westinghouse](#), KHNP told the Financial Times on Thursday. The proposed joint venture could pave the way for South Korean groups to expand in the US, where President Donald Trump has pledged to quadruple nuclear energy capacity by 2050.

“The joint venture, if formed, will be a win-win deal for both sides because they need each other to expand overseas effectively,” said an industry executive in Seoul. “Combining the strengths of the two companies is essential for overseas deals because Westinghouse only has a design capability and it needs Korean construction companies to build nuclear reactors.”

But the talks will take place against a tense political backdrop after South Korea’s government this week ordered a probe into a January agreement to settle an intellectual property dispute between the two companies. President Lee Jae Myung’s ruling leftwing Democratic Party of Korea called the agreement a “slave contract” that “surrenders nuclear sovereignty to the US”, just as South Korea is trying to [develop exports for the sector](#).

Lee is due at the White House next week, where he is expected to flesh out details of a promised \$350bn investment in US manufacturing that was part of a trade deal last month.

KHNP and its parent company Korea Electric Power Corporation agreed to pay Westinghouse \$825mn in goods, services and royalties per exported reactor over the next 50 years in the January settlement, according to people familiar with the terms.

It restricted the regions that South Korean nuclear companies could target to south-east Asia, the Middle East, Latin America and Africa, leaving North America, Europe and Japan to Westinghouse, the people said.

KHNP has withdrawn from bidding for nuclear deals in the Netherlands, Slovenia and Sweden in the past year. The company also said on Tuesday it had pulled out of a Polish project.

Poland’s energy minister Miłosz Motyka said on Wednesday that KHNP’s withdrawal “does not stem from any [Polish] government actions and pertains to several European countries”.

KHNP and Westinghouse declined to comment on the terms of the agreement. Westinghouse did not respond to a request for comment on the proposed joint venture.

The two companies had been locked in an intellectual property lawsuit, first filed in the US in 2022, over South Korea's APR-1000 and APR-1400 nuclear reactors being based on Westinghouse designs and technology.

Its resolution allowed the exception of KHNP signing in June an \$18bn deal to [build two nuclear reactors in the Czech Republic](#), which marked South Korea's first major overseas nuclear project in more than 15 years.

"It has been confirmed that the [previous] Yoon Suk Yeol government signed an unfair contract with Westinghouse to break the deadlock in the Czech project," Han Jeong-ae, a ruling party politician, said at a parliamentary hearing on Tuesday.

While some lawmakers have called for a renegotiation of the deal, KHNP chief executive Whang Joo-ho told parliament the company could still make profits from exports, despite its payments to Westinghouse.

Additional reporting by Jamie Smyth in New York and Raphael Minder in Warsaw

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