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Contents



On the cover

America's bullied allies need a better plan than flattery and concessions: leader, *page 9*. Europe's leverage: briefing, *page 15*. The old world is in "whatever it takes" mode: Charlemagne, *page 43*. How would Asia fare without America? *Page 27*. Does Donald Trump really want to annex Canada? *Page 24*. Foreign-policy realists will struggle to explain America's sharp turn: The Telegram, *page 51*

The new economics of immigration A controversial critique is gaining ground: leader, *page 10*, and analysis, *page 59*

Will the shooting stop in Ukraine? The ball is in Russia's court: leader, *page 11*. By agreeing to a 30-day truce, Ukraine has regained supplies of American weapons and intelligence, *page 40*

The real lesson of China's latest AI With the arrival of Manus, AI experimentation has burst into the open: leader, *page 12*. China's AI boom is reaching astonishing proportions, *page 52*. How Western companies are trying out DeepSeek, *page 53*

Jesus Christ: screen saviour God is back on the box, *page 70*

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The world this week

- 7 A summary of political and business news

Leaders

- 9 **Trump and the world**
An angry America
- 10 **Immigration**
The new economics
- 11 **Financial markets**
Greenback feedback
- 11 **Ukraine's ceasefire**
Putting pressure on Putin
- 12 **Artificial intelligence**
Get used to it

Letters

- 14 On smartphones, aid spending, poverty in India, baseball, football, erotic writing

Briefing

- 15 **Could Europe hit back at America?**
A dangerous divorcée



Schumpeter America First could be a boon for Walmart's Mexican business. No, really, *page 58*



United States

- 18 The CDC files
- 19 Cutting the education department
- 20 The tariff lobby
- 21 Happier teenagers
- 22 Jared Isaacman
- 23 **Lexington** Protesting too much



The Americas

- 24 Canada's Trump terrors
- 25 Victory for Mark Carney
- 26 Panama's giveaway game



Asia

- 27 America's allies
- 28 Duterte v the ICC
- 29 Indian airports
- 30 **Banyan** The MIGA world



China

- 31 Autonomous driving
- 32 Hong Kong's cabbies
- 33 Trump and Mao



Middle East & Africa

- 34 Sectarian bloodshed in Syria
- 35 Bibi's Trumpification
- 36 Ethiopia's wheat mirage
- 37 Trouble in South Sudan
- 37 South Africa's budget



Contents

Europe

- 38 The politics of rearmament
- 39 Sluggish Spain
- 40 Talking of ceasefires
- 41 Our Ukraine poll
- 42 Russia's digital war
- 43 **Charlemagne** Evolving Europe



Britain

- 44 Work and welfare
- 45 Women and remote work
- 46 A ruckus at Reform UK
- 46 Collision in the North Sea
- 47 **Bagehot** Labour and defence jobs



International

- 48 Nuclear deterrence
- 50 Satellite warfare
- 50 Modernising NATO
- 51 **The Telegram** Realist follies



Business

- 52 China's AI frenzy
- 53 DeepSeek goes global
- 54 Metal-tariff mayhem
- 55 **Bartleby** The power of repetition
- 56 Tesla's Musk problem
- 56 The fight for 7-Eleven
- 57 Shaking up the Olympics
- 58 **Schumpeter** Walmart v Walmex



Finance & economics

- 59 The new nativism
- 62 America's sell-off
- 63 Free-spending Germany
- 63 Testosterone and pay
- 64 **Buttonwood** What sparks an investing revolution?
- 65 **Free exchange** Don't believe in labour shortages



Science & technology

- 66 Next-gen chipmaking
- 67 Chips from particle accelerators
- 68 Drone warfare
- 69 **Well informed** Butter



Culture

- 70 Jesus, screen saviour
- 71 Dystopian fiction
- 72 Jane Austen at 250
- 72 Techies and government
- 73 Understanding Gen Alpha
- 74 How to shame a despot



Economic & financial indicators

- 75 Statistics on 42 economies

Obituary

- 76 Athol Fugard, storyteller of apartheid

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to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

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The world this week Politics



Around 800 people were killed in four days of sectarian clashes in **Syria**. Insurgents loyal to the former regime launched a series of attacks across the Alawite heartlands. In response fighters close to Ahmed al-Sharaa, Syria's interim president, along with jihadist factions, advanced into the region. Videos posted online appear to show evidence of atrocities by pro-government fighters. Mr Sharaa said a committee would investigate the violence and report back within 30 days.

Mr Sharaa signed a deal with the **Syrian Democratic Forces**, a Kurdish-led militia backed by Turkey, to integrate it into state institutions. It could restore central control over Syria's north-east for the first time in a decade.

Israel cut off its supply of electricity in **Gaza**. Eli Cohen, the energy minister, said the country would use all tools at its disposal to ensure the return of the hostages still being held by Hamas and other Palestinian groups in the strip.

Under pressure from America, Israel and **Lebanon** agreed to hold talks about their long-contested border. The Israeli government released five Lebanese prisoners in what it said was "a gesture" of goodwill.

The *Solong*, a Portuguese-registered cargo ship, collided with the *Stena Immaculate*, a tanker carrying jet fuel for the American armed forces, in the **North Sea**. Prolonged fires burned on both vessels. More than 30 crew were rescued, but one person is believed lost. British police arrested the

captain of the *Solong*, a Russian, on suspicion of gross negligence and manslaughter.

A dispute between Nigel Farage, leader of **Reform UK** and Rupert Lowe, an MP suspended by the right-wing British party, showed no sign of abating. Police confirmed that they were investigating an allegation that Mr Lowe had threatened the party's chairman. Mr Lowe denies the allegations.

A federal judge stopped the deportation of Mahmoud Khalil, a pro-Palestinian activist who led demonstrations at **Columbia University**. The green-card holder was detained by immigration authorities in New York. President Donald Trump warned his arrest was the first of many.

Cancel culture

Marco Rubio, America's secretary of state, said USAID would cancel 83% of its programmes. The State Department will administer the remaining contracts. Mr Rubio thanked the **Department of Government Efficiency** for "overdue and historic reform".

America's **House of Representatives** narrowly passed a funding bill to avert a partial government shutdown. The vote was a victory for Mr Trump who called for Republican unity on the measure. Chuck Schumer, the Democratic Senate minority leader, said his party will not support the bill.

The **Pakistani army** rescued more than 300 hostages on-board a train in the province of Balochistan that was hijacked by separatist militants. The army engaged in a day-long stand-off with members of the Baloch Liberation Army who took passengers hostage. At least 21 civilian hostages and four Pakistani military personnel were killed.

Rodrigo Duterte, a former president of the **Philippines**, was extradited to the Netherlands to face charges over

alleged crimes against humanity at the International Criminal Court. He awaits trial in prison. When president he urged police to commit thousands of extra-judicial killings as part of his war on drugs.

South Korea's top court will rule on whether to impeach the country's president, Yoon Suk Yeol, over his failed attempt to declare martial law in December last year. Police are braced for civil unrest.

Uganda said it had sent troops to **South Sudan** to help the government secure Juba, the capital, as regional leaders convened an emergency meeting to address worsening violence in the country.

A female senator in **Nigeria's upper house** was suspended by her fellow lawmakers after filing a petition alleging that Godswill Akpabio, the senate's president, had sexually harassed her (he denies the allegations). Natasha Akpoti-Uduaghan, one of only four women in Nigeria's 109-seat senate, vowed to fight her suspension. The senate leadership claimed she was suspended for "unruly and disruptive" behaviour and not because of her allegations against Mr Akpabio.



Mark Carney won the race to lead Canada's Liberal Party in a landslide, with 86% of party-member votes. Chrystia Freeland, a former member of the incumbent cabinet, came a distant second with just 8% of ballots. The former central banker will become prime minister. The 59-year-old will probably call an election soon

after. A wave of anti-Trump sentiment has put the Liberals back into contention, after years spent trailing Canada's Conservative Party.

I'll think about it

Russia said it was carefully considering a proposal for a 30-day ceasefire in **Ukraine**. America secured Ukrainian agreement to the idea in principle during talks in Saudi Arabia; it also said it would "immediately" unblock the flow of American weapons and intelligence, which were cut off six days earlier. Donald Trump said an American team would go to Moscow. Vladimir Putin visited the front lines in Russia's Kursk province dressed in military attire. His forces continued to push Ukrainian troops out of the territory, taking control of the town of Sudzha.

Calin Georgescu, a pro-Russian candidate, was barred against running in **Romania's presidential elections** in May. Mr Georgescu's previous victory in the first round in November was declared void amid concern over Russian interference. He tried unsuccessfully to appeal against the ban.

Portugal's government collapsed after the prime minister lost a confidence vote after allegations of a conflict of interest with his family business. **Luís Montenegro**, who denies any wrongdoing, has led the centre-right minority government for 11 months. A snap election is expected to take place in May. It will be the country's third election in less than four years.

The centre-right Democrats won **Greenland's election** in a surprise victory with around 30% of the vote. The party, which favours a moderate approach to independence from Denmark, will enter into coalition talks. The election was dominated by talk of independence after Donald Trump said he wanted to buy the Arctic island.

The world this week Business

Stockmarket indices

Feb 19th 2025=100, \$ terms



American share prices were heading towards their fourth consecutive week of losses, with markets spooked by Donald Trump's erratic protectionism and the prospect of slowing economic growth. The S&P 500 index has fallen by 9% since a peak in February. Investors are seeking shelter elsewhere: over the same period, Europe's Stoxx 600 has risen by 2% in dollar terms, as has Hong Kong's Hang Seng.

It was another turbulent week for **trade policy**. Mr Trump imposed new 25% levies on all steel and aluminium products imported into America. Similar tariffs implemented during Mr Trump's first term had a lower rate for aluminium and exemptions for several trading partners; the new ones do not. Canada's Ontario province retaliated with a 25% surcharge on power exports to America; Mr Trump hit back with an additional 25% charge on Canadian metals. Both were cancelled in short order. Canada then announced tariffs on \$21bn-worth of American goods that remain uncanceled.

The **European Union** responded with its own tariffs on American exports worth €26bn (\$28bn) per year. They include levies of up to 50% on bourbon whisky, jeans and Harley-Davidson motorcycles. The new charges are due to come into force in April.

Time to cool down

America's **jobs report** showed its economy had added 151,000 jobs in February—more than in January, but fewer than forecasters had expected. Its **inflation release**, meanwhile,

showed consumer-price rises had slowed to 2.8% in the year to February, suggesting the Federal Reserve may be able to cut interest rates sooner than expected. Jerome Powell, the Fed's chairman, said it is not "in a hurry" and that America's economy is "in good shape".

China's consumer-price index fell by 0.7% in the year to February, the first time it had registered such **deflation** in 13 months. The figures may have been distorted by the lunar new year holiday, during which prices tend to increase, and which fell earlier than usual.

Goodbye, widowmaker

Traders are increasingly confident that **Japan** has broken out of its long deflationary slump. The yield on ten-year government bonds rose to nearly 1.6%, a level it last reached in 2008.

The **Bank of Canada** lowered its policy rate by 0.25 percentage points, to 2.75%. It was the central bank's seventh rate cut in a row, and came after annual inflation had reached 1.9%. Officials, however, worried about the impact of American tariffs and warned that "monetary policy cannot offset the impacts of a trade war".

Northvolt, a Swedish battery-maker, filed for bankruptcy after failing to agree on a new financing package with investors. The firm was founded in 2016 and was once Europe's best-funded startup, touted as the continent's champion in an industry dominated by Chinese firms.

OpenAI, the designer of ChatGPT, struck a deal worth \$12bn with **CoreWeave**, a cloud-computing firm originally set up in 2017 to "mine" cryptocurrencies. CoreWeave will supply OpenAI with computing power to train and run its artificial-intelligence models for the next five years. The deal is part of OpenAI's efforts to reduce its dependence on Microsoft, its biggest partner. **Google DeepMind** unveiled its new "Gemini Robotics" AI model, which aims to help robots navigate complex, real-world environments.

Elon Musk had a trying week. **X**, his social-media website, suffered a cyber-attack that disrupted its service. Mr Musk claimed, without much evidence, that it came from "the Ukraine area". **Tesla's** share price fell by 15% on March 10th and is nearly 50% below its

peak in December. A launch attempt by **SpaceX**, Mr Musk's rocket company, ended with the Starship rocket exploding—the second such failure in a row. But there was a silver lining: SpaceX forged deals with Airtel and Jio, two telecoms firms, to run its satellite-internet service in India.

Rheinmetall, a German arms-maker whose share price has doubled since November, reported its financial results for 2024. Its operating profit was €1.5bn, a new record and 61% higher than that for the previous year. The company made €10bn-worth of sales, around 30% of which were to the German Bundeswehr. Business will probably continue to boom as Europe rearms and Germany plans to relax its restrictions on borrowing for defence. Rheinmetall expects sales to grow by as much as 30% this year.

Intel appointed Lip-Bu Tan as its new chief executive, replacing Pat Gelsinger, who left abruptly in December. Mr Tan himself had quit Intel's board in August. He faces a battle to rejuvenate the struggling chip-maker, which has laid off thousands of employees and seen its share price plummet.



America's new foreign policy

Bullied allies need a better plan than flattery and concessions

FOR DECADES America has stood by its friends and deterred its enemies. That steadfastness is being thrown upside down, as Donald Trump strong-arms allies and seeks deals with adversaries. After freezing all aid to Ukraine on March 3rd, his administration restored it when Ukraine agreed in principle to a 30-day truce. It is unclear how hard the White House will press Vladimir Putin to accept this (see Leader). On the same day, Mr Trump briefly slammed even more tariffs on Canada. Its new prime minister, Mark Carney, warned that a predatory America wants “our water, our land, our country”. And don’t forget Asia. The president has just raised doubts about the value to America of the US-Japan defence treaty, which Eisenhower signed in 1960. Around the world, allies fear that America First means they come second, third or even last.

Mr Trump and his supporters believe his frenetic actions enhance American power, breaking deadlocks and shaking up deadbeat or parasitic allies. The proposed ceasefire in Ukraine is evidence that he can change countries’ behaviour. But at what cost? His trade war is panicking financial markets. The 40-odd countries that have put their security in America’s hands since 1945 are suffering a crisis of confidence. They dread Team Trump’s inconsistency and short-termism: a ceasefire in Gaza that is rather like the Ukrainian one may soon collapse. At home, Mr Trump faces checks and balances. Abroad, much less so. Allies are asking whether they are certain that Mr Trump or a President J.D. Vance would fight alongside them if the worst happens. Unfortunately, the answer is: not certain enough.

This loss of faith also reflects a dawning realisation that coercing allies is an inevitable consequence of the MAGA value-free agenda.

Allies’ interdependence means that America has more leverage over them than over foes such as Russia or China. For decades Canada, Europe and parts of Asia have trusted America’s “superpower stack”—defence treaties, trade deals, nuclear weapons, the dollar banking system—because it is mutually beneficial. Tragically Mr Trump sees it as a liability.

The administration’s economic nationalism and the repudiation of its global security role may go further. Foreign firms are being bullied to shift capital to America. Some White House advisers want reciprocal tariffs, a radical form of protectionism. On Wall Street there is talk of schemes to depress the dollar (see Leader). Elon Musk says America should quit NATO; although Mr Trump has not gone that far, he has not contradicted him. Europeans are exploring new, once-unthinkable risks: does America have kill switches for F-35 fighter jets? Might it refuse to maintain Britain’s nuclear deterrent?

Asian allies worry that Mr Trump will turn on them next. Australia, Japan, South Korea and others hope his hostility to China runs deep enough that he will not abandon them. But his grievances over trade and defence treaties do not have geographic limits (see Asia section). Given his determination to avoid world war three with Russia over Ukraine, negotiations with China or North Korea could see him offering concessions

that weaken allies and make Taiwan more vulnerable.

If you admire America and its transatlantic and Pacific alliances, this shift is so extreme and unfamiliar that it is tempting to deny it is happening and to assume that Mr Trump must backtrack. However, when your people’s safety is at stake, denial is not a plan. America’s allies have a GDP of \$37trn, but they lack hard power. Sucking up in the Oval Office and offering to Buy American gets them only so far. Making concessions can encourage more demands, as Panama has found (see Americas section). If allies are unable to defend themselves, some will seek an accommodation with China or Russia.

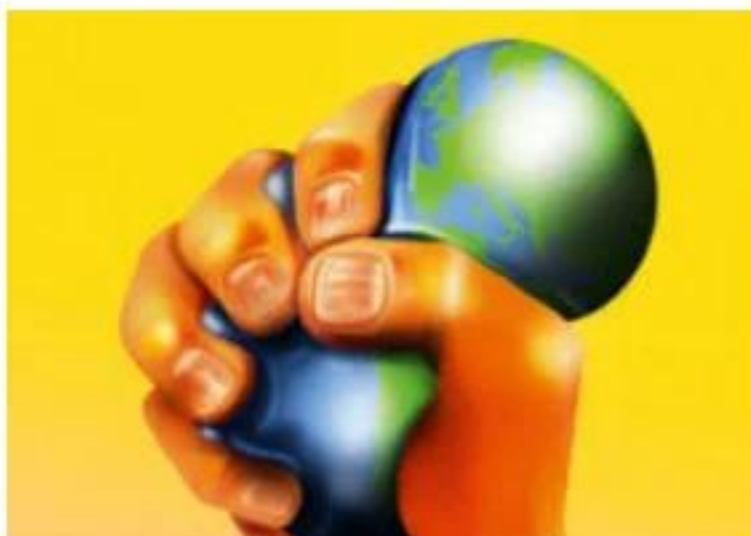
America’s allies should try to avoid that dismal outcome, starting today. One idea is to deter America from mutual harm (see Briefing). That means identifying unconventional retaliatory measures while calibrating their use to avoid a 1930s-style downward spiral. One option is to slow co-operation on extra-territorial sanctions and export controls. Allies could use their “choke-points” in trade, which we reckon account for 27% of America’s imports, including nuclear fuels, metals and pharmaceuticals. Hidden in the semiconductor-production chain are firms such as Tokyo Electron and ASML in Europe, which are crucial suppliers to America’s tech giants. Smart retaliation against foolish tariffs worked for Europe in the first

Trump term. Allies should also identify military pressure-points, such as radars and bases, though they should stop short of exploiting them except in extreme circumstances.

As an insurance policy allies will have to build up their own economic and military infrastructure in parallel to America’s superpower stack. Creating this option will take years. Europe is highly likely to issue more joint debt to finance extra defence spending, and it may keep its own sanctions on Russia even if Mr Trump lifts America’s. All this could split American and European capital markets and ultimately boost the euro’s role as an international currency. In defence, Europe is scrambling to fill gaps in its forces. It is also discussing a continental nuclear deterrent involving France and perhaps Britain (see International section). In Asia, South Korea and perhaps Japan may move closer to the nuclear threshold, in order to deter China and North Korea.

The new night watchmen

Last, America’s allies should seek strength in numbers. Europe needs a plan to take over the leadership of NATO, join the CPTPP, an Asian trade deal, and co-operate with Japan and South Korea more closely on military and civilian technology. That would create scale and help manage rivalries. It would also preserve an alternative liberal order, albeit vastly inferior to the original. Allies should be ready to welcome back America under a new president in 2029, though the world will not be the same. Nuclear proliferation may have been unleashed, China will have grown stronger and America’s power and credibility will have been gravely damaged. For its allies, there is no point whingeing: they need to toughen up and get to work. ■



Nativism

The new economics of immigration

A controversial critique of migration is gaining ground. Liberals must take it seriously

IN ONE RICH country after another, immigrants are blamed for society's problems. On March 10th J.D. Vance, America's vice-president, said: "You go across the world, and you see a very consistent relationship between a massive increase in immigration and a massive increase in housing prices." Stephen Miller, the White House deputy chief of staff, warns that "If you import the third world, you become the third world."

Complaints about migrants are as old as Jacob's trek into Egypt. But politicians like Mr Vance and Mr Miller are drawing on a new critique of the liberal case for immigration. They make three claims: that immigrants are taking houses from citizens; that, even if they work, they are bankrupting welfare systems and jumping the queue for public services; and that they are spoiling the culture that made the West prosperous.

It would be a mistake to dismiss these claims as xenophobic guff, like the stories that migrants in Ohio eat pets. What makes them powerful is that they are grounded in academic research. Only by grasping their strengths can liberals reject their excesses; and only by acknowledging where policy falls short can they improve it. To defeat the new nativists, liberals must understand what they get right and what must be fixed.

When politicians talk about migrants, they usually focus on the rich world's failure to manage asylum claimants sensibly or stop people from crossing borders illegally. But many are also attacking—and seeking to stem—the legal flow of economic migrants, who are far more numerous and who have arrived in exceptional numbers since 2021. Their arguments have evolved. The old gripe, that economic migrants steal jobs or undercut wages, has not gone away but has lost much of its power over the past decade as labour markets have boomed. The new arguments are more plausible, and therefore more dangerous.

The strongest is over housing. Long-term migration into the rich world was 28% higher in 2023 than 2019. Evidence has mounted that rents and prices rose as people entered Western housing markets choked by building restrictions, contributing to inflation. But the new nativists exaggerate how much of this was down to migration. Rules of thumb suggest that it accounts for a tenth or so of the 39% real-terms increase in rich-world house prices between 2013 and 2023. Regardless of migration, many places need to loosen curbs on building, as rising life expectancy boosts populations. Ironically, even more building would be needed if Mr Vance's dream of getting native mothers to have more children came true. That is because natives spend more on housing per person than immigrants of the same income, and so push up home prices further.

The next argument, about whether migrants pay their way, looks solid but is not. Numerous studies, including in America, Britain, Denmark and the Netherlands, show how the fiscal effect of migration depends on migrants' skills. Immigrants to the Netherlands pay more in taxes than they take out in benefits over their lifetime only if they have at least a bachelor's degree. Liberals often say low-skilled migrants are needed to care

for the elderly and do menial jobs. But progressive tax systems, in-work benefits and social housing redistribute money to those on low incomes, and permanent migrants eventually grow old themselves, claiming pensions and health care. They also often bring in dependants, who can be a fiscal drain.

However, a simple accounting of money in versus money out is incomplete. Migrants do not just pay taxes themselves, but raise the productivity of companies and their fellow workers. That increases the economy-wide tax take. In America including these knock-on effects flips the fiscal impact of even the least-skilled migrants to strongly positive, by one estimate. The surest conclusion is that the more skilled a migrant is, the better they are for the public finances. But that is not the same as saying that other migrants are a drain on the public purse.

It is on cultural change that the nativist overreach is at its worst, because even the foundations of the argument are bad. The most respectable version of it is found in the literature about the "deep roots" of growth, which traces differences in the wealth of nations today to flows of migration from countries that were advanced or backward centuries ago.

But like all claims about what makes countries rich or poor, the theory is plagued by small sample sizes and pesky counterexamples. Embarrassingly, it cannot easily explain the prosperity of the world's biggest countries. America, with its history of relatively open borders, is far richer than its "deep roots" score would suggest; China and India are poorer. Deep-roots theory looks favourably on migrants from East Asia, but they too were demonised in the early 20th century by Americans.

There are plenty of good arguments to use against the new nativism. But governments must also learn from the policy mistakes that lend it credibility. It was foolish to admit lots of newcomers without liberalising housing markets. Also, since migration flows to rich countries cannot be unlimited, it makes sense to favour highly skilled economic migrants over lower-skilled ones nearly all the time. Arguments for low-skilled migration built around supposed labour shortages are flawed (see *Free exchange*).

Give me your brainy, energetic masses

Market mechanisms like visa auctions should be allowed to solve workforce gaps, with the fiscal windfall from skilled migration paying for higher wages to attract staff to the public sector when necessary. The gains to migrants themselves from admission to the rich world are so vast that there are plentiful deals to be cut, from schemes to teach would-be migrants valuable skills in their home countries to Donald Trump's plan to sell "golden visas".

An essential retort to the new nativists will be to fix the problems they correctly identify. Too many politicians have talked about mending housing markets or prioritising skilled migration, and then failed to live up to their promises. If liberals can get those things right, the rest of the new case against migration will look much more flimsy. ■



Financial markets

Greenback feedback

Erratic economic policy is harming the reputation of American assets

PRESIDENT DONALD TRUMP'S bullying of America's allies and neighbours may appeal to the MAGA base. Unfortunately, investors feel otherwise. Confidence in the prospects for the American economy has been sapped and financial markets are sinking. The S&P 500 index of American stocks has dropped by 9% since its peak in February. Because Mr Trump's on-again, off-again protectionism defies logic, their faith in his administration's ability to steer the economy is evaporating.

It is the same with the dollar. As Mr Trump has threatened tariff after tariff, it has fallen, dropping by nearly 6% against a basket of other currencies since mid-January. Most notable is its decline against the euro, spurred by expectations of a surge in European defence spending.

One source of confusion is that Mr Trump's team say they want different things. Scott Besent, the treasury secretary, maintains that the administration wants a strong dollar, in line with recent American policy. Both Mr Trump and J.D. Vance, the vice-president, believe that the strength of the greenback is holding back American industry. Currency traders whisper about a "Mar-a-Lago Accord", a repeat of the Plaza Accord that in the 1980s prodded America's main trading partners to co-operate to weaken the strong dollar, and which was first proposed by Stephen Miran, now an adviser to Mr Trump.

Another source of confusion is that, just as with Mr Trump's tariff policy, the administration misunderstands the benefits and costs of having a weak currency. Proponents of a weak dollar say that it would help make exports more competitive. But the growth of global value chains in manufacturing over recent decades has blunted the impact of exchange rates on sales of goods abroad, because exporters today incorporate more imported material than they once did. In addition, the

costs of currency weakness are widely felt. If the 13m Americans in manufacturing jobs benefit, that must be set against nearly 300m consumers who will pay for the rising cost of imports. Already households' inflation expectations are rising, even though consumer-price inflation data, published on March 12th, came in a little below market forecasts.

The final—and most corrosive—source of confusion is the baffling logic behind the administration's policies. By themselves, tariffs should boost the value of the greenback, as Americans buy fewer imports and therefore less foreign currency. Although the dollar may have fallen particularly sharply against the euro because of European spending, its weakness

against other major currencies points to an act of grave self-harm: that the hit to the American economy from tariffs is more than outweighing their direct impact.

Consider the wildest suggestion of the weak-dollar enthusiasts, floated by Mr Miran. This is to tax foreign governments that hold Treasury bonds, in order to deter them from owning dollars. That makes no sense. It may

not even achieve its purpose of weakening the greenback, because academic research is unclear whether reserve-currency status has consistently boosted the dollar's value. Even if it did work, it should worry anyone who cares about America's ability to project its power across the world. Financial sanctions against Russia, and those about to be deployed against Iran, would be less effective if the dollar made up a smaller portion of overseas trade and finance.

For decades investors were drawn by America's exceptionalism: its strong growth and a government that was a wise steward of the economy. Now they are waking up to impulsiveness and incoherence. American assets will suffer. ■



Ukraine's ceasefire

Putting pressure on Putin

Will Russia agree to stop the bombing and shelling?

THE BALL, so America's secretary of state said on March 11th, is back in Vladimir Putin's court. Ukraine had just agreed at talks in Jeddah to an American plan for a month-long ceasefire, and in return America has already restarted the flow of weapons and information that Donald Trump cut off following his spectacular Oval Office clash with Volodymyr Zelensky 11 days earlier. For once, it is Mr Putin who has a fateful decision to make. It is not clear how far America is prepared to go to ensure he comes to the right conclusion.

A ceasefire does not favour Russia. A temporary pause would give Ukraine a chance to resupply and it might endure, because polling suggests that Russians are tired of war. Whichever side resumed fighting first would invite interna-

tional condemnation and the ire of Mr Trump. A violation would show the American president up as weak and credulous. He would not like that.

Mr Putin's problem is that he has not yet got what he wanted in Ukraine. His aim was to subjugate or cripple the country; sever its connections to the West; be rid of its troublesome president, Mr Zelensky; and permanently hobble its armed forces. His overarching ambition, as he has repeatedly made clear in writings and speeches, has been nothing less than to restore Russia as a great power with an extended sphere of influence, starting with Ukraine, its ancient heartland.

In fact, despite having geared the entire Russian economy towards the war effort and sacrificed the lives of an estimated ►►

▶ 150,000-210,000 Russian soldiers, all Mr Putin has managed to do is capture roughly 11% of Ukraine's territory, much of it now devastated by his own shells, adding to the chunk of around 7% that he seized in 2014. Mr Putin may play the mighty warrior visiting the front lines on Russian television (see Europe section), but this is a pitiful return for such a gargantuan effort.

What Mr Putin surely wants is to win from Mr Trump what he has failed to seize on the battlefield. And at times Mr Trump has seemed alarmingly willing to satisfy him. He has repeated Kremlin talking-points that Mr Zelensky is a dictator because he has not held an election since the war began. He has ruled out NATO membership for Ukraine. He has shown little desire to "backstop" a peacekeeping force after a deal, and has excluded stationing American troops in the country. He talks of doing business deals with Russia as if the removal of sanctions were just around the corner. Most of all, his willingness to bully Ukraine at a time of national peril has spilled over into NATO, whose members have started to doubt whether they could count on him (see International section).

The danger now is that Mr Putin will try to attach some of

his conditions to the proposed ceasefire, by calling for American aid not to restart, or for an early and divisive election in Ukraine, or international recognition of territory he has seized. It is essential that Mr Trump resists any attempt to do this. If he yields, he risks sabotaging his own administration's agreement with Ukraine. Marco Rubio, the American secretary of state, and Steve Witkoff, Mr Trump's friend and envoy, have tried to repair some of the damage from the Oval Office disaster, and Ukraine has behaved sensibly, too. Tilting back to Mr Putin's agenda would wreck all that.

Mr Putin may now try to disrupt and delay things with endless demands for "clarification". The Americans must be firm about that, too. A halt in the destruction and slaughter that have scarred the past three years would be an achievement for Mr Trump, even if it is only temporary. He has put unconscionable—and harmful—pressure on Ukraine, which was the easy part. On March 11th Mr Trump said encouragingly that he can "do things financially" if Mr Putin fails to take up the offer of a ceasefire. Unfortunately, words are cheap. Now it is time to put real pressure on Mr Putin. Does he dare? ■

Artificial intelligence Get used to it

With Manus, AI experimentation has burst into the open

WATCHING THE automatic hand of the Manus AI agent scroll through a dozen browser windows is unsettling. Give it a task that can be accomplished online, such as building up a promotional network of social-media accounts, researching and writing a strategy document, or booking tickets and hotels for a conference, and Manus will write a detailed plan, spin up a version of itself to browse the web, and give it its best shot.

Manus AI is a system built on top of existing models that can interact with the internet and perform a sequence of tasks without deferring to a human user for permission. Its makers, who are based in China, claim to have built the world's first general AI agent that "turns your thoughts into actions" (see Business section). Yet AI labs around the world have already been experimenting with this "agentic" approach in private. What makes Manus notable is not that it exists, but that it has been fully unleashed by its creators. A new age of experimentation is here, and it is happening not within labs, but out in the real world.

Spend more time using Manus and it becomes clear that it still has a lot further to go to become consistently useful. Confusing answers, frustrating delays and never-ending loops make the experience disappointing. In releasing it, its makers have obviously prized a job done first over a job done well.

This is in contrast to the approach of the big American labs. Partly because of concerns about the safety of their innovations, they have kept them under wraps, poking and prodding them until they hit a decent version 1.0. OpenAI waited nine months before fully releasing GPT-2 in 2019. Google's Lamda chatbot was functioning internally in 2020, but the company sat on it for more than two years before releasing it as Bard.

Big labs have been cautious about agentic AI, too, and for good reason. Granting an agent the freedom to come up with its own ways of solving a problem, rather than relying on prompts from a human at every step, may also increase its potential to do harm. Anthropic and Google have demonstrated "computer use" features, for instance, yet neither has released them widely. And in assorted tests and developer previews, these systems are as limited by policy as technology, handing control back to the user at regular intervals or whenever a complex task needs to be finalised.

The existence of Manus makes this cautious approach harder to sustain, however. As the previously wide gap between big AI labs and upstarts narrows, the giants no longer have the luxury of taking their time. And that also means their approach to safety is no longer workable.

To some American observers, fixated on the idea that China might be stealing a march on the West, the fact that Manus is Chinese is especially threatening. But Manus's success is nowhere near the scale of that of DeepSeek, a

Chinese firm that stunned the world with its cheap AI model. Any company, be it American, Chinese or otherwise, could produce a similar agent, provided it used the right off-the-shelf components and had a large enough appetite for risk.

Fortunately, there is little sign yet that Manus has done anything dangerous. But safety can no longer be just a matter of big labs conducting large-scale testing before release. Instead, regulators and companies will need to monitor what is already used in the wild, rapidly respond to any harms they spot and, if necessary, pull misbehaving systems out of action entirely. Whether you like it or not, Manus shows that the future of AI development will play out in the open. ■





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DIRECTOR (D-1)
United Nations University
Helsinki, Finland

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Application deadline: 15 April 2025

How to apply: <https://careers.unu.edu/o/director-unu-wider-d1>

**भारतीय प्रबंध संस्थान बेंगलूर****INDIAN INSTITUTE OF MANAGEMENT
BANGALORE****IIM Bangalore — Search for Director**

The Indian Institute of Management Bangalore (IIMB) is a leading graduate school of management in Asia. Under the IIM Act of 2017, IIMB is an Institute of National Importance. Its vision is to be a global, renowned academic institution fostering excellence in management, innovation and entrepreneurship for business, government and society.

IIMB is looking for its next Director who will lead the Institute towards its vision.

Applicants must be a distinguished academic with first class degree in both Bachelor's and Master's level, and with a Ph.D. or equivalent from a reputed institution. At least fifteen years of teaching and research experience, of which at least seven years at the level of a full Professor, is required. The ideal candidate will be an eminent academic with extensively published research of global quality, have strong networks in industry and academia, and showcase proven administrative leadership experience.

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Applicants should send their Curriculum Vitae, and other relevant supporting documents via email to: searchcommittee@iimb.ac.in or in hard-copy by courier/registered-mail to:

IIMB Search cum Selection Committee,
Indian Institute of Management Bangalore
Bannerghatta Road, Bengaluru 560076, India

**All applications must be received by 5 pm Indian Standard Time on
28 March 2025.**

For more details, please go to <https://www.iimb.ac.in/search-for-director>

Letters

LETTERS ARE WELCOME AND SHOULD BE ADDRESSED TO THE EDITOR AT:
THE ECONOMIST, THE ADELPHI BUILDING, 1-11 JOHN ADAM STREET, LONDON WC2N 6HT
EMAIL: LETTERS@ECONOMIST.COM. MORE LETTERS AVAILABLE AT: ECONOMIST.COM/LETTERS

Phones can work in school

Your article on the effects of using smartphones in schools focused on mental health ("Should schools ban smartphones?", February 22nd). But there is also the impact on academic performance. Smartphones encourage multitasking, which is distracting and hurts productivity. However, the devices also support real-time learning and help students retain knowledge.

My colleagues and I conducted randomised controlled experiments with a school in China to learn about this trade-off. Working with teachers and students aged 14-21, we found that grades on knowledge tests decreased when smartphones were allowed in the classroom compared with when they were banned. However, grades increased when students were permitted to use them in the classroom and teachers got students to turn to the devices to aid instruction. The outcomes differed across populations. For example, grade improvements came primarily from underperforming students. So allowing smartphones in classrooms may help narrow gaps in academic performance.

Smartphones should be allowed in classrooms if teachers ask students to use them for learning purposes. We should not ask teachers to police device usage. Instead, we should ask them to embrace technologies that are unlikely to disappear and use them productively.

PEDRO FERREIRA
Professor of information systems
Carnegie Mellon University
Pittsburgh

How aid is cut

As you noted, the British government has left itself only nasty choices about how to cut spending on international development ("The last cut is the deepest", March 1st). As the quantity of spending on aid is cut, quality matters, both for effective soft power as well as the statutory obligation to use

Official Development Assistance for poverty reduction. That means sustaining bilateral aid in poor countries.

Effective bilateral technical assistance strengthens the hand of national elites who can sustain a development bargain for growth. That is good for poverty reduction and secures British partnerships where the alternative is losing friends to China, or even Russia. Spending through multilateral agencies, such as the World Bank, does not project British soft power, and does not align with Britain's new security needs.

With two years to implement cuts, Britain should move away from multilateral obligations, however embarrassing, to sustain bilateral aid and so avoid repeating the reputation-shredding cuts of 2022. The British government should also reduce fragmentation. All of the aid budget should come back under the Foreign Office, which has the systems to manage it well to achieve value for money for taxpayers.
MARK HENSTRIDGE
Chief executive
Oxford Policy Management
Oxford

Poverty in India

I was pleased to see that my long-out-of-print book, "In the Land of Poverty", is still proving useful to understanding India (Free exchange, March 1st). You were right to emphasise that agriculture has been the pathway out of dire poverty for many millions in India. The Green Revolution and massive government spending in rural India accelerated poverty reduction from the late 1970s. Land reform, undertaken from the 1950s to early 1970s, was arguably even more critical. Tragically, far too little redistribution was done, leaving in place a massive burden of dire poverty among those with little to no farmland.

Where I disagree with you is the claim that extreme poverty is now at negligible levels in India. The World Bank's international poverty line marks destitution, not extreme poverty.

Lant Pritchett, formerly with the bank, calls this demarcation "absurdly low and completely arbitrary", with "no science, no economics" but-tressing it.

In the unremarkable village that I focus on in Uttar Pradesh, roughly 15% of the families still live in destitution. They eat little and badly. Even devastating illnesses go untreated. They have no savings. No one knows what this rate is nationally, as the government led by Narendra Modi has suppressed unpleasant economic and welfare data for a decade. The scholars I respect estimate that more than 10% of the population remain in such dire conditions, not the 1% that Surjit Bhalla, the government's delegate to the IMF until recently, has arrived at through statistical legerdemain.

The numbers in extreme poverty—as distinct from destitution—are certainly far larger still. In all likelihood, another 30-40% of India's people live in extreme poverty, mainly in north and central India. Life is precarious and desperate even for those who are a fold or two above extreme poverty. They get by only because they have men toiling in the cities and women toiling on their small fields. The reality is that celebrations of the end of mass poverty in India are premature.

SIDDHARTH DUBE
New York

Bat and ball

I question just how much artificial intelligence can add to a pitcher's performance in baseball ("The new ball game", February 15th). Apart from arm motion and release, there are essentially five variables that matter on a given pitch: speed, location, ball movement, sequence and game context (score, inning, baserunners, and so on). Savvy pitchers and catchers can comprehend these with minimal, if any, AI guidance. As much as I resist technology intruding into sports, I do support automating the calling of balls and

strikes. Too often, especially in critical situations, the pitcher and the batter face not only each other, but the home-plate umpire's subjectivity as well.

DR ROBERT KEIDEL
Lecturer in organisational dynamics
University of Pennsylvania
Philadelphia

The Gunners v the Hammers

You article on the apparent upsurge in football hooliganism ("Fever pitch", February 22nd) predicted that a match between Arsenal and West Ham would be fiercely fought, but among fans in the stands and not on the pitch, as Arsenal was the overwhelming favourite to win. Alas, in front of a well-behaved crowd, in a hard-fought game West Ham triumphed 1-0 over Arsenal at the latter's home ground. Never bet on the beautiful game.

TONY MOORE
Norwich

He admired her curvature

I'm sure other readers, too, smiled at the idea of physics-based erotic writing ("Full steam ahead", March 1st). But the example you cited of "static distortions in biaxial nematics" was pretty bland. Limp even. More forceful prose might advance the genre. For example, quantum-mechanical entanglement and observer-participancy in the measurement process suggests: "Their long-planned tryst in Copenhagen was frustrated when, with a careless glance, she collapsed his wavefunction."

I could give you other examples, in much poorer taste.
J.W. ARMSTRONG
Sierra Madre, California

So college-educated people are having sex less frequently ("The old college try", February 15th). Perhaps this is because education promotes creativity, innovation and imagination. Quality, not quantity, is what is being maximised here. It's a theory that deserves much more research.

JIM MOORE
Bayside, California

Briefing Could Europe fight back?



A dangerous divorcée

If it comes to a stand-off, Europe has lots of leverage over America

“THE ACTION that is needed has to be bold and determined,” declared Ursula von der Leyen, the president of the European Commission, this week. She was talking about how the European Union should respond to Donald Trump’s habit of tearing up supposedly “ironclad commitments”, thereby threatening “European values”. “Extraordinary times,” she averred, “call for extraordinary measures.”

So far, the EU’s response to Mr Trump has been fairly ordinary. After America imposed a 25% tariff on steel and aluminium on March 12th, it said it would charge punitive levies on €8bn (\$9bn) of American imports from April 1st and on a further €18bn of imports from mid-April. Despite Mrs von der Leyen’s fighting talk, Europe does not want its row with America to escalate and hopes Mr Trump’s worst instincts can be moderated. But were the EU’s disputes with America to intensify, it does have a surprising number of ways to exert pressure on its wayward ally.

The EU’s most obvious geopolitical asset is the size of its market. Together with Britain, Norway and Switzerland, the continent’s GDP reaches \$24.5trn, almost as big as America’s \$29trn. American firms, from brewers to banks, would like to continue doing business in that market. That is the premise of Europe’s retaliatory tariffs, which will fall initially on easily substitutable luxury goods, such as Harley-Davidson motorcycles and whisky.

The hitch is that tariffs or other restrictions on imports from America hurt European consumers as well as American exporters. A case in point is Europe’s biggest import from America, energy. Last year it gobbled up 35% of America’s exports of crude and refined oil. More than half of America’s LNG went to Europe, too. Demand from the bloc, which may well keep rising long into the 2030s, underwrites many of the multibillion-dollar gas-export projects under development in America. Were Europe to curtail LNG purchases

from America, many American energy firms would be in trouble. But it is hard for Europe to do this without crippling its already limping economy or again becoming dependent on Russia, an alarming predicament from which it has only just escaped.

Tech bruise

A more plausible, albeit for the moment entirely hypothetical, target is America’s tech giants. Europe can probably do without Instagram, a social network owned by Meta, for instance, but Meta would be hit hard by the loss of European revenue. Europe has lots of ways to make life difficult for such firms short of banning them from European markets, including taxation and competition policy. This allows it to calibrate the torment, gradually tightening the screws if need be.

The fact that these digital giants pay little tax in Europe has been a sticking-point in the transatlantic relationship for years. In part, low tax revenues are Europe’s own »

► fault, since it has allowed Ireland and others to operate as tax havens within the EU. European countries' answer has been taxes on online advertising and other digital services, which allow governments to get their hands on some of the web titans' revenues. The effort to reach a global deal on such taxes is in abeyance, since Mr Trump does not support it. So individual European countries could raise their tax rates or the EU as a whole could dust off a proposed levy that it had shelved. An EU-wide tax would require unanimity among member states, which is usually a tall order but which might materialise if the diplomatic weather became stormy enough.

The European Commission also has enormous regulatory power over American tech firms. It can curb anticompetitive behaviour, order the removal of harmful content and stringently enforce privacy laws. Fines for firms that violate these rules can run into the billions of euros. Although European authorities will be keen to show that they still adhere to the rule of law and therefore do not initiate politically motivated prosecutions, a more exacting stance by regulators across the board could still have the desired effect.

American financial firms are also at the mercy of European institutions. In fact, some of the tools at the EU's disposal are so potent they could probably never be used. For example, the central nervous system of global payments is SWIFT, a co-operative based in Belgium which transmits some 8bn electronic messages among 11,000 financial institutions every year. European regulators have great sway over SWIFT's operations. But interfering with American banks' access to the system would be financial Armageddon, hobbling global transfers in a manner as calamitous to European banks as to American ones.

Competition rules provide a less cataclysmic way of needling American financial firms. Regulators in the EU and Britain are already investigating the dominant position of Mastercard and Visa, two American firms, in Europe's payments market. Prudential regulation is another lever. Foreign banks and asset-managers might be required to provide more capital to fund their European operations. There could be tighter local storage requirements for sensitive data and so on, notes a forthcoming report from the European Council on Foreign Relations, a think-tank.

Although America could retaliate in similar vein, it stands to lose more from a fight over services. Overall it exports about €100bn more in services to the EU than vice versa. That is the inverse of the trade in goods, in which Europe posted a surplus of almost €200bn last year. (Britain is different: it runs a surplus in services with America but a deficit in goods.)

Moreover, Europe's market heft is not

its only source of economic leverage. It could also curb America's access to goods or services that it dominates. A recent report by CEPII, a French think-tank, identifies many categories of goods that are produced mainly in Europe and that America imports lots of, chiefly in pharmaceuticals and chemicals. The EU will not bring America to its knees by restricting sales of Wegovy, a weight-loss drug made by Novo Nordisk, a Danish firm. But there is at least one critical input to a strategic industry over which the EU has a near-total lock: the machines used to make the most sophisticated computer chips.

ASML, based in the Netherlands, is the only firm in the world to make devices that can produce chips of seven nanometres or less—the sort used for cutting-edge artificial intelligence (see Science & technology section). Even for machines to make slightly chunkier chips, of 14 nanometres, ASML has a 90% market share.

Restricting ASML's exports would not be unprecedented. In 2023 the Netherlands barred it from selling its most sophisticated kit to China. But America's relations with Europe would have to become extremely frosty for it to receive the same treatment as China. What is more, much as with SWIFT, disrupting the semiconductor supply chain could have horrific and unpredictable consequences that might hurt Europe just as much as anywhere else.

An alternative choke-point might be Europe's domination of another industry: the global commodities trade. Europe is not nearly as big an exporter of most raw materials as America, but it is an indispensable middleman. Its scant natural resources, central location and long history of relatively open trade have helped to foster all the activities that are crucial to the movement of goods, such as shipping and insurance. A grave rift with Europe could make it much harder for America to sell its resources anywhere, not just in Europe.

Europe is the home of the world's biggest commodity traders. Switzerland alone counts around 900 such firms, including

giants such as Glencore, Gunvor, Mercuria and Vitol. Its share in global trading is estimated at 35% for oil, 60% for metals, 50% for cereals and 40% for sugar. Britain and the Netherlands are also big trading hubs, reinforcing Europe's dominance.

Over the decades Europe's trading houses have established a vast web of suppliers, storage facilities, transport infrastructure and banking relationships that allow them to link producers to consumers in every part of the globe. Connecting remote mines and farms to distant cities and factories in this way is a complicated task that is not easily replicated.

Bulk bulk

The largest container-shipping firms—Maersk, MSC and CMA CGM—are European. Oldendorff, the world's biggest bulk-shipping company, is German. Greek companies own more than 30% of all oil tankers and more than a fifth of the world's LNG fleet by capacity. Although many Asian countries also have big shipping industries, Europe enormously exceeds America's market share (see chart).

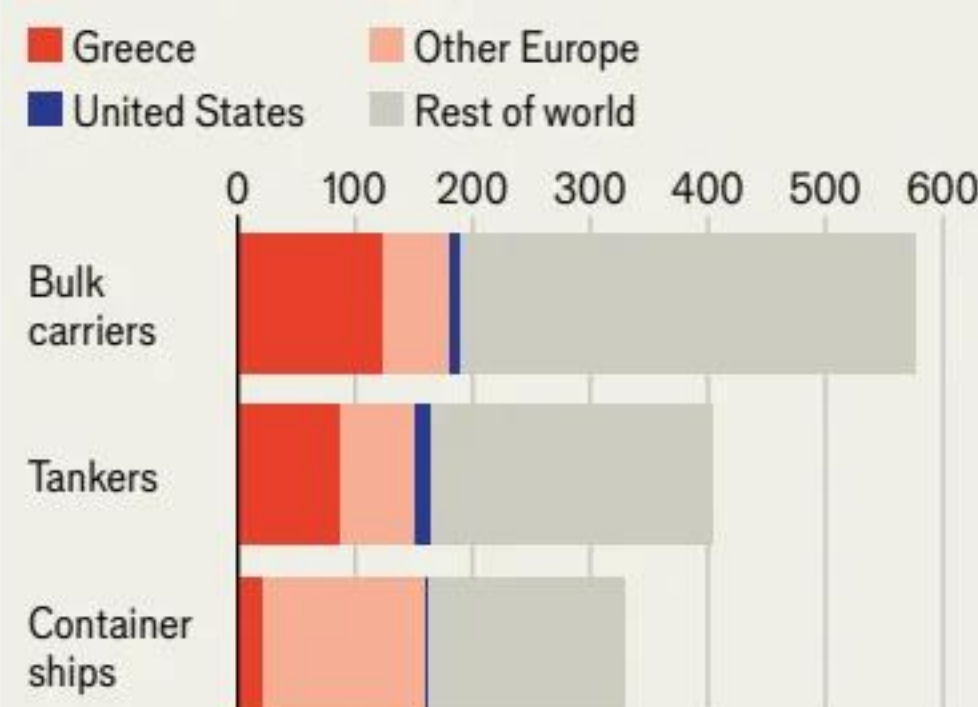
Europe's financial firms, meanwhile, lubricate the commodity trade in a way that America's do not. London, with its network of brokers, underwriters and reinsurers provides more than 40% of the world's marine and offshore-energy insurance. The 12 protection and indemnity "clubs" that form Britain's International Group insure the overwhelming majority of the global oil-tanker fleet. European banks loom large in commodity-trade finance—a market from which American ones are mostly absent. On March 10th Trafigura, a commodity trader based in Singapore, said it had raised \$5.6bn to fund its operations. European lenders made up five out of the seven banks that arranged the deal. ING, a Dutch one, led the group.

Europe has recently tried to put this clout to use to punish Russia for its war on Ukraine. It has banned European commodity traders from dealing in Russian oil, European banks from financing trade in it, European ships from carrying it and European insurers from underwriting it unless the oil is sold for less than \$60 a barrel. Although Russia has found ways around this price cap, the mechanism has raised costs for Russian firms and thus succeeded in sapping Russia's oil revenues.

Whether Europe would ever want to use such tactics against America is another matter. It is possible to imagine a system of surcharges or levies of a less Draconian nature than the Russian sanctions which would make it more expensive for American firms to trade internationally. But it would be such a sweeping and hostile step that it seems conceivable only in the midst of an across-the-board breakdown in relations. Even in response to a no-holds-►

Spot the superpower

Shipping-vessel capacity, gross tonnage, m
By nationality, March 1st 2025



Source: Clarksons Research

► barred Mr Trump, Europe would surely not treat America as it does Russia, no matter how vicious any trade war might become.

The most lopsided facet of the transatlantic relationship is defence. Europe relies heavily on America's military support. It has far more to lose from any breakdown of this arrangement than America, which is, as Mr Trump pointed out recently, protected by "a big, beautiful ocean". But that protection is not absolute. And the fact that Europe has more to lose does not mean that it has no leverage at all.

Start with that big beautiful ocean. America cannot protect it without European help. Russian submarines entering the North Atlantic from their Arctic bases must pass through a series of choke-points known as the Greenland-Iceland-United Kingdom (GIUK) gap. For decades America and its allies have jointly monitored this zone with a string of underwater acoustic sensors connected to onshore facilities, as well as radar-towing frigates and maritime-patrol aircraft flying out of Britain, Iceland and Norway. Much of the data gathered by these missions is thought to be processed at NATO's maritime headquarters in the suburbs of London.

If these arrangements were to fall apart, it would be far harder for America to track Russian submarines. It would have much less chance of detecting them on their way to America's east coast. That would allow Russia to put many more missiles within range of American targets. Even if Mr Trump got his wish and America were somehow to annex Greenland, which is currently a self-governing dependency of Denmark, American forces would not be able to plug the geographic gap fully. And if American naval vessels were to be sent to the Pacific to cope with a crisis or war there, America's dependence on collaboration with Europe could grow deeper still.

The GIUK gap is an illustration of a

wider phenomenon: American military power depends on access to European territory. At Pituffik Space Base on Greenland, for instance, America's Space Force maintains a radar station to track Russian missiles which would approach North America over the North Pole. Without access to that radar, America would have less warning and a poorer understanding of missile threats. On NATO's southern flank, in the Mediterranean, the US Air Force has been pondering whether to expand an air base on Cyprus. It has been vital for American operations in the Middle East, such as its recent delivery of aid to Gaza.

Who's helping whom?

Perhaps America's most important foothold in Europe is in Germany, which hosts more than 50,000 American troops. The Pentagon's European and African commands, which oversee every soldier, tank, warplane and naval vessel in their domains, are located in Stuttgart. The US Army's European headquarters are in Wiesbaden, and Germany hosts five of its seven European garrisons, including Grafenwöhr, its largest base outside America. Ramstein, a large airbase, was for many years a hub for directing drone strikes in Afghanistan, Pakistan, Somalia and Yemen. The Landstuhl military hospital treated 95,000 American soldiers wounded in Iraq and Afghanistan. At least 40% of American activity in Germany is thought to support operations in other parts of the world. The American special forces team that killed Osama bin Laden in 2011, for instance, flew to Pakistan via Ramstein.

Europe's leverage comes not only from access to its territory. European firms are integrated into American defence supply chains. About a quarter of the F-35 jet's components are made in Europe. Britain provides niche capabilities in America's nuclear programme. Then there is intelli-

gence. Britain is a member of the Five Eyes spy pact, in which America, Australia, Britain, Canada and New Zealand collect and then share signals intelligence, such as intercepted communications. America generates around 75-80% of the intelligence; it is clearly the first among equals. But the 20-25% produced by allies is still valuable, allowing American spies to be more efficient, to run operations around the clock and to snoop from places that would otherwise be inaccessible, such as British bases in Cyprus. British findings often feature in the President's Daily Brief, an intelligence summary produced by America's spies.

American spies also work closely with continental Europeans. In the early 2010s, for instance, America's National Security Agency collaborated with Denmark to spy on prominent European politicians by tapping the fibre-optic internet cables that pass through Danish territory. In 2015 it was the Dutch intelligence service that alerted America to the fact that Russian hackers had penetrated the Democratic National Committee with the aim of interfering in the presidential election of 2016. To be sure, much of this collaboration would survive even a serious transatlantic breach. Intelligence services work with everyone, even adversaries, in areas such as counter-terrorism. European spies would resist political demands to cut ties; indeed covert contacts and co-operation could become all the more important in a period where overt diplomacy had become toxic.

Europe could, however, make use of its leverage over America without a full breakdown in transatlantic ties. It has done so before. In 1973 Britain refused to allow America to fly U2 spy planes from bases in Britain and Cyprus during the Yom Kippur war. In 1986 France, Spain and Italy all barred America from flying over their territory or using their air bases during a bombing raid on Libya. That forced American jets to take a longer and more convoluted route. And in 2003 Turkey prevented America from using its territory to launch an invasion of Iraq, preventing America from attacking Baghdad from the north.

These sorts of irritants are routine in any alliance. But in a world where allies themselves choose to mirror Mr Trump's transactionalism, such acts of veto might introduce considerable friction into the cogs of American power. As with its economic might, Europe is likely to shrink from exerting its military leverage to the full. Almost all the steps it could take would be self-harming, even if they inflicted even greater damage on America. For that reason among others, getting European leaders, a fissiparous bunch at the best of times, to agree on a concerted response to American bullying would be a feat. But if they resolved to fight back, they have plenty of ways to do so. ■



United States

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From: [REDACTED]
Date: Thursday, January 23, 2025 3:43 PM
Good afternoon, I am sending this out on behalf of [REDACTED].
As many of you know, the Administration has requested an immediate pause on all external communication activities. Please see the attached memo for more details. This request extends to partner meetings (excluding project officer discussions). Additionally, please find approved HHS language to use in declining external emails.
If you have any additional questions regarding the external communications pause memo, you may reach out to the [REDACTED].
Saturday, February 15, 2025
Employee Notification (CDC)
Read this email immediately.
Good afternoon, Please read the two (2) attachments to this email immediately. Thank you for your service to the American public.
From: [REDACTED]
Date: Friday, January 31, 2025 6:09PM
Dear [REDACTED],
We wanted to provide some additional clarification on [REDACTED]'s original email relating to retracting papers and manuscripts if they do not comply with the EO relating to gender identity. Please see below in yellow. Thank you and hope everyone has a great weekend.

From: cdcnotification@cdc.gov
Date: Tuesday, March 5, 2025
Good afternoon,
After further review and consideration, the notification to terminate your appointment, effective February 15, 2025, has been rescinded. As a result, your physical and logical access has been restored and you are cleared to return to work on Wednesday, March 5, 2025. You should return to duty under your previous work schedule. We apologize for any disruption that this may have caused.
If you have any questions or concerns, you may respond to this email or contact your direct supervisor.
Thanks, [REDACTED]

From: Dorothy A Find, MD, Acting Secretary
Subject: Information: DEIA Office Closure
Date: January 22, 2025

The Department of Health and Human Services is taking steps to close all agency DEIA offices and end all DEIA-related contracts in accordance with President Trump's executive order titled Ending Radical And Wasteful Government DEI Programs And Preferencing and Initial Rescissions of Harmful Executive Orders and Actions. These programs divided Americans by race, wasted taxpayer dollars, and resulted in shameful discrimination. We are aware of efforts by some in government to disguise these programs by using coded or imprecise language. If you are aware of a change in any contract description or personnel position description since November 5, 2024, to obscure the connection between the contract and DEIA or similar ideologies, please report all facts and circumstances to DEIAtruth@oem.gov within 10 days.

entists feeling paranoid. Bosses have moved work chats to Signal, an encrypted messaging app. Participants who once talked about meeting times now discuss how to handle threats of mass firings or interpret court decisions. In one recent chat a woman urged her colleagues to "be like a cockroach—resilient and undeterred". Another invoked the bulldog's example: "keep smiling even when you can't breathe." The atmosphere offers a disquieting case study of DOGE's impact on the expertise housed in America's civil service.

Sections of the MAGA right regard the CDC as "perhaps the most incompetent and arrogant agency in the federal government", as Roger Severino, head of domestic policy at the Heritage Foundation, a think-tank, wrote in Project 2025, a blueprint for Mr Trump's second term. They blamed it (fairly) for botching the rollout of diagnostic covid-19 tests. Later it became a bogeyman on the right for imposing masking and social-distance rules during the pandemic. An irony is that the CDC has an America-first mission. Its researchers monitor outbreaks of disease abroad to prevent them from reaching American shores. They also manage a stockpile of emergency medications and vaccines.

Over the past six weeks, according to interviews with more than a dozen insiders and nearly 100 internal emails obtained by *The Economist*, leaders and workers alike have been subjected to a flood of missives about firings and new rules—coded in legalese and often softened or reversed within days. As if to troll the workforce, DOGE's most consequential fiats have all landed at night and on weekends.

The CDC's first intimation of what lay ahead came on inauguration day, January 20th, when Mr Trump issued executive orders to eliminate diversity, equity and inclusion and "gender-ideology extremism" from government activity. Follow-on emails offered few specifics yet demanded extensive reviews of all CDC programmes and communications. Researchers frantically pulled back submitted journal papers and stopped collecting data on transgender people, and in some cases racial minorities. Supervisors told scientists to replace any mention of "gender" with "sex".

Governing

The CDC files

ATLANTA

Internal emails and interviews portray a workforce seized by fear and confusion

ON A NARROW road on the main campus of the Centres for Disease Control and Prevention (CDC) in suburban Atlanta, Georgia, lies Building 21, the headquarters of America's most important public-health agency. In a room lined with television screens researchers monitor the measles outbreak that killed a second American in the southern plains last week and the bird-flu epidemic now ravaging flocks in every state. The agency's leadership occupies the 12th floor. Military-grade security ensures that only authorised visitors and the CDC's local workforce of roughly 5,000 civil servants have access.

By mid-February, three weeks after Do-

nald Trump became president, odd strangers had been cleared to enter CDC sites. A boss four levels from the top came back from a meeting to find two men in Tesla shirts leaving her office. When she asked what they were doing one said, "we came to update your computer." She thanked them and told them, "it's been giving me issues for so long," even though it had not. She now keeps a paperclip in a particular position on her desk so she can see if anything has been moved.

Daily life under the influence of the Department of Government Efficiency (DOGE) has fostered mistrust and left even the CDC's well-educated, methodical sci-



But it was not just wokeness that took a beating. The acting head of the Department of Health and Human Services (HHS), which houses the CDC, banned CDC staff from communicating with the public without explicit approval from “a Presidential appointee”. “We stopped talking to anyone,” says an epidemiologist with two decades of experience. State and local health departments looking to retrieve already-authorised CDC grant funds found that the payment system suddenly didn’t work. On January 23rd the *Morbidity and Mortality Weekly Report*, the agency’s flagship publication, did not come out for the first time in 60 years (it was paused for two weeks, then returned).

The next day the Trump administration named Susan Monarez, a CDC outsider, as acting director (the agency normally promotes from within). Rumours spread that DOGE people were inside the agency. Staff began to feel they were being watched and managers advised them to shut down their computers and put their phones on airplane mode when they weren’t working. “There was a fear that they were scanning for who was talking about Trump,” says a mid-level worker.

Fork and knife

For CDC scientists, the now-famous “Fork in the Road” email of January 28th—offering pay through September if employees responded with the word “resign”—was the first sign that jobs were seriously at risk. Because there was stigma attached to taking the deal, agency leaders still do not know how many did. Top managers soon got a directive from the Office of Personnel Management (OPM), DOGE’s enforcer, to rank their newer underlings as “mission critical”, working on “strategic priorities” or neither. When one of the CDC’s ten centres responded that all their staff were “mission critical”, higher-ups told them that wasn’t good enough, and set percentages to meet for each category. People became frantic. One boss recently came back from a day off to find that his staff had tweaked big surveys of Americans without his direction, after reading about new executive orders online. “People are scared for their livelihood so they start trying to do what they think is expected of them,” he says, “but it’s only causing more chaos.”

Partly this is because unrelenting written instructions from Washington ask the CDC’s leaders to make daunting judgment calls without providing much guidance.

➔ Reply all

To read a selection of the internal CDC emails shared with *The Economist* that are part of the source material for this story, go to economist.com/cdcfiles

One email allowed scientists to resume communicating with the public but only “regarding urgent public-health needs when the health and safety of US citizens is immediately threatened”. The order provided no examples of approved messages or additional guidance about how urgent or threatening a situation needs to be. It seemed possible that getting this wrong could mean losing one’s job.

On February 14th, Valentine’s Day, staff were told that probationary workers—those who had been in their current roles for only a few years—would be fired. Those fearing for their jobs included recently promoted senior scientists, some of whom had been at the agency for decades. The following evening roughly 750 people got termination emails from the OPM. “Your

ability, knowledge and skills do not fit the Agency’s current needs, and your performance has not been adequate,” the email said, without evidence. “I was shaking,” recalls one recipient.

Then came the OPM’s “What did you do last week?” email, demanding that every federal worker submit five bullet-points in response. On February 24th bosses at HHS told employees there was “no expectation” they should respond. Yet the OPM’s requests for bullet-point work reports continued. On March 3rd HHS reversed its directive, now requiring workers to answer. But it is also acting as some sort of buffer between the OPM and the CDC. The department told CDC workers to avoid references to specific “drugs, devices, biologics, therapeutics” and to assume their emails

Governing

Divided by two

WASHINGTON, DC

The education department is halved overnight

REPUBLICAN PRESIDENTIAL candidates have often promised to abolish the Department of Education. In 1983 Ronald Reagan said that it should be scrapped. Mitt Romney promised to make this happen in 2012. A decade later Betsy DeVos, former secretary of education under Mr Trump, said her department should not exist. And Mr Trump has said he hopes that Linda McMahon, his education secretary, will “put herself out of a job”. She is halfway there: on March 11th the administration announced it will fire more than 1,300 employees, cutting the workforce in half.

The Department of Education was created in 1979 by Jimmy Carter. Mr Trump says abolishing it will send education back to the states, but they already control most of what primary and secondary schools do: the education department only funds about 10% of their budgets. What, then, is it for? It plays a role in protecting the most vulnerable students, says John King, a former education secretary under Barack Obama, providing extra funding for poor and disabled pupils. It manages financial aid for over 12m college students. And it collects data, which allows states to compare themselves to each other.

The department also oversees civil-rights enforcement in schools, a task Mr Trump seems keen to keep. In February the Office of Civil Rights within the department announced investigations at five universities for “widespread anti-



School's out

semitic harassment” on campus.

So far the cuts fall short of the full smackdown Mr Trump promised. That may reflect political calculation: according to an *Economist*/YouGov poll, only 17% of Americans want the department eliminated. But this may not be the end state. Congress could move the administration of student loans to the Treasury and support for special education to the health department, possibly cutting both in the process. He would then have accomplished what Reagan did not, and add another bullet point to his list of promises kept.

will be read by “malign foreign actors”. As a small act of resistance, scientists are encrypting their messages, sending them as a screenshot or adding non-English characters (replacing every “e” with a Cyrillic “e”, for example) to make it harder for DOGE-controlled AI bots to read them.

Since mid-February some sanity has been restored, partly by court order. On February 28th a federal judge ruled that “no statute, anywhere, ever” granted the OPM the authority to order probationary firings, and 180 workers have been called back (insiders don’t know how they were chosen). A revolt against DOGE by some of Mr Trump’s cabinet secretaries led to a heated cabinet meeting on March 6th where Mr Trump reportedly shifted authority over staff cuts to cabinet depart-

ments, with DOGE in an advisory role. Yet Elon Musk remains in Mr Trump’s favour.

CDC staff are now mostly allowed to talk to external partners and grantees have access to money again, though no new contracts can be signed. But scientists and managers are bracing for more cuts. The OPM has demanded that the agency offer lists of workers for two new phases of layoffs, starting on March 15th. Leaders do not know how to prepare. “What if 20% of our staff is fired, 40%, 60%, how do we go on?” asks a branch chief. If entire divisions disappear, large swaths of work simply won’t get done. That could have deadly consequences. “Public health is the mom of science,” says a laboratory scientist. “She does everything and no one notices until she stops doing it.” ■

Trade

The tariff lobby

WASHINGTON, DC

America’s trade hawks fear that tariffs are too porous

AS DONALD TRUMP raises tariffs, he is causing turmoil in financial markets. But for a motley group of American manufacturers, the worry is that he may not be going far enough. Specifically, they welcome Mr Trump’s crusade to redraw the rules of international trade but know from experience just how porous tariffs can be. What is needed, they say, is much stricter enforcement at the border to prevent foreign companies from dodging levies.

They have come together as an informal alliance to attempt to influence policy. None of the companies is a household name, and they make a variety of products, from car parts to furniture and pipes to coat hangers. Over the past couple of decades they, like many others in America, have seen their market shares shrink as China has risen as a manufacturing power. And they have lost not just revenue but also faith in the system set up to defend their interests: in many cases they have won official decisions against foreign competitors over unfair trade practices, only to see their competitors find novel ways to undercut them.

For some these problems became evident during Mr Trump’s first term, when he first erected a tariff wall against imports from China. David Rashid, chairman of Plews and Edelmann, an auto-parts maker, had assumed the tariffs would bring relief. But he soon discovered that one of his main competitors, a Chinese firm called Qingdao Sunsong, was selling its wares for the same price in America as before the

imposition of a 25% tariff. After a detailed investigation, Mr Rashid alleged that Sunsong was committing trade fraud by routing its shipments through Thailand and slapping made-in-Thailand labels on them. “We built an airtight case,” says Mr Rashid. But Sunsong continues its business in America largely unimpeded.

Other manufacturers have had similar experiences. America’s kitchen-cabinet industry won a trade case in 2020 at the United States International Trade Commission, a federal agency, which then imposed duties of as much as 260% on Chinese producers. Five years on, cabinet imports from

China are well down, which looks like a success. But cabinet imports from other Asian countries are well above what China used to export. “Instead of stopping, China adapted and evaded the duties by funneling their products through Vietnam, Malaysia, Cambodia and Indonesia, and the list goes on,” says Betsy Natz of the Kitchen Cabinet Manufacturers Association. “Once you get the decision, you think you’ve won. But you haven’t.”

In the meantime, the expenses for American companies can add up. Brad Muller of Charlotte Pipe and Foundry, a pipe maker, reckons that his firm and its peers have spent more than \$6m over the past few years on antidumping cases and petitions over the evasion of duties. But this has been like trying to stop water with a sieve: Chinese pipe makers have used networks of shell companies in south-east Asia to bring their products to America. “Despite good-faith efforts of customs officials, they have been unable to stop these illegal trade flows,” says Mr Muller.

These companies, and a handful of others, have joined forces with the Coalition for a Prosperous America, a pro-tariff group, to lobby for legislation. The good news for them is that they are finding a sympathetic audience in Washington—and not just in the Trump administration. A bipartisan committee in the House of Representatives created in 2023 to focus on threats from the Chinese Communist Party has taken up their cause with vigour. This has given momentum to two separate bills in Congress that would strengthen border enforcement. One would create a task force in the Department of Justice to focus on trade-related crime. Another would focus on the demand side, stripping the right to import from people proven to have engaged in fraud.

Given how patchy tariffs have been, it is only fair to ask whether a new task force or extra funding would make much difference. Andrew Boutros, a former federal prosecutor who focused on fraud, notes that the dual threat of much stiffer penalties and enhanced enforcement can bring about changes. “The government can create incentives for companies to do their own investigations, to self-report and to get resolutions,” he says. “The work can be outsourced, as is common in other white-collar enforcement areas.”

There is an irony in the pro tariff crusade. Investors are clearly worried about the economic impact of tariffs. But Americans have not even seen the full effect of the more limited tariffs currently in place: there are too many gaps at the border, rendering them less effective at protecting producers but also less harmful for consumers. If the trade hawks get their way and enforcement improves, many Americans may come to rue their success. ■



Container your excitement

Feelings

Glow-up

Young Americans are getting happier

AMERICA IS IN the midst of an epidemic of mental illness among young people. Few know this better than Daniel Eisenberg. In 2007 the UCLA health-policy professor, then at the University of Michigan, sent a mental-health survey to 5,591 college students and found that 22% showed signs of depression. Over the next 15 years, as new students were polled, this figure grew. In 2022, when more than 95,000 students at 373 universities were surveyed, a staggering 44% displayed symptoms of depression. Then, curiously, the trend reversed. In 2023 41% of students seemed depressed; in 2024, the figure fell again to 38%. Mr Eisenberg is cautiously optimistic: "It's the first time that things are moving in a positive direction."

University students are not the only ones feeling more upbeat. An analysis of

several national surveys by *The Economist* suggests that the brighter mood sweeping across college campuses is part of a broader trend in America. From depression diagnoses to suicides, the data suggest that America's children are feeling slightly more cheery. The trend is a hopeful sign for parents and policymakers, too. But it also raises puzzling questions for researchers. Psychologists have spent years trying to understand how America's young got so gloomy. Now they have to work out what is behind those rosier dispositions.

We examined data from seven different surveys of mental health and wellbeing, as well as suicide rates. On every measure teenagers and young adults have seemed to be doing better in the past few years. In the National Health Interview Survey carried out by the Centres for Disease Control and Prevention, the share of young adults who reported feeling depressed at least once a week fell from 16.5% in 2022 to 13.3% in the most recent data from 2023 (although this is still well above pre-pandemic levels). In 2023 the share of 15- and 16-year-olds who said they don't enjoy life was 24.7%, down from 28.8% in 2021. The suicide rate of 18- to 25-year-olds has also fallen to 16.1 for every 100,000, slightly below the rates from 2017 to 2019.

The shift follows more than a decade in which youngsters' mental health deteriorated on virtually every measure. In 2022 one in six American adults under 25 reported feeling depressed at least once a week, more than double the rate seen ten years earlier; nearly one in ten adolescents said they had been diagnosed with depression. In 2021 more than one in five teenagers reported suffering a "major depressive episode", defined as a two-week period in which they were too sad to carry out everyday activities; around 40% of high-school students said they had persistent feelings of sadness or hopelessness.

Researchers have struggled to explain why young people have become so unhappy. One popular theory, first proposed by Jean Twenge of San Diego State University, and popularised by Jonathan Haidt, a social psychologist at NYU, is that social media are to blame. The decline in teenagers' mental health in the early 2010s, the argument goes, coincided with the rise of smartphones and social-media apps such as Instagram and Facebook. Although many find this theory appealing, the most

rigorous studies, which track teenagers' mood and social-media use over long periods of time, do not find a strong relationship between the use of such apps and subsequent poor mental health.

Part of the rise in mental-health conditions may be caused by changes in how they are defined. Young Americans are both more open about sharing their struggles and have different ideas of what qualifies as poor mental health. Under-25s are much more likely to say weight changes or difficulty concentrating are signs of a mental-health problem, for example. Common experiences are pathologised and therapy-speak has found its way into everyday language. "There's been a reinterpreting of what trauma means," explains Katherine Keyes of Columbia University.

But changing definitions are clearly not the whole story. In 2021 the suicide rate of under-17s was 5.1 per 100,000, up from 3.5 in 2001. The rates for 18- to 25-year-olds rose from 11.6 to 18.1 per 100,000 over the same period. Whatever the cause, there are at last signs that the relentless increase in mental-health problems has stalled or even reversed. Like happiness itself, the causes are mysterious. But that should not stop America celebrating. ■

Happiness...

US mental health, 12- to 18-year-olds

"I have persisting feelings of sadness", % agreeing



"During the last year did you ever seriously consider suicide", % responding yes



Diagnosed with depression*, %



"I enjoy life", % disagreeing†



*12- to 17-year-olds †Average of grades 8, 10 and 12
Sources: YRBSS; NSCH; Monitoring the Future; *The Economist*

...more or less

US mental health, adults

— 18- to 25-year-olds — 26 and over

"I feel depressed weekly", % agreeing



"I have mental-health issues at least four times a month", % agreeing



Suicides per 100,000 people



University students displaying symptoms of depression, %

Sources: BRFSS; CDC; Healthy Minds; NHIS; *The Economist*



Jared Isaacman

High flyer

Meet the billionaire high-school dropout who will lead NASA

IN 2021 JARED ISAACMAN, the man soon to become NASA's boss, bought a 30-second ad at the Super Bowl. Mr Isaacman—a boyish-looking 42-year-old billionaire, jet pilot and one-time owner of the world's biggest private air force—had paid for four seats on one of SpaceX's Dragon spacecraft. Viewers were told that one lucky member of the public willing to donate to St Jude Children's Research Hospital in Tennessee, for which the mission eventually raised over \$250m, would be able to join him and the rest of the crew.

Space tourism is nothing new. But Mr Isaacman was no mere dilettante on a joyride. He is a space enthusiast who believes humanity's destiny is to colonise the solar system, and who is happy to spend his own money to help make it happen. In September last year he was back on the launchpad for the first mission of his private "Polaris" programme, designed to lay the foundations for exploring the Moon and Mars. Polaris was due to culminate, sometime later in the decade, with the first crewed flight of SpaceX's giant Starship rocket, which is designed to ferry humans to Mars.

All that is on hold for now: his new job means Mr Isaacman will be stuck flying a desk for the foreseeable future. Like many of Mr Trump's appointments, he is an outsider to the agency he will be in charge of. Unlike some of them, though, he is not a conspiracy theorist or bomb-throwing MAGA radical. In interviews he comes across as thoughtful and diplomatic. But he is likely to push through big changes at a NA-

SA that has devolved into a vehicle for funnelling pork to contractors as much as an enterprise dedicated to exploring space.

Mr Isaacman grew up in New Jersey. The youngest by eight years of four siblings, he was jealous of his brothers' and sisters' adult freedoms while he was still stuck in school. As he told *The Green Dot*, an aviation podcast, in 2024, "I had to raise my hand to go to the bathroom....they were out living their lives." He left school as soon as he could, at 16, for a job doing IT support at a payment-processing firm. Mr Isaacman soon realised he could greatly streamline the clunky process of setting retailers up with credit-card terminals, and left to start a payments firm of his own from his parents' basement. These days, Shift4 Payments is worth \$8bn and employs around 4,000 people.

The teenage entrepreneur worked himself hard. One day Mr Isaacman woke up after falling asleep at his keyboard and decided he needed a hobby. A fan of the film "Top Gun" and a keen player of flight-simulator video games, he drove to a local airport and signed up for flying lessons, starting in propeller-driven Cessnas before graduating to jets.

In 2010 he helped found the Black Diamond Jet Team, an aerobatics group that performs at air shows around America. These days his pride and joy is a Soviet-built MiG-29, a Mach-2 fighter jet which he bought from Paul Allen, one of Microsoft's founders. The hobby spawned another business, too. Draken International, which

was sold to Blackstone in 2020, uses a fleet of surplus military jets to give America's air force adversaries to train against.

His experience as an entrepreneur will inform what Mr Isaacman does with NASA. Like many space enthusiasts, he dislikes the "Old Space" establishment: big firms such as Lockheed Martin or Boeing, which receive billions from NASA to build rockets. As he told *MECO*, another space podcast, last year, the cost-plus contracts those firms are awarded, and a congressional tendency to treat them as job-creation programmes, mean "they are incentivised to accomplish very little."

He puts his faith instead in a newer generation of entrepreneurial space start-ups: firms like Rocket Lab, Firefly Aerospace and Stoke Space. Many of these have been nurtured by NASA, which has given them fixed-price contracts to do things like fly cargo to the International Space Station or take scientific probes to the Moon. The standout success has been SpaceX, which has slashed launch costs, pioneered reusable rockets and built the Starlink satellite-broadband service.

Assuming the Senate confirms him, Mr Isaacman is likely to double down on support for the insurgents. NASA's Old Space-powered Artemis Moon programme will probably get chopped back. The Boeing-made SLS rocket at its heart might be scrapped altogether. He is particularly enthused about Starship. Its combination of mass production, a huge payload and a bargain-basement price could, he has said, "open up the entire solar system".

Turbulence ahead

But it will not just be boldly going where no man has gone before. Rumours in Washington are that Mr Trump's first budget will require huge cuts—numbers up to 50% have been mooted—in NASA's science budget. Those are likely to fall most heavily on climate research, long a bugbear among Republicans. But they could also require shuttering things like space telescopes and Mars probes. Reworking NASA's human spaceflight projects while managing a depressed and fearful science directorate would tax even the most experienced administrator.

The biggest question is the extent to which Mr Isaacman will prove to be his own man, rather than simply a cipher for the views of Elon Musk, SpaceX's boss, with whom he is closely associated. The idea that NASA could benefit from working even more closely with young, hungry companies is probably correct. But Mr Musk, whose role as one of Mr Trump's closest advisers has made him a divisive figure, stands to benefit personally. Mr Isaacman has said he finds flying jets a good way to escape the stresses of life. Flying desks may have the opposite effect. ■

LEXINGTON

Protesting too much

Donald Trump is setting new boundaries for political speech



PICK YOUR most bracing defence of freedom from the Trump administration: here is the vice-president, J.D. Vance, lecturing Europe for having the arrogance to judge “hateful content” and the fragility to fear speech by foreigners. There is Elon Musk, punning on Nazi names to mock people so prudish as to take offence at his straight-armed salutes. Or, most radical, there is President Donald Trump himself, proclaiming he was erasing “a grave national injustice” by pardoning people who protested against his defeat in 2020 by storming the Capitol while chanting racist slurs and calling for Mike Pence, then vice-president, to be hanged.

Pretty strong stuff. But maybe Mr Trump believes that only through such tough stands could he have “stopped all government censorship and brought back free speech in America”, as he put it in his address to Congress on March 4th. Yet how to square such extremism in defence of liberty with the administration’s attempt to deport a student who helped lead campus protests against Israel and the war in Gaza?

By now you’ve probably heard the story: how Marco Rubio, the secretary of state, revoked the green card of Mahmoud Khalil, who recently completed a graduate degree at Columbia University, without a hearing or even his knowledge; how Mr Khalil, who has apparently not been charged with a crime, was then handcuffed on March 8th on returning home from dinner with his wife, an American citizen who is eight months pregnant, and bundled off to a detention centre in Louisiana; how a New York judge ordered him held there pending further proceedings.

It’s all pretty stunning. It may also prove to be legal, even if the Trump administration never establishes Mr Khalil protested in ways unprotected by the First Amendment or otherwise broke the law. And that would be the most alarming development of all, for what it would show about how much power a president has to constrain speech. Since the Red Scare in the 1950s, American presidents have not tried to use their authority this way, lending at least implicit support to a consensus in favour of a permissive standard for protest and for speech in general. But Mr Trump is invoking tremendous authority over what speech is acceptable. To make matters worse, the standards he is setting are vague, leaving it to

each potential future protester to guess what words might bring down the hammer of the state. On Truth Social, Mr Trump called Mr Khalil “a Radical Foreign Pro-Hamas Student” and added “this is the first arrest of many to come” of students “who have engaged in pro-terrorist, anti-Semitic, anti-American activity”. The administration has yet to describe at what point Mr Khalil crossed those lines or where anyone else might.

Deporting foreign-born protesters may seem like an America-First speech policy, but this has the hallmarks of being Trump-first. It is one of several steps by Mr Trump that seem likely to serve his politics by constraining freedoms of speech and association, on campus and off, for aliens and citizens. He has threatened to punish universities that permit “illegal” protest, leaving it to them to guess what he means. His administration cancelled \$400m in grants to Columbia (where Mrs Lexington is on the staff of an institute), saying it had not done enough to protect Jewish students. The administration said it would scrutinise nine more schools for antisemitism, leaving mysterious the standards by which they would be judged or even why they were chosen.

On March 6th Mr Trump signed an order directing federal agencies to strip contracts and security clearances from Perkins Coie LLP, a law firm, accusing it of “dishonest and dangerous activity”. The order cited past legal work on causes associated with Democrats. That followed a narrower action against another firm, and Mr Trump warned he would be “going after” others. The crackdown is scaring big firms away from joining in litigation against the administration, according to the *Wall Street Journal*.

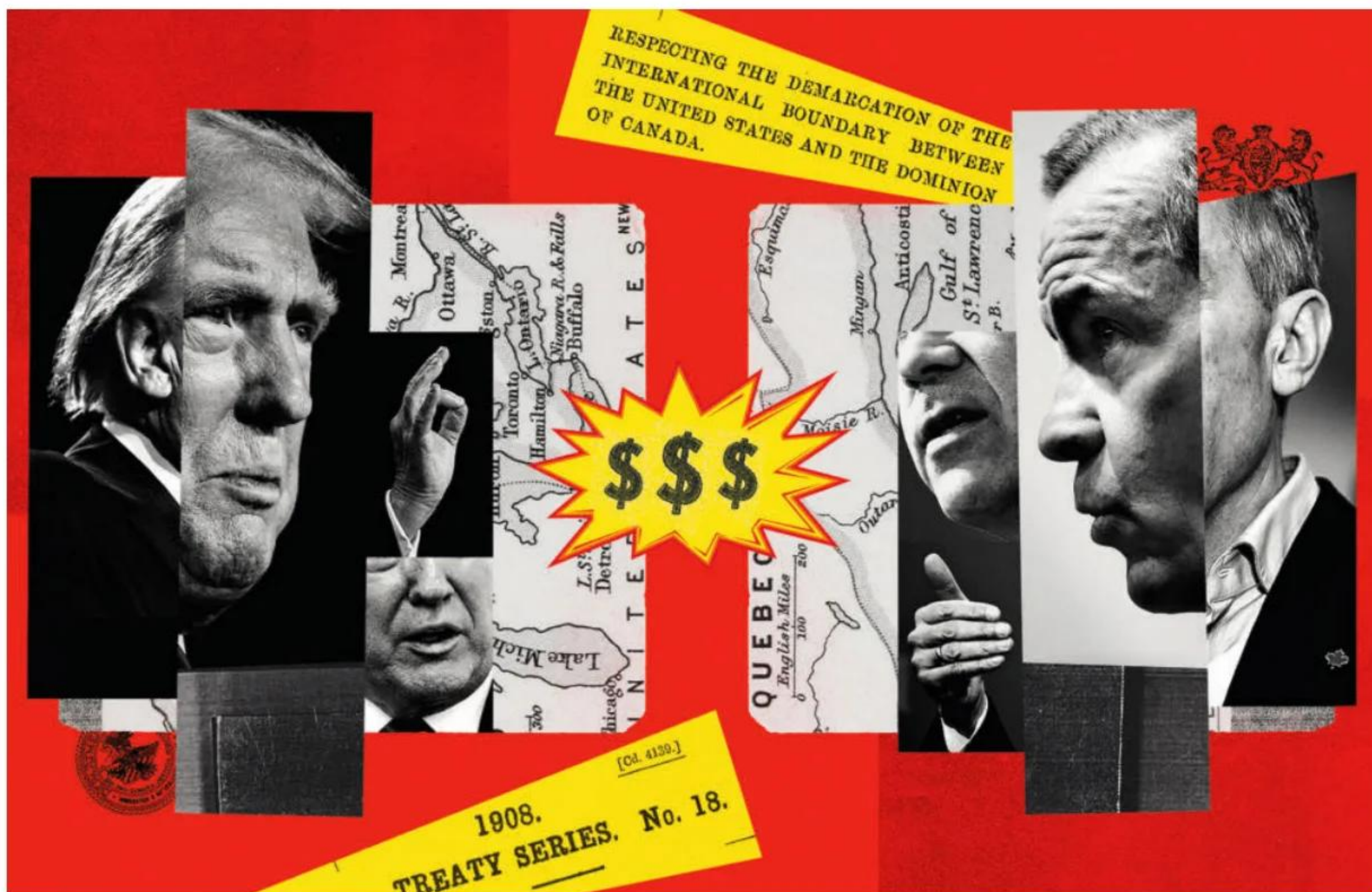
On March 7th Mr Trump signed an executive order to narrow the definition of “public service” under which some workers may have federal student debt forgiven. Mr Trump forbade relief to workers at “activist organisations” that, for example, engage “in a pattern of aiding and abetting illegal discrimination”. That appears to be code for having a diversity, equity and inclusion programme. Mr Trump may have good arguments against these organisations, as well as against universities that indulged antisemitism and rancid anti-Israel protest while tightly policing other bigotry and speech. But he is not making arguments. He is using his office to diminish perceived ideological opponents and redraw the boundaries of American debate.

A loss for words

Popular support for free speech has been eroding, to judge by a forthcoming study from The Future of Free Speech, a think-tank. Since the previous survey, in 2021, America had the third-largest decline in support for free speech among 33 countries, behind only Japan and Israel. America ranks 9th, after some of the European countries Mr Vance criticised. Jacob Mchangama, the executive director of the think-tank, fears that even if the Supreme Court eventually upholds America’s present standards for speech, the culture that has supported it may change as self-censorship takes hold. Many people, he says, will think it’s not “a great idea to be on the receiving end of the ire of a president who is not above using the law to go after his enemies, real or perceived.”

For his part, Mr Musk, secure in his billions, his federal office and his ownership of X, luxuriates in the right to speech. On March 10th he called Senator Mark Kelly, a former Navy pilot and astronaut, “a traitor” for visiting Ukraine and daring to express support for it. How many Americans would level such an accusation at this president without fear? ■

The Americas



Allies in the Americas (1)

The end of trust

OTTAWA

Canadian officials ask how far Donald Trump will go to fulfil his annexation dream

THESE ARE dark days," Canada's prime minister-designate, Mark Carney, told a hushed gathering of party faithful on March 9th. "Dark days brought on by a country we can no longer trust."

In normal times Mr Carney might have celebrated his ascent to the peak of Canadian politics (see story on next page). Instead he was foreboding. An escalating economic war with the United States has Canada's trade, security and intelligence officials asking questions that were unthinkable before Donald Trump's election. What might America's president do to force Canada to become the "cherished 51st state"? How can Canada prepare for adversity rather than an alliance across the world's longest undefended border?

Wayne Eyre, who retired as Canada's top general in 2024, says his country no longer has "a benign superpower to the

south". "For far too long we've had a case of strategic apathy, bordering on strategic negligence," he says. "Hopefully now this is a call to strategic action."

No one in Canada's defence establishment believes that Mr Trump is preparing a land invasion. Any battle for Canada would see the defending nation staggeringly outmanned. The Canadian Armed Forces has 63,500 personnel to America's 1.3m active-duty soldiers. But as Trump appointees have taken up responsibilities at the pinnacle of the Pentagon, the CIA and Immigration and Customs Enforcement, their Canadian counterparts have started

to whisper among themselves, wondering whether they can trust the Trump team with Canada's secrets and security.

The MAGA rhetoric makes a bad situation worse. To wit, Kristi Noem, the US secretary of homeland security, who is responsible for securing the borders of the United States against foreign attack. In January Ms Noem danced back and forth over a piece of tape fixed to the floor of the Haskell Free Library and Opera House which marks the border between Vermont and Quebec, repeating her boss's annexation taunt with each jurisdictional hop: "USA number one...the 51st state."

Canadian officials were appalled. They should not have been surprised. Mr Trump's scorn for Canada has been consistent. On February 3rd, during a phone call with Canada's outgoing prime minister, Justin Trudeau, the American president reeled off a list of trade irritants. Then, with a tone that sounded like an afterthought, according to a senior member of Mr Trudeau's staff, Mr Trump raised the treaty signed in 1908 by Theodore Roosevelt and King Edward VII that finalised the border between the two countries. "He didn't threaten to tear up the treaty," says the staffer. "He said, 'Hey Justin, you know about this 1908 treaty that governs the bor- ▶▶"

→ ALSO IN THIS SECTION

25 Victory for Mark Carney

26 Panama's giveaway game

der? It's very interesting.' He was clearly trying to soften us up and scare us."

Mr Trump has not tempered his territorial ambitions since that call. He has amplified them. On March 11th he posted a misty vision of what the new country would look like to his social-media feed: "The artificial line of separation drawn many years ago will finally disappear, and we will have the safest and most beautiful Nation anywhere in the World."

The threats made by Mr Trump and his cabinet are damaging a relationship that tightened after the second world war, when Canada and the United States set up organisations to co-operate on defence and security. The North American Aerospace Defence Command (Norad) was established in 1958. With an American commander and a Canadian deputy, its job was to respond to the threat of Russian missiles and bombers.

Norad's role was later expanded to aerospace and maritime protection for all of North America. Soldiers from both countries work side by side on joint air patrols and along the border. "The Canadian armed forces can plug-and-play with their US counterparts," says Philippe Lagassé, an academic who advises the Canadian government on military procurement. Canadian defence officials say their senior American counterparts are queasy about Mr Trump's efforts to hobble an ally. "They're horrified," says one. "They know that weakening your allies emboldens and opens doors for your enemies."

The relationship covers intelligence too. Sensitive information gleaned from agents, as well as ground stations and satellites bristling with antennae, is readily shared. It was American intelligence agencies that initially captured recordings of the hitmen who planned and carried out the murder of Sikh-independence firebrand Hardeep Singh Nijjar in British Columbia. Canada used that intelligence to make the case that the Indian government was behind the killing. Spooks on both sides of the border are unsure whether the Trump appointees have the temperament to handle such sensitive information.

Canada is a net importer of intelligence from the United States, but it does have its own bespoke capabilities in signals intelligence. "The Americans would find themselves deaf and blind in some parts of the world without us," says Jody Thomas, who was Mr Trudeau's national security adviser. "Canada is, for instance, their eyes and ears in the Arctic. They would also find themselves missing crucial information in the maritime approaches to the continent."

The Arctic is North America's empty, vulnerable attic. A warming planet means that it is ice-free and navigable for much longer stretches of time. Chinese research ships with close ties to the People's Libera-

tion Army have been taking advantage of this. They increasingly make forays into Canada's northern waters, setting out from Russia's Arctic ports. Intercontinental ballistic missiles and fearsome hypersonic missiles headed for the United States would arrive over Canada's Arctic.

General Gregory Guillot, the head of the US Northern Command and of Norad, told a security conference in Ottawa on March 5th that Canada's contribution to continental defence is invaluable. He is eager to strengthen a relationship that is fraying at the political level, encouraging Canada's interest in helping develop Mr

Trump's "Golden Dome" seabed-to-space missile-defence shield.

Mr Trump has justly pilloried Canada for failing to meet its NATO commitment to spend 2% of its GDP on defence. Mr Carney has promised to accelerate military procurement to get there by 2030, two years faster than his predecessor.

Some of America's allies have opted for flattery to fend off Mr Trump's tariff threats. Canada, facing open attacks on its sovereignty, has opted for defiant retaliation. The relationship between North America's defenders, once seamless, is suddenly popping its stitches. ■

Canada's new leader

From banker to brawler

OTTAWA

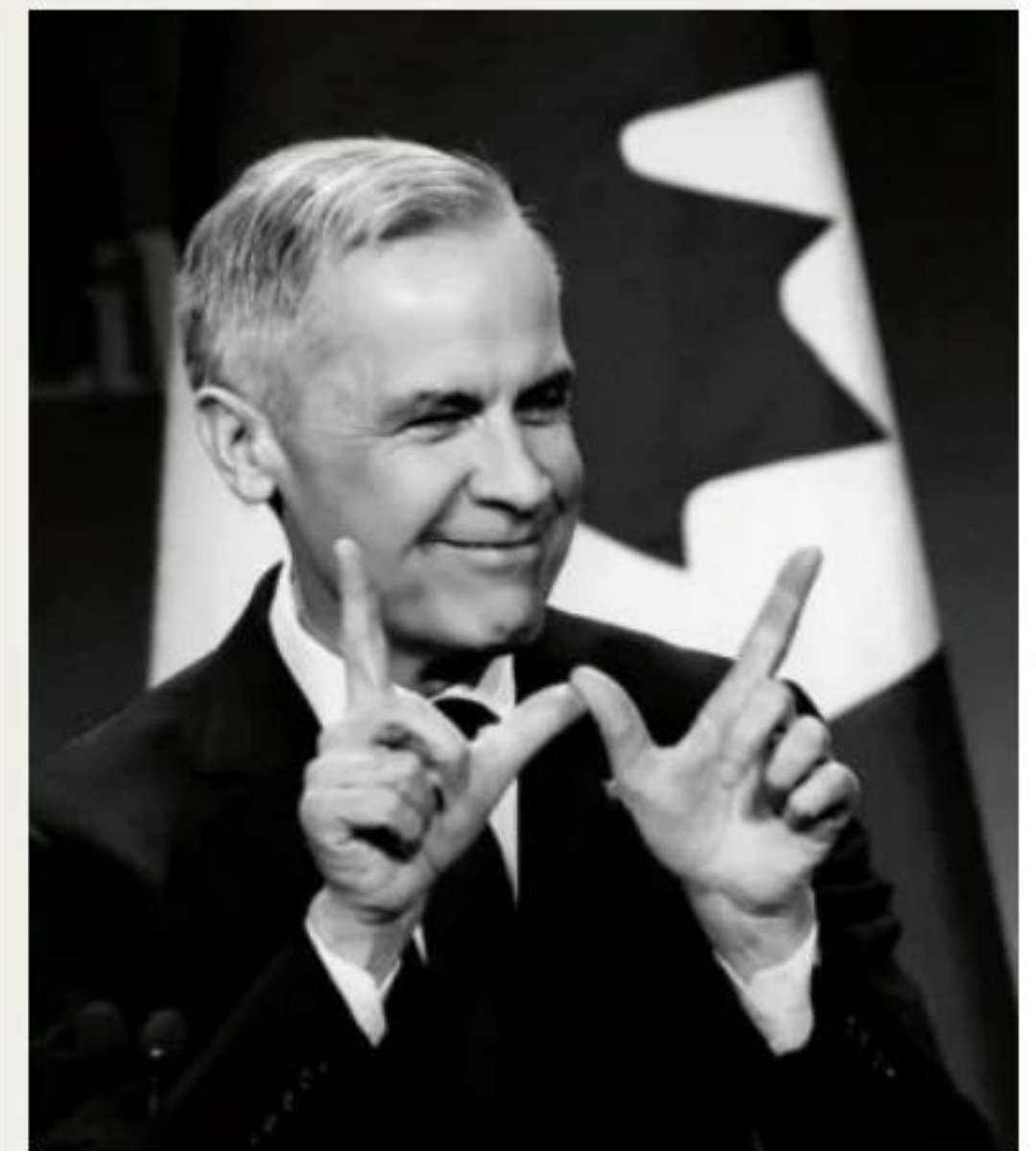
Mark Carney has momentum as Canada gears up for a general election

AS MARK CARNEY celebrated his crushing win in the race to succeed Justin Trudeau as leader of Canada's Liberal Party—and thus soon become the country's 24th prime minister—Canadians might have been forgiven for wondering which version of their former central banker they will get.

At times during his campaign the bookish Mr Carney struck the pose of a defiant brawler. That is fitting for a former ice-hockey player—and someone preparing to go into battle on two fronts. At home, he will need to convince Canadians to vote again for a Liberal Party that has been in power for a decade. An election could be called imminently, and the Conservative opposition has until recently been rampant in the polls. He will also need to best a foe not running in the election: Donald Trump.

In his victory speech Mr Carney said he believed the American president's threat to annex Canada was credible. "The Americans want our resources, our water, our land, our country," he told his audience. "If they succeed, they will destroy our way of life." As a result, he said, Canada's volley of tariffs on imports from the United States worth C\$30bn (\$21bn) would remain in effect until "the Americans show us some respect". As Mr Carney stood firm, Mr Trump swivelled, placing more tariffs on Canada and then removing them, all within 48 hours of Mr Carney's victory.

In many ways it is remarkable that the normally undemonstrative 59-year-old is in a position to issue such fighting talk. Last July, five months before Mr Trudeau announced that he was stand-



Winning

ing down, a nationwide poll found that 93% of Canadians had no idea who Mr Carney was when shown his picture. Yet he won an astounding 86% of the votes cast in the Liberal leadership race. His party has enjoyed a Lazarus-like revival, too. At the end of 2024 *The Economist's* poll tracker gave the Conservatives a 24-point lead over the Liberals. The gap is now just five points.

Mr Carney will be sworn in on March 14th. He will name a slimmed-down cabinet, then take a few days to decide whether he will let parliament reconvene as planned on March 24th, or dissolve it and call an election for late April or early May. Mr Carney has won his first bout handily. He will need fortitude for the brawls to come, against Conservative leader Pierre Poilievre and Mr Trump.

Allies in the Americas (2)

The giveaway game

PANAMA CITY

Panama has made a series of concessions to Donald Trump. It has not helped

HE COULD HAVE declared victory. On March 4th Donald Trump stood to address the US Congress hours after BlackRock, an investment firm based in New York, announced that it would acquire two ports at either end of the Panama Canal from CK Hutchison, their Hong Kong-based operator. It was Mr Trump's biggest triumph yet in his campaign to increase American influence over the canal, which he has pursued since his election as president in November. But instead of crowing, Mr Trump doubled down, and repeated his intention to reclaim the waterway. His secretary of state, Marco Rubio, would be "to blame if anything goes wrong".

Mr Trump has shown that threatening Panama's economy and national identity can yield major concessions from its government. Panama has not just pushed through the sale of the canal ports since Mr Trump took office. It has supported his efforts to deport migrants who entered the United States illegally. It has accelerated plans to invest in infrastructure to solve water-supply issues on the canal which have irked American officials. So far, Panama has received nothing in return, not even a cooling of Mr Trump's rhetoric.

Panamanians might have thought that their fondness for the world's most powerful country would protect them from this kind of shakedown. Last year some 90% said Panama had a good relationship with the United States. But as it turns out, in Mr Trump's world, allegiance paints a target on your back.

Panama was already working to address American interests before Mr Trump's election. José Raúl Mulino, the president, had cracked down on migration through the Darién Gap, a stretch of dense jungle that separates Colombia and Panama. Following Mr Rubio's visit to Panama in February, Mr Mulino agreed to beef up a migrant-detention centre and an airport runway in Darién province, and to take 299 people, deported from the United States, who came from countries as disparate as Iran, China and Afghanistan.

American pressure also appears to have speeded up the long-delayed construction of a dam designed to address the canal's water-supply problems, a Trumpian bugbear. When water levels are low, passage through the canal is curbed and some spots are sold by auction. In November 2023 one firm shipping American LNG

paid a record \$4m for this privilege. A day after Mr Rubio met officials of the Panama Canal Authority (ACP) in February, people living in the area to be flooded by the dam were told that funds for its construction—and their resettlement—had been approved. The ACP denies that the decision was related to Mr Rubio's visit.

But the biggest concessions have been to do with Chinese influence in Panama. Immediately after meeting Mr Rubio, Mr Mulino announced that Panama would not renew its membership of China's Belt and Road Initiative. But that was still not enough for the Trump administration. The fact that CK Hutchison ran ports on either end of the canal was unacceptable, because of the spectre of Chinese influence. So work continued on a deal whereby a BlackRock-led consortium agreed to a price of \$22.8bn for Hutchison's 90% stake in two Panamanian ports, and its 80% interest in 43 others around the world.

Conciliation's costs

As Mr Trump continues hammering Panama, its government seems flummoxed. Mr Mulino's conciliatory strategy does not appear to be working, and he is now being criticised for making concessions while getting nothing in return.

Short of an invasion, there are three ways Mr Trump could pursue further influence over the canal. None are palatable to

the Panamanians. The simplest is to demand a reduction in canal-transit fees for carriers of American LNG, or free passage for US Navy vessels. Another option is to renegotiate the treaty which governs the canal so as to favour American shipping. That would leave other interested parties to decide whether to take legal action. The most drastic option would be for America somehow to get a stake in the canal itself, and hence a say in its operation. That would seem to breach Panama's constitution, which says the canal is the "inalienable patrimony of the Panamanian people".

To avoid these outcomes, Panama could agree to take more third-country migrants from the United States. (Mr Mulino insists that his acceptance of deportees was a one-off.) A contract to build a bridge over the canal, currently held by a Chinese firm, could be offered up. Finally, there is Panama's huge copper mine, Cobre Panamá, which was shut down in November 2023 because of public protests. There is a good deal of American money invested in the mine. Tristan Pascall, the boss of the firm that owns it, has said there is a deal to be done which is in both Panama's and America's interests.

Mr Mulino may need to alter his tactics, though. It was a mistake to deal with Mr Rubio, rather than talk directly to his boss, says Rodrigo Noriega, a Panamanian lawyer and political analyst. Mr Mulino could follow the example set by Mexico's president, Claudia Sheinbaum, who deals with Mr Trump as publicly as she can, negotiating with him over the phone and then quickly announcing what was discussed. Panama could also close ranks with Canada, Denmark and Mexico to present a united front. That might get Mr Mulino closer to a "deal" that Mr Trump would be happy with—and which might just last. ■

**The shape of a shakedown**

Asia



America's allies

Spokes without a hub

SEOUL AND TOKYO

How dangerous would Asian security be without America?

AFTER RUSSIA invaded Ukraine in 2022 Kishida Fumio, then Japan's prime minister, repeated a warning: "Ukraine today could be East Asia tomorrow." He was implying that China might use force to take control of Taiwan. But as Donald Trump turns the screws on Ukraine, the phrase has taken on a new meaning. What if the risk is America abandoning its allies and friends in Asia, too?

Europeans are quickly facing up to all the uncertainties (see Briefing). In Asia, the risk of American retreat seems more remote. If America views China as a threat, it cannot afford to alienate Asian partners. America will "not abandon" the Indo-Pacific, Taiwan's defence minister said earlier this month. Security assistance to Taiwan and the Philippines was exempted from America's recent foreign-aid freeze. "The situation here is different from Europe—China poses a major strategic challenge to America," says Sasae Kenichiro, a former

Japanese ambassador to America.

Alliance structures would be hard for Mr Trump to dismantle at a whim, and without congressional approval. America has dozens of bases on the territory of its Asian friends, and some 90,000 troops stationed at them. Despite Mr Trump's unconventional diplomacy in Europe, military relationships in Asia have continued to function normally. Just two days after Volodymyr Zelensky, Ukraine's president, was berated in the Oval Office, an American aircraft-carrier made a scheduled call at a port in South Korea.

Yet even in Asia, a reckoning with the

new Trumpian America is beginning to take place. The showdown between Mr Trump and Mr Zelensky "shows that South Korea's national interests and security could be compromised at any time", declared Ahn Cheol-soo, a lawmaker from South Korea's conservative ruling party. Some fear that Mr Trump's eagerness to strike a deal with Vladimir Putin may herald a willingness to do the same with Xi Jinping or Kim Jong Un.

At the very least, Asian allies will not be spared Mr Trump's transactionalism. This month he railed against South Korea's purported tariff barriers and complained that America's alliance with Japan is unfair. "Not only European countries but Japan, too, is being forced to build international relations on the premise that it cannot rely on the United States," writes Fujiwara Kii-ichi of the University of Tokyo.

What can Asian allies do? One response is to try to stay in Mr Trump's good graces. Flattery and promises of new investments in America seem to help. Mr Trump wants Japan and South Korea to back a big new pipeline for liquefied natural gas from Alaska. Asian allies have some leverage of their own, as key players in industries from shipbuilding to semiconductors. They can also begin to diversify risks. Choi Yoon-jung of the Sejong Institute, a South Korean think-tank, calls for adopt-

→ ALSO IN THIS SECTION

28 Duterte v the ICC

29 India's beautiful airports

30 Banyan: The MIGA world



► ing an “America +1 strategy”.

But the balance of power is harsher for American allies in Asia than in Europe. “Even if we do more for ourselves, that doesn’t mean we’ll be OK on our own,” says Hikotani Takako of Gakushuin University in Tokyo. Excluding America, the defence spending of the remaining NATO allies is still three times that of Russia, while the cumulative defence spending of America’s treaty allies in Asia (Australia, Japan, the Philippines, South Korea and Thailand) is less than half of China’s. In order for the combined sum to equal China’s defence spending, those allies would all have to spend more than 3.5% of GDP on defence (only South Korea spends more than 2%).

Existing plans to build up conventional armed forces can be speeded up. Japan, for example, aims to raise defence spending to 2% of GDP by 2027; Australia is building its largest naval fleet since the second world war. Yet such plans are largely designed to complement American power, not to replace it. Japan is acquiring long-range missiles, but they will require American intelligence for targeting; Australia is counting on America to help build nuclear submarines under the AUKUS pact.

Another answer is more co-operation among Asian allies themselves, and with European countries. France recently sent an aircraft-carrier strike group to the Pacific Ocean for the first time in more than 50 years. South Korea’s foreign minister has been touring Europe this month. Ishii Masafumi, a former Japanese ambassador, argues that responding to “America’s wolf warrior diplomacy” requires imagining novel diplomatic configurations: what about an “Asian Quad” comprising Japan, India, Australia and Indonesia?

But in Asia the only military alliances are bilateral ones with America. This “hub and spokes” system amounts to little more than a pile of sticks without a hub. European navies’ port calls are encouraging, but carry no commitment. NATO has two additional nuclear powers in France and Britain; Asian allies rely solely on America’s nuclear umbrella. If America withdraws, “Asia will be dominated by Chinese influence,” says Kanehara Nobukatsu, a former Japanese official.

In such a situation, some will shift to accommodating China. Others may look to an independent nuclear arsenal as the ultimate security solution. In South Korea such conversations have been bubbling for years, and have accelerated in recent weeks. Even lawmakers in the left-leaning Democratic Party, which tends to be opposed to nuclear armament, have called for starting discussions on nuclear-policy options. Voices across the political spectrum now advocate for South Korea at least seeking the ability to reprocess spent fuel from its civil nuclear industry, which

would give it access to fissile material, reducing the time it would potentially take to build a bomb. (Japan already possesses this “latent” nuclear capability.)

In Japan debates are more muted. The legacy of the atomic bombings of Hiroshima and Nagasaki still looms large. But the first weeks of Trump 2.0 have policymakers thinking and talking more about the problem. “Nuclear weapons are something that Japan should discuss—there should be some other way beyond extended deference,” says a source close to the Japanese government. Public opinion may change if South Korea chooses to go nuclear. Others in the region may try to follow. ■

The Philippines

A strongman in the world court’s dock

SINGAPORE

Why Rodrigo Duterte’s arrest matters

WHEN THE former president of the Philippines was arrested on the morning of March 11th as he stepped off a plane in Manila, the capital, hundreds of supporters thronged outside the airport to protest. Their hero, Rodrigo Duterte, had been denied due process, they claimed.

It was an ironic complaint. Mr Duterte urged the police to commit thousands of extrajudicial killings when he was in office. In his winning election campaign in 2016 he told crowds he would kill so many people that the fish in Manila Bay would grow fat on their bodies. In November 2024, before a congressional committee, he admitted he had ordered the killings, and made



Losing his grip

no apologies for it. He claimed his hit squads went only after drug-traffickers.

But the dead received no trials; many were deemed guilty by suspicion. Officially, over 6,000 died; the International Criminal Court (ICC) in The Hague says the real total may have been in the tens of thousands. Mr Duterte was detained by Philippine officials acting on a warrant from the court. They flew him to the Netherlands the same day. By the evening of March 12th, he was in the court’s custody.

This highlights both the strengths and weaknesses of international justice. On the one hand, a leader who ordered thousands of deaths without a shred of due process now faces a proper trial and perhaps a long jail term. That could make other thugs in high office think twice before committing similar outrages. On the other hand, the case is going ahead only because the political winds in the Philippines have changed.

Mr Duterte, who remained popular throughout his drug war, stood down in 2022 because of term limits. He was succeeded by Ferdinand Marcos junior, a son of a former president. Mr Duterte’s daughter, Sara, was elected separately as vice-president. This dynastic alliance kept Mr Duterte safe for a while: Mr Marcos refused to co-operate with the ICC. But then the two families fell out.

Mr Marcos’s foreign policy was one source of tension. Mr Duterte had pushed America away and sought closer relations with China. Mr Marcos did the opposite, calling out China’s bullying of Philippine vessels in the South China Sea. In June 2024 Sara Duterte resigned from the cabinet. In November she warned that if she were herself killed she had arranged for President Marcos to be assassinated. In February the lower house impeached her for making this threat.

The ICC generally lacks jurisdiction over countries that have not signed up to it. Mr Duterte pulled the Philippines out of the ICC treaty halfway through his time in office, so it can prosecute him only for alleged crimes committed before then.

In any case, Donald Trump’s America has grown sharply more hostile to the court. It has never signed up to the ICC, for fear that American soldiers overseas might be subject to politicised prosecutions. But Mr Trump has gone further than previous presidents. On February 6th he announced sanctions on the ICC’s chief prosecutor, Karim Khan, over what he called “illegitimate and baseless actions targeting America and our close ally Israel”.

Attacking the ICC reflects the new mood in the White House and elsewhere. Though the long arm of international law can still sometimes catch malefactors from smaller countries, the big powers and their clients are still largely out of reach. Mr Duterte, for the time being, is on his own. ■

Infrastructure and aesthetics

Gate expectations

KEMPEGOWDA INTERNATIONAL AIRPORT, BANGALORE

What India's beautiful airports reveal about the country

AIR TRAVEL in India can be frustrating. Flights at major airports are often delayed. Security protocols vary from one city to the next. The price of an airside beer would cause blushes even at Heathrow. Yet there is a redeeming factor that compensates for the annoyances: Indian airports are some of the most beautiful in the world. They reveal what India is capable of—and where it falls short.

Around the world modern airports are variations on a glass-and-steel theme, usually with lots of white everywhere. Rising nations tend to pour money into erecting extravagant things. As countries in Asia and the Middle East grew in economic power over the past quarter-century, they signalled their new importance by building monumental terminals.

Qatar, long determined to punch above its geopolitical weight, opened Hamad International in 2014. Under Recep Tayyip Erdogan, who has overseen a building boom, Turkey inaugurated an airport in Istanbul, one of the largest in the world, in 2018. China's Beijing Daxing, finished the following year, is all soaring arches, luscious curves and soft edges. Sleek, modern and ambitious, the airports proclaim themselves and their countries as the future.

Not in India. Bangalore's Terminal 2, which opened in 2023, was designed as a "terminal in a garden", a nod to the verdant metropolis's reputation as a "garden city". It is different from anything in China or the Middle East. As a statement, its vision is less sci-fi spaceship than prelapsarian arcadia. Earthy tones dominate the colour palette. There are splashes of green where the ample foliage emerges from gigantic hanging planters. Beams are covered in bamboo, giving the impression that the whole thing is made of organic materials.

Renewing the past

Bill Drexel, an American think-tanker who recently visited India, recalls being "blown away immediately" by Bangalore's new terminal. That, he adds, "was particularly remarkable because I arrived in the wee hours...and would have much rather been asleep". Tanner Greer, an analyst who took part in the same trip, wrote that "Aesthetically, Indian futurism is very pleasant. It fares well in contrast to Chinese futurism, which is raw and ugly."

The first major new terminals to open in India's modern airport-building boom

aspired to be like those Chinese ones. Airports in Bangalore and Hyderabad, opened in 2008, are standard-issue glass-and-steel. Delhi's shiny Terminal 3, opened in 2010, has a similar aesthetic, distinguished only by its infamously ugly carpet.

Mumbai's Terminal 2, completed in 2014, marked a turning-point. The predominant material is concrete. Its reigning motif is the feather of a peacock, India's national bird. The motif is visible in the detailing of the huge columns that hold up the roof, in the light fixtures, even in the signage. GVK, the conglomerate that commissioned the terminal, wanted to ensure that when someone arrives at the airport they will instantly know they are in India, says Derek Moore of SOM, the American firm that designed it. Bangalore's second terminal, also by SOM, followed suit. For Mr Moore, the two projects were "the high points of my career".

Goa's second airport, opened in 2023, is another example. Its interior is embellished with the façades of Portuguese-influenced homes found in the state. Cheerful bunting is everywhere. A second airport for Mumbai, scheduled to start operations in May, uses as its motif the lotus, India's national flower. Designed by Zaha Hadid Architects, a British firm, it, too, is guaranteed to be distinctive.

The design of India's airports reveals deeper truths about the country, among

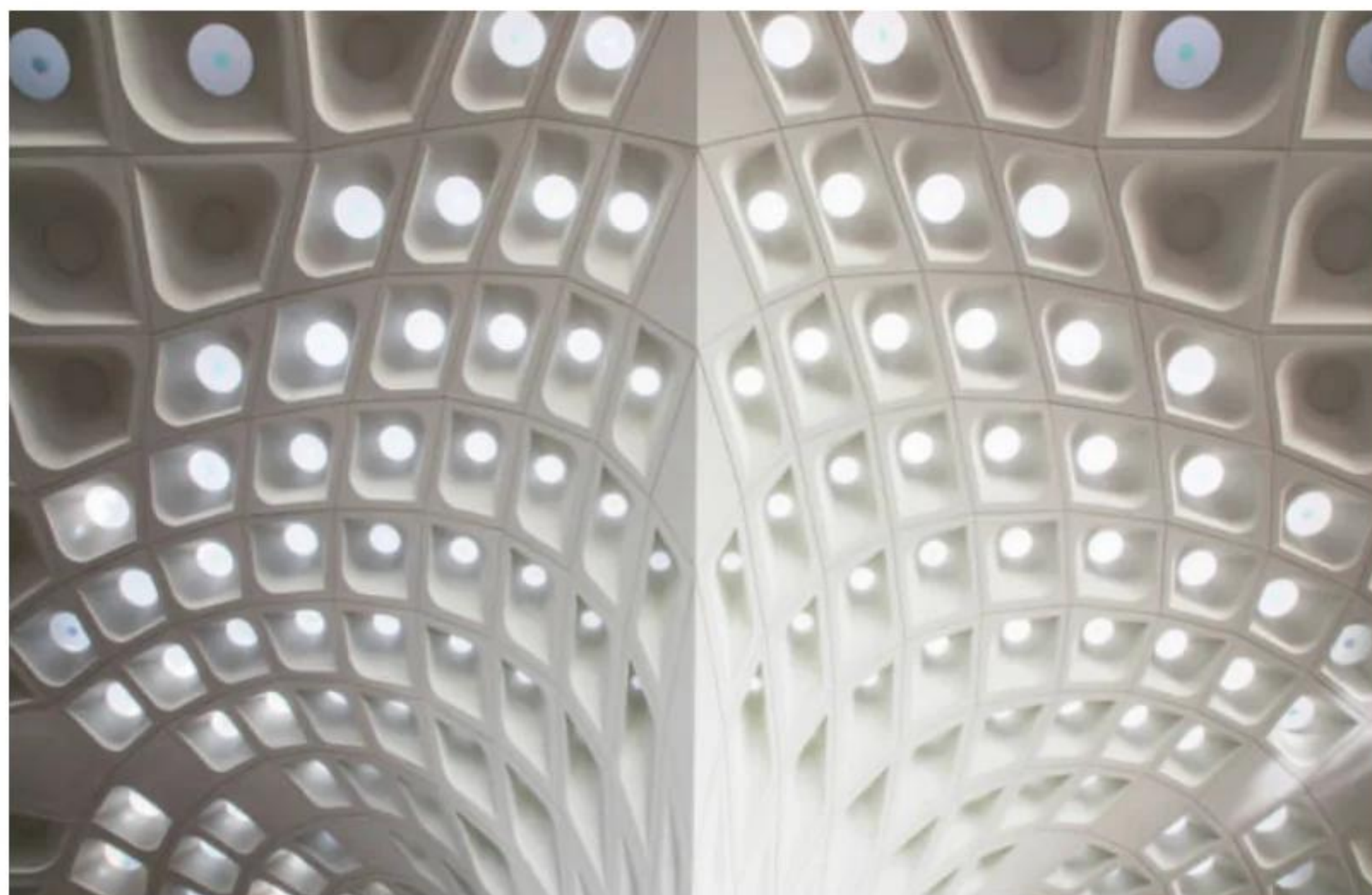
them a willingness to allocate money to beauty, or at least decoration. Across India, even the most mundane underpasses and bridges are covered in bright murals of tribal art, local landmarks or abstract designs. In Mumbai pillars holding up the metro rail now being built have already been festooned with patterns. Not all of it is attractive, but it is never boring.

Prettying up infrastructure raises costs, although not by much. Mr Moore reckons that the aesthetically pleasing extras are unlikely to have added more than 1-2% to the overall cost of Mumbai's or Bangalore's terminals, compared with an unornamented design. Yet 1% is not nothing in what remains an extremely cost-conscious country. Government authorities and private firms believe the expense is worth it.

It's what's on the inside that counts

A second insight is that India is unwilling to forsake its history and traditions in pursuit of modernity. GVK's vision for Mumbai's Terminal 2, says Mr Moore, was that it "needed to embody the heritage of India" while also being contemporary. The firm's designers were taken on a tour of historical sites to serve as inspiration. China's attitude, says Mr Drexel, who has spent time in both countries, is "we want to be at the top for looking more modern than anybody", whereas India's is "we want to be ourselves, we want to be congruent with the traditions of our national culture."

Lastly, India's airports exemplify the power of privatisation. Until the turn of the century the state operated every airport in India, and most were awful. Massive amounts of investment poured in after each privatisation. But the job is incomplete. State-run airports and other public buildings—new railway and metro stations, especially—are an eyesore. No less



A feather in India's cap

► important is the quality of construction. “A lot of stuff coming up is awful: poorly designed, poorly detailed and poorly constructed,” says Bimal Patel, an architect and urban planner.

Government projects are afflicted by many ills, including poorly designed contracts, inflexible requirements and corruption. Corners are cut. Last year three airport canopies collapsed in heavy rains (including one at the privately run Delhi airport). New highways and bridges quickly

develop cracks or potholes. The joins in flyovers are inexact, making for bumpy rides. In 2022 researchers at the IMF published a paper that looked at average speeds between big cities in 162 countries as a proxy for the quality of infrastructure. Despite building tens of thousands of highways in the previous two decades, India ranked 127th, just ahead of Somalia. Quantity is a poor substitute for quality.

Nor can gorgeous new terminals and their world-class operators banish the

ghosts of the old, inefficient India that haunts travellers. Security officers hand-wand every passenger and physically inspect seemingly every third bag. Immigration officers insist on hard-copy paperwork. At customs, passengers must load bags into X-ray machines—as they exit airports. Many new airports have no public-transport links. All these functions are handled by the state. Indian airports are designed to evoke the country’s past. But not everything is worth preserving. ■

BANYAN

The MIGA world

India is benefiting from Trump 2.0. Its top diplomat is also echoing the president

ON MARCH 5TH Subrahmanyam Jaishankar, India’s minister of external affairs, was in his element. At Chatham House, a think-tank in London, he parried criticism of Indian foreign policy with waspish one-liners about Western double-standards. But one Western leader was not included in Mr Jaishankar’s barbs: Donald Trump.

Politicians everywhere are scrambling to make sense of Trump 2.0 but India wants to get ahead of the pack by emphasising how its non-aligned stance fits comfortably with America’s new world-view. India is also honing a new art: articulating existing positions with language from the MAGA lexicon.

Mr Jaishankar and Narendra Modi, India’s prime minister, both dealt with Mr Trump in his first term. Already back then, the bonhomie was on display when the two strongmen addressed huge rallies in Gujarat and Texas. At their latest meeting in the White House in February, Mr Modi announced that MAGA had inspired MIGA, or “Make India Great Again”. Mr Jaishankar’s Chatham House talk showed the new dynamic in action and revealed some of its shortcomings.

Start with alliances. Mr Trump’s scorn for them echoes India’s long-standing non-aligned position (which has been recast as “multi-alignment”). In the past America was frustrated by India’s aversion to creating a more muscular security partnership, let alone a formal alliance. India’s long-standing and close military and energy-trading relationship with Russia was considered a liability by the Biden administration.

Now in a world where treaty allies matter less to America, conditional relationships, such as those with India, have been relatively upgraded. It is true

that Mr Trump has demanded that the Quad, a coalition of America, Australia, India and Japan, take a more overt military role, to India’s discomfort. Nonetheless Mr Jaishankar described the Quad as “an understanding where everybody pays their fair share”, designed, he argued, to ensure that “there are no free riders”. The not so subtle comparison was with NATO. Without promising policy changes or greater spending, Mr Jaishankar used the MAGA language of free riding to present India as a more straightforward partner than Europe.

Another way that America’s shift affects India relates to minority rights. The Trump administration places low priority on these and has triggered a mass scraping of diversity, equity and inclusion schemes by many American firms. Traditionally, India has responded to charges of religious tensions and discrimination at home in front of Western audiences by insisting that it is a secular country that respects all religions equally.

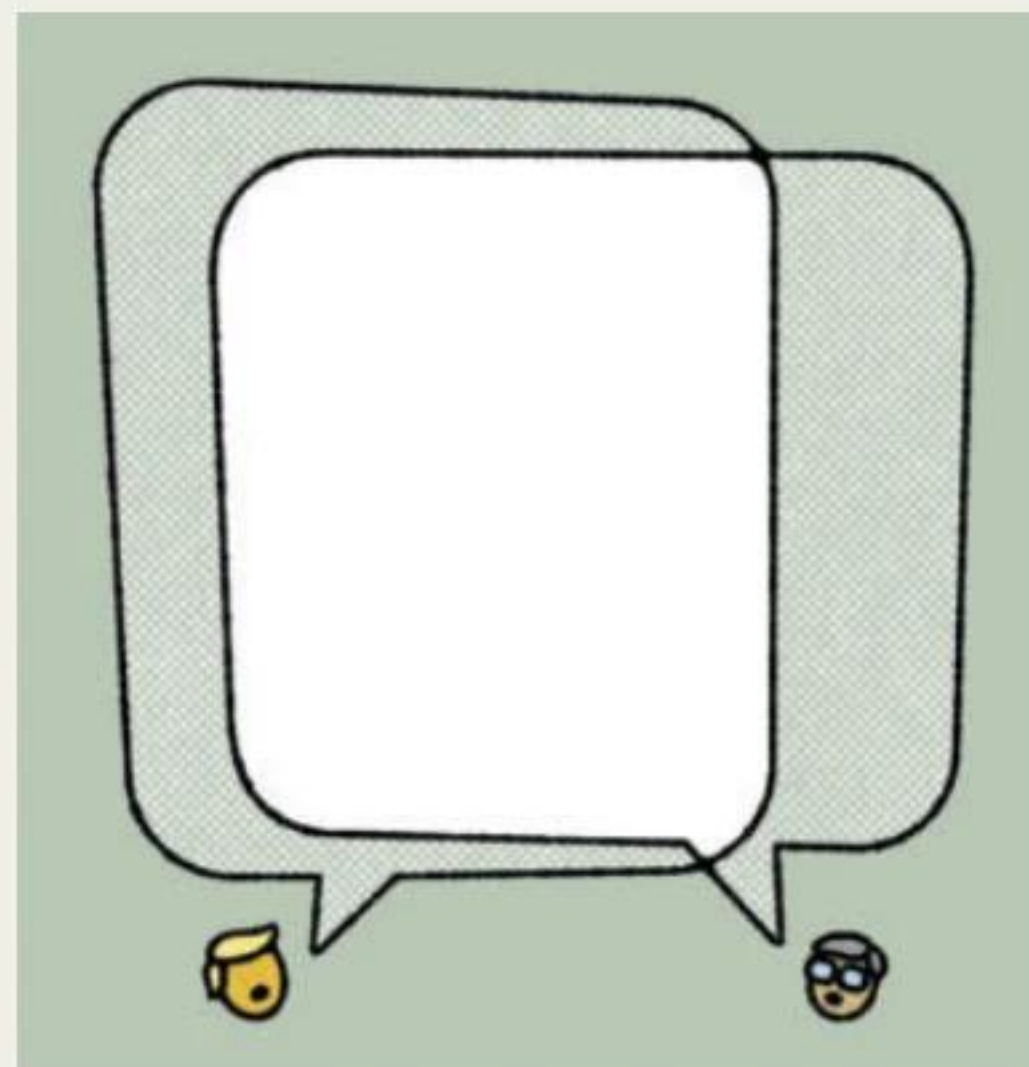
But Mr Jaishankar’s speech showed how the terrain has shifted, with India’s

top diplomat using the language of America’s culture wars. Asked about discrimination against India’s 200m Muslims, he criticised “tokenism” and “identity lobbies” that “cater to minority demands”. Then he pivoted to talking about housing and loans, instead.

The bonds between Team Trump and the Modi machine may deepen. Tulsi Gabbard, America’s director of national intelligence will visit soon. So will J.D. Vance, the vice-president. Ms Gabbard is the first practising Hindu to occupy her role; Usha Vance is of Indian heritage.

Yet despite the closer proximity between their worldviews, the new shared vocabulary and personal ties, relations between America and India are hardly risk-free. America’s trade war is unlikely to bypass India. The price of doing business with Mr Trump may be that India buys more American weapons, while India wants to build up its domestic defence industries. After decades of arguing for a multipolar world that is not dominated by the West and by institutions created in the aftermath of 1945, India may have got what it wants. But it may find, too, that the resulting instability, security dilemmas and arms proliferation in Asia and beyond sometimes threaten Indian interests.

Mr Jaishankar’s audience laughed nervously as he made one euphemistic concession: he said American foreign policy is “interesting” at the moment. You will not catch him formulating a stronger critique. After the humiliating encounter between Volodymyr Zelensky, Ukraine’s president, and Mr Trump in the Oval Office, many Indian commentators have argued that Europe should learn from Indians how to talk to Mr Trump. India’s strategy appears to involve talking more like him, too.



China



Autonomous driving

Super-smart cars

GUANGZHOU

China is leading the rollout of self-driving technology

SITTING IN HIS spacious office in the southern city of Guangzhou, He Xiaopeng is in an expansive mood. The boss of Xpeng, a Chinese electric-vehicle (EV) maker that is one of the frontrunners in the self-driving tech race, says that autonomous driving is on the cusp of a “ChatGPT moment”. He points to the instant at the end of 2022 when, after years of development, OpenAI’s chatbot pushed generative artificial intelligence from the realm of researchers into the mainstream.

Mr He says this breakthrough moment is likely to happen later this year. China, whose autonomous-driving development he describes as “the fastest in the world”, is likely to be a driving force. American drivers do not see the technology as a crucial feature in the way China’s tech-savvy EV buyers already do, he notes.

On a test drive in an Xpeng P7+ sedan through the bustling metropolis, your correspondent could see the reasons for his

optimism. The car overtook a three-wheeled noodle cart, avoided scooters speeding the wrong way down the street and nailed a U-turn without intervention from humans. But the Xpeng driver did need to take control a few times during the twenty-minute ride. Improving the technology so that drivers barely have to touch the wheel on busy city streets is crucial to winning them over, says Mr He.

Xpeng, like many of its rivals, is focused on the next front in a global battle. China’s carmakers made EVs better and more cheaply than the rest of the world and now want to do the same for autonomous vehicles (AV). Though Chinese, American and European firms are still grappling over

whose technology will dominate, China is racing ahead in deployment at scale.

In the world of autonomous driving, there are two paths to commercial deployment: robotaxis and advanced driver-assistance systems (ADAS). Both are labelled by global industry standards from level zero (no automation) to level five (full automation without restrictions). L5 is far off because of technological, commercial and regulatory challenges, but cars at lower levels of autonomy are already on the streets.

China’s robotaxi experiment is the world’s biggest. Robotaxis, which can be hailed through a fleet operator’s app, are all L4, meaning they do not need a driver in the car but can operate only within approved areas. In China, five companies run more than 2,300 robotaxis, according to Bernstein, a research firm. Baidu leads with driverless fleets operating in 11 cities.

Waymo, America’s only fare-collecting robotaxi firm, runs over 700 cars in San Francisco, Phoenix and Los Angeles. Tesla, which has not fulfilled promises made over a decade to build driverless AVs, claims it will soon launch a robotaxi service.

Though Chinese robotaxis cost less than those made elsewhere, analysts say they are still prohibitively expensive for mass production, and operators are years away from breaking even. After investing more than \$10bn in robotaxis, in Decem- ▶▶

→ ALSO IN THIS SECTION

32 Hong Kong’s cabbies

33 Trump and Mao

► ber General Motors axed that loss-making project to focus on mass-produced cars with ADAS instead.

ADAS is more about aiding drivers than replacing them. Everyone is watching to see when Chinese regulators will allow a move from L2, whereby cars can steer, accelerate and brake on their own with a human in the car, to L3, which requires no hands or eyes on the road in certain situations. The widespread adoption of L3 would transform transport. Drivers could legally check emails or watch films during tedious commutes, as long as they sit ready to take over if the car requests.

China has dominated the rollout of ADAS, too. As the world's largest auto market, it has churned out more L2 cars than any other country. These cars, including the more advanced L2+ subset, still require the driver to keep hands on the wheel and eyes on the road, but are gearing up for the shift to L3. Counterpoint, a research firm, in June forecast L3-capable car sales in China to be four times that of either North America or Europe in 2026, with more than 1m on Chinese roads by then. By 2040, 90% of all car sales in China will be AVs of L3 or above, compared with nearly 80% in Europe and about 65% in America, reckons Goldman Sachs, a bank (see chart).

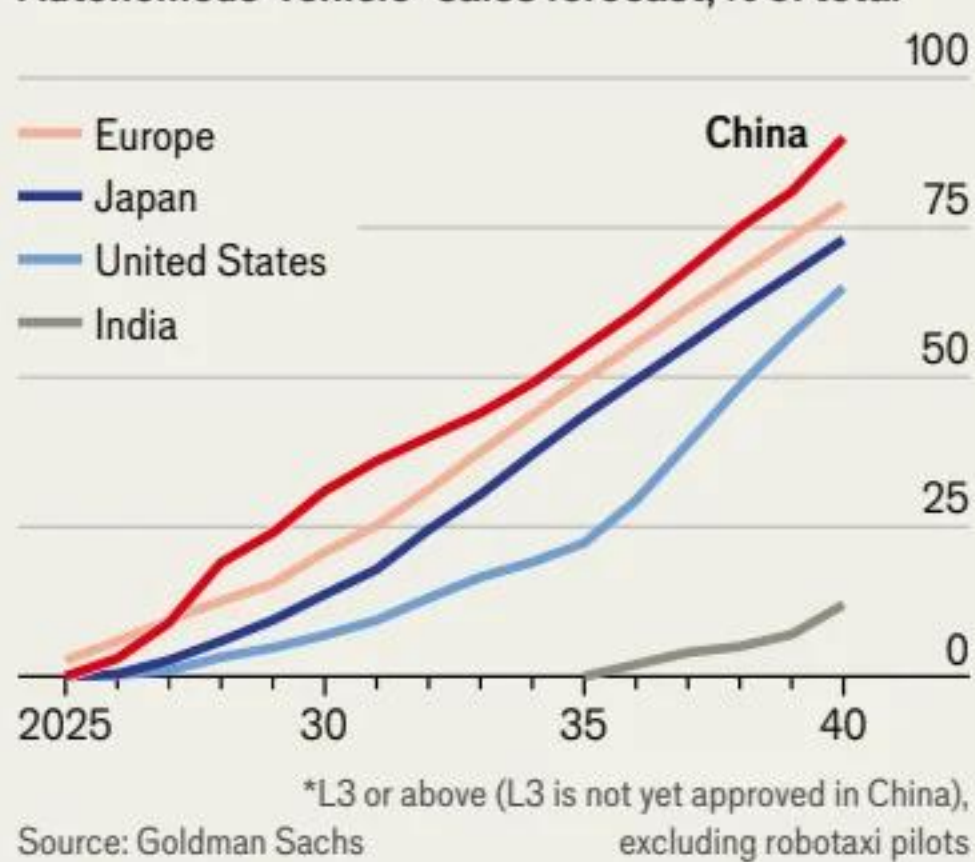
Intense competition helped China achieve its lead. In America and Europe, sophisticated ADAS had been limited to premium models, though the tech is becoming more common now. But in the cut-throat Chinese market, carmakers were quick to include it as standard in order to compete, and many customers are now unwilling to pay for it. BYD, the world's biggest EV maker, last month said even its cars priced under \$10,000 would come with free ADAS that can get on and off motorways, change lanes, and park by itself. Though more advanced than BYD's entry-level system, Tesla's self-driving software costs \$8,800 on top of the cost of the car. Analysts hailed BYD's move as the "democratisation" of autonomous tech. Competition among suppliers is also sharp. Hesai, which makes lidar sensors that help self-driving cars perceive the world, has slashed prices from thousands of dollars five years ago to about \$200.

Roadblocks ahead

Regulation is the biggest roadblock. America's industry, hobbled by safety investigations in recent years, has called on its government to develop a national framework for AV development. "Federal inaction has created regulatory uncertainty," a lobby group wrote to the Department of Transportation in January, noting that Chinese competitors have benefited from their government's support. American self-driving carmakers and suppliers hope Tesla's founder, Elon Musk, who has called for fewer

Look, no hands!

Autonomous-vehicle* sales forecast, % of total



barriers to AV deployment, will be a boon to the industry in his new position advising President Donald Trump. Tesla's gigafactory in Shanghai was a catalyst for the growth of China's EV industry. Its Full Self-Driving software, which relies on cameras and an AI model but still requires human supervision as an L2 system, has also spurred China's AV development.

With an eye to dominating the global AV market, Chinese officials have paved the way for the rollout to accelerate. In 2020 the state planner set a goal for L3 mass production by this year. In June, the government gave nine automakers approval to test L3 systems on public roads. In October, the industry minister vowed to speed up rule-making. Competing local and regional governments provided permissive regulation and billions of dollars in subsidies for R&D, computing power and infrastructure investment that makes streets easier for driverless cars to navigate. At China's annual parliamentary meeting this month, Lei Jun, boss of Xiaomi, a smartphone maker that launched a popular EV, urged the government to allow self-driving functions by 2026.

Some countries have legislated for higher levels of autonomy but have few firms making cars with those capabilities. Mercedes received approval to sell L3 cars in Germany and in the states of California and Nevada, allowing drivers to go hands-off, eyes-off below certain speed limits on approved highways. Though China only allows L2, many of its carmakers already advertise "L2.9" systems to show their tech is edging towards L3. Carmakers elsewhere had been less keen to invest in L3, which they saw as unprofitable, says Yale Zhang of Automotive Foresight, a consultancy. In China, by contrast, he says, "as soon as L3 is approved, that will be revolutionary and change the state of driving."

That potential shift raises questions about safety and liability. In January, Xiaomi recalled 31,000 of its SU7 EVs following several hundred complaints of crashes when the sedans tried to park themselves.

Once China approves L3, hundreds of thousands of similar cars will be navigating more complex roads, at higher speeds than parking. What happens if a driver turns self-driving features on and the car kills someone? Experts say L3 shifts responsibility to automakers. Mercedes has assumed liability for its L3 system, when used as intended. But there are many details that regulators, carmakers, and insurers need to resolve.

There are other big issues to contend with. Facing slower economic growth, China has to balance tech progress with job loss. In July a robotaxi collision with a pedestrian in the city of Wuhan set off debates about how taxi drivers will be affected. Then there are the troves of data that self-driving cars collect. The headwinds Chinese EV-makers face in entering big Western markets—including steep new tariffs from the EU and America—will only grow stronger for smart cars and connected technology. Though few China-made cars drive on American roads, the Biden administration proposed a ban on Chinese "connected-car" hardware and software on national-security grounds. President Trump must decide if that will happen.

Mr He wants to convince drivers that self-driving tech is as useful as ChatGPT and just as safe. But the stakes are much higher sitting behind the wheel. ■

Hong Kong's taxi drivers

Smile and wave, boys

HONG KONG

A charm offensive on the territory's roads

HONG KONG has had a tough few years. It saw huge pro-democracy protests in 2019, covid lockdowns and a political crackdown in 2020, and a new national-security law in 2021. Those changes and their fallout have taken their toll on the tourist industry. Some 65m people visited in 2018. In 2024 that was down to 45m. Now officials have launched a \$16bn blueprint to bring tourists back, including high-profile pop concerts, horse-racing at the legendary Jockey Club and four new giant pandas. One small but crucial part of it focuses on taxi drivers.

Hong Kong's cabbies are famously rude, and getting ruder. In 2023 there were 11,500 complaints about them as a group, an increase of 53% on 2022. Requests—for a different route, an open window or a safe arrival—are scorned. Many insist on only taking cash, but will not stop at an ATM.

So part of the new programme is a courtesy campaign. Bad behaviour is subject to ►►

► a penalty-points system, with 11 offences such as taking a longer route qualifying for points; 15 points bring a ban.

Another part of it is just bringing a Luddite contingent into the 21st century. Legislation was proposed in December that will force taxis to accept digital payments and install surveillance cameras. Cabbies are encouraged to “smile more”.

The new measures are unlikely to cheer drivers. The industry is beset by an ageing workforce, dwindling pay and growing competition. Some 60% of cabbies are 60 or older. In 2023 an 87-year-old taxi driver had three accidents in nine days. Few can afford to retire and new recruits are put off by the low pay. “Around 40 years before, taxi drivers earned enough salary for their family, but now it’s not enough,” says Tsz Lok Hui, a cabbie. The average take-home is equivalent to \$29,000 a year, less than the median wage.

The number of licences is capped by the government. They are traded in a loosely regulated market and rented out to drivers, who are self-employed. To buy one costs around \$350,000, says Mr Hui, with “the top price” around \$900,000. To rent his taxi costs \$120 a day. So after 12 hours he earns about \$75.

Hong Kong taxi drivers are also being overtaken by Uber. The app’s legal status is unclear—the city has no regulations covering ride-hailing apps—but 46% of residents use it, according to the company. Some taxi drivers have taken matters into their own hands: last summer they went undercover to try to report Uber drivers to the police. But the authorities may be reluctant to clamp down because Uber projects an image of modernity and appeals to tourists. A taxi union threatened to strike in March unless officials cracked down, but it was averted at the last minute after the government promised to better enforce the law. Grumpy taxi drivers also push passengers to Uber, admits Mr Hui.

And then there are the mainland tourists. Some 34m of the 45m visitors to Hong Kong in 2024 came from mainland China. Cabbies seem to retain a particular disdain for mainlanders, a feeling returned with interest by Mandarin-speaking tourists. On Xiaohongshu, a mainland social-media app, posts with the hashtag “Hong Kong taxis ripping off passengers” have 480,000 views and counting. In one recent post a mainlander complained that a taxi driver overcharged her by 220%. “Why does the government tolerate the existence of these bad apples?” she asked. From official campaigns and mainland tourists, the pressure to smile is increasing. ■

Chaguan, our China column, has been suspended. Our goal is to reinstate it when we have a new columnist resident in Beijing.

Chaos is come again

Mao Zedongald Trump

American politics are prompting some strange historical comparisons

IT IS DIFFICULT in China to discuss the horrors of the Cultural Revolution openly. The dark period from 1966 to 1976, when millions of people were persecuted, many of them to death, by fanatical gangs unleashed by Mao Zedong, is skated over in official histories. Under Xi Jinping the subject is even more taboo. He describes reflection on Mao-era atrocities as “historical nihilism”—a threat, as he sees it, to the Communists’ grip on power. Yet in online discussion of American politics, censors provide leeway. When mocking or lamenting the Trumpian world, Chinese netizens often refer to the Cultural Revolution. Their comments are revealing.

Differences between America today and 1960s China are far more numerous, and more profound, than any superficial similarities. There is nothing about life under Donald Trump that compares with the terror of that time, nor do online commentators in China suggest there is. To them, the Cultural Revolution is usually a shorthand for chaos unleashed by a strongman who, with the help of his ardent followers, attacks established institutions that he sees as restraints on his power. On that level they find enough analogies to play with, and appear to relish the chance.

Their views reflect a broad spectrum of political beliefs. There are cheerlead-

ers for the Communist Party. “The US is currently in a state similar to the WG,” said a user with nearly 200,000 followers on Weibo, a microblog. (WG stands for *Wen Ge*, or Cultural Revolution; the initials are commonly used to evade filters that block forbidden terms). He predicted a side-effect in China: a complete collapse of belief in liberalism.

Various features of Mr Trump’s rule recall the Maoist mayhem. One is the appointment of an outsider, Elon Musk, to lead the assault on the federal bureaucracy, just as Mao’s wife, Jiang Qing, was put in charge of his “Cultural Revolution Leading Small Group”, tasked with “bombarding the headquarters”. Mr Musk’s young helpers are compared to the gangs of Red Guards; Mr Trump’s ill-qualified Cabinet members to Mao’s neophyte picks for the Politburo. “He who saves his Country does not violate any Law,” tweeted Mr Trump on February 15th. As some note, that was like Mao’s rallying of Red Guards in 1966 with what became the Cultural Revolution’s catchphrase: “To rebel is justified.”

Some voices are more liberal. “What’s called the ‘American Cultural Revolution’ is just the corrective mechanism in the American system at work,” argued a blogger on WeChat, a social-media platform. Comment sections on the Chinese-language Weibo account of the American Embassy in Beijing brim with anti-Trump sentiment. Some of it contains sadness about what commentators describe as America’s decline as a beacon of democracy. Elsewhere online, however, Mr Trump’s anti-wokeness is admired, with some denouncing the political correctness of the Democratic Party as an actual “cultural revolution”.

At the other end of the political spectrum, even members of China’s neo-Maoist fringe acknowledge Mao-like features of Mr Trump’s leadership style. “The centre of the mass democratic revolution has shifted from China to the United States,” enthused Zhang Hongliang, a prominent Mao-worshipper. “The ideological flowers of the Cultural Revolution in China in the 20th century are bearing rich revolutionary fruits” in America, he wrote, seemingly without irony. In his crystal sarcophagus, Mao might be turning at the thought.



“To rebel is justified”

Middle East & Africa



Syria

What comes next?

LATAKIA

After the bloodshed, can Syria's president unite his country?

THE BLOODBATH that terrified Syrians expected after the fall of Bashar al-Assad in December came at last. Responding to calls for jihad from mosques across the country on March 6th, thousands of Sunni fighters descended on the coast and slaughtered hundreds of Alawites, a small sect many Sunnis deem heretical and blame for propping up the Assads, Syria's Alawite dictators, for half a century. In villages near the coastal city of Latakia, they filmed themselves climbing on the backs of men, making them bark like dogs before shooting them dead. Eyewitnesses describe streets strewn with bodies and rows of burnt-out homes. Hundreds of thousands fled to the woods, hills and to neighbouring Lebanon. More than 800 are thought to have been killed, including hundreds of civilians. "It's a disaster zone," says an observer who travelled from Damascus to Latakia.

Syria's interim leader, Ahmed al-Sharaa, seemed to waver between his jihadist past and his presidential present. After the first day of violence he made a video address rich in religious incantations, fanning the flames and praising "our" honourable fighters. But as the country threatened to spiral out of his control, Mr Sharaa deftly changed course. In a second filmed address two days later, he posed as leader of a nation, not a sect. For the first time since assuming power, he appointed Alawites to senior positions, including them on two

committees: one to investigate the violence, the other to restore "civil peace".

The next day he unveiled an unexpected agreement with the Syrian Democratic Forces (SDF), a Kurdish-led militia in the northeast, to integrate it into state institutions. Another deal with the Druze, a sect wooed by Israel, is apparently imminent. And on March 11th he summoned Sunni preachers for a Ramadan meal and instructed them to preach equality between Syrians of all sects, said his local childhood preacher, Sheikh Kheil Abu Shukri, who was present. Could he bring together a country which five days earlier seemed to have been tearing itself apart?

The violence has reopened sectarian wounds that the downfall of Mr Assad had promised to heal. Across Syria plenty of Sunnis have responded to news of the massacres by jubilantly handing out dates. Many, including secular Sunnis, have celebrated the restoration of the Sunni majority's historical supremacy. And most see the bloodletting as retribution for Alawite crimes committed under the Assads. They say the *fulul*, or remnants of the Assad regime, planned to unleash a nascent insurgency on the coast.

By contrast Syria's minorities, particularly the Alawites, are cowering in fear. Clerics in Idlib, Mr Sharaa's old rebel en-

→ ALSO IN THIS SECTION

35 Bibi's Trumpification

36 Ethiopia's wheat mirage

37 Fears of war in South Sudan

37 Budget trouble in South Africa

► clave, offered encouragement to the militants. The director of a Damascus radio station appointed by Mr Sharaa encouraged listeners to cast Syria's Alawites into the sea: "Far be it to say that we left the fish in the Mediterranean hungry." Thousands of armed militiamen, including foreign jihadists, heeded the call and descended on the coast, killing and pillaging. Mr Sharaa's commanders declared the Alawite heartland a military zone and for two days ignored appeals to close the roads.

On the coast many Alawites are begging for protection from outsiders. Thousands have sought refuge inside Hmeimim, Russia's coastal base. In Damascus and other cities, minorities fear the jihadists might yet turn their sights on them. Mr Sharaa's soft-spoken demeanour reminds them of Bashar al-Assad. Many still fear their new president is just a terrorist in a suit. To facilitate the reallocation of jobs and housing to the Sunnis, Mr Sharaa has dissolved the old armed forces, purged the civil service and turfed former officials out of their government homes. As with de-Baathification in Iraq, this is deterring minorities from handing over their weapons and stoking support for rebellion.

Satisfying both Sunnis and minorities will be hard. If Mr Sharaa is to control the Sunni extremists, he will need to start the transitional justice he has so far balked at. But he will also need to ensure that Alawites who did not inflict the horrors of the former regime can return to their jobs. To tempt both into his new order, he will need money to pay them. Sanctions imposed on Syria under Mr Assad have led to a chronic cash shortage. Since Mr Sharaa took control, almost no state workers have been paid. Without cash for salaries, Syria's many Islamist militias will continue to defy Mr Sharaa's efforts to stand up a new army to enforce his writ, and will treat minorities as spoils of war. The collapsing economy will continue to sap support for the new government.

A one-man band

Mr Sharaa's reluctance to share power has punctured national confidence. The deadlines he set for forming a more inclusive government, issuing a constitutional declaration and appointing a legislature have come and gone. For three months he has run Syria as he ran Idlib, relying on a tiny clique drawn from his militia.

A sin, says the Koran, can be removed only by a good deed. On March 10th it occurred. Mr Sharaa's deal with the Kurds restores central authority over north-eastern Syria for the first time in a decade. If realised, the Kurds' integration could bolster Mr Sharaa's military clout, broaden his power base and, thanks to the oilfields the Kurds control, inject revenue into his system. His formal recognition of the Kurds

as a distinct group and de facto decentralisation also sets a model Druze and Alawite leaders might follow. Importantly, the Kurdish deal also has America's blessing.

Much could still go wrong. Mr Sharaa is a master of fudged deals and deception. The Kurdish agreement was cobbled together so quickly that the document contains a grammatical error. It skirts over the details and postpones the merger until the end of the year. "The SDF will remain a unified entity with no fundamental changes in this regard," insists a Kurdish official. Mr Sharaa could yet give his extremists free rein. And the minorities still have foreign backers keen to meddle. But after the horrors on the coast, the deal has revived Syrian dreams of a brighter future. ■

Binyamin Netanyahu

I'm like Donald Trump

JERUSALEM

Israel's prime minister is again under pressure from lawyers and security men

IT WAS A particularly frustrating day for Israel's prime minister. On the morning of March 3rd Binyamin Netanyahu took the stand in his long-running trial for alleged corruption. In the afternoon he had to respond in the Knesset, Israel's parliament, to the opposition's demand for a commission of inquiry into Hamas's attacks of October 2023. Angrily rejecting all the charges, he accused the heads of Israel's intelligence services of belonging to a "junta" against him. "The co-operation between the deep state in the bureaucracy and the media failed in the United States and won't succeed here," he declared.



Do you think I've changed?

Even for the combative prime minister, this is an escalation of his attacks on his own country's officials. More recently, spurred by the example of Donald Trump replacing America's security and defence leadership with loyalists, he has gone on the warpath himself. But he lacks the American president's powers to hire and fire. Israel's top jobs are reviewed by civil-service committees and can be petitioned against in the Supreme Court.

Moreover, the members of an Israeli national commission of inquiry must be chosen by the president of the Supreme Court. Rather than submit to scrutiny and account for his long-held strategy to "contain" Hamas in Gaza, Mr Netanyahu has steadfastly tried to pin the blame for October 7th entirely on the Israel Defence Forces (IDF) and Shin Bet, the domestic security service. Since the attack, the military and security chiefs have clashed with him over the lack of a strategic "day-after" plan for Gaza and for his failure to prioritise a deal with Hamas to free the Israeli hostages, a plan Mr Netanyahu's far-right coalition partners have opposed.

In any case, American officials are now bypassing Israel and talking directly with Hamas in Qatar, with a view to finding a way to end the war in Gaza. If this succeeds, it could well spell an end to Mr Netanyahu's coalition government and pave the way to the reckoning he has been so anxious to avoid with the Israeli people at the ballot box.

On March 5th Mr Netanyahu partially got his way when the IDF chief of staff, Lieutenant General Herzi Halevi, who took full responsibility for the army's failings on October 7th, stepped down. His replacement is a gruff tank commander, Eyal Zamir, who Mr Netanyahu hopes will be more pliant. One of the general's first actions was to replace the IDF spokesman, Rear-Admiral Daniel Hagari, who had openly criticised government policy.

But Mr Netanyahu is having less success shifting two other senior people: Ronen Bar, the head of Shin Bet, and Gali Baharav-Miara, the attorney-general. Both were appointed to fixed terms by the previous government; replacing them is technically possible but legally fraught.

Firing those two troublesome officials has become even more sensitive now that they have ordered an investigation into allegations that a number of Mr Netanyahu's advisers have received payments from the Qatari government, which has been involved in negotiations over Gaza.

Ms Baharav-Miara has repeatedly clashed with the government by opposing its attempts to weaken the Supreme Court. And she is demanding that the IDF comply with the court's rulings to end the exemption of religious seminary students from compulsory military service. But calling ►►

► them up could jeopardise Mr Netanyahu's coalition, since the ultra-Orthodox parties, who say these young men must be allowed to continue studying Torah during wartime, are a key element in it.

These clashes between the prime minister and senior officialdom have featured in all of Mr Netanyahu's governments. As far back as his first term in office, in 1997, he was investigated by police for allegedly trying to appoint an attorney-general who was thought likely to have quashed charges against his political allies. Over a quarter of a century later, when asked to be brief in his testimony in a court session on March 12th, he burst out at the judges: "My family and I have been passed through the gates of hell!" ■

Wheat in Ethiopia

Grain of untruth

NAIROBI

Abiy Ahmed's agricultural revolution is too good to be true

AFRICA HAS a new breadbasket—or so says Abiy Ahmed, Ethiopia's prime minister. Thanks to a state-led programme of agricultural modernisation the country, once a byword for famine, claims to have gone from importing around a quarter of its wheat to being self-sufficient and exporting a large surplus in the five years to 2023. Last year Ethiopia even grew as much wheat as Ukraine, an important grain exporter, according to official figures.

If these numbers were accurate, Mr Abiy's wheat push could be a model for agricultural reform in Africa. Yet an analysis by *The Economist* of trade data and independent production estimates suggests that the wheat miracle is a mirage. Ethiopia grows more wheat than a few years ago, but nowhere near as much as Mr Abiy claims. That is not just bad news for the 129m Ethiopians he claims to be feeding. It also matters to countries hoping to emulate his drive and to the multilateral organisations who have praised it as an example of successful reform.

At the heart of the government's strategy are "cluster farms", where groups of smallholder farmers become shareholders in large, mechanised wheat farms. The idea is that by pooling resources they can purchase machinery and inputs that would otherwise be unaffordable, increasing yields. The government has waived taxes on imported machinery. It also provides fertiliser and heat-resistant seeds.

It has ordered a massive expansion of the amount of land on which wheat is cultivated, both by displacing other crops and

by improving irrigation. In at least one district officials have been told to sow wheat on the grounds of airports, universities and government compounds. In this way, claims the prime minister's office, Ethiopia produced 15.1m tonnes of wheat in the 2022-23 season, rising to an astonishing 23m tonnes the next year, making it the world's ninth-biggest producer.

Foreign observers are impressed. Bill Gates has praised Mr Abiy for Ethiopia's "amazing gains in agriculture". The UN's Food and Agriculture Organisation (FAO) last year awarded the prime minister its most prestigious award for "historic revolutionary change in agrifood systems". Akinwumi Adesina, president of the African Development Bank (AfDB), has said Ethiopia's "incredible" progress shows that "Africa has what it takes to feed itself".

But the AfDB does not endorse the Ethiopian government's statistics. Based on "its own data and analysis from its in-country operations", the bank estimates Ethiopia produced 7.5m tonnes of wheat in the 2023-24 season. (The Gates Foundation declined to comment.)

Nor do other external institutions back Mr Abiy's numbers. America's Department of Agriculture (USDA), which uses satellite imagery for its analysis, estimates that Ethiopia produced 5.8mn tonnes of wheat in 2022-23, a figure also used by the FAO. That is more than the 4.8mn tonnes it grew in 2017-18. But it is far from the 15.1m tonnes Mr Abiy has trumpeted.

The prime minister's spokesperson says that the Ethiopian government "does not adopt or subscribe to" foreign estimates. There are limits to what outsiders can know without information from the government. The FAO says it last received data on wheat production from the Ethiopian Statistical Service (ESS) in 2021. (The ESS says there was no change in policy.)



Digging into it

Yet Ethiopia's central bank also publishes an annual estimate of wheat production that relies on data from the ESS. Until it was removed from the bank's website last month following enquiries by *The Economist*, that figure, too, was 5.8m tonnes for 2022-23.

The central bank and the planning ministry that oversees the ESS say that the now-deleted number was published by mistake. Fitsum Assefa, who heads the planning ministry, says she was unaware of the "human error" until *The Economist* approached the prime minister's office, and insists that the ESS's official estimate for wheat production that year is 15.1m tonnes. (An internal document subsequently shared with *The Economist* by the ESS puts it at 13.5m tonnes.)

In 2022, the year before Mr Abiy began touting his wheat miracle, he replaced the ESS's technocratic director with a party cadre. Several people told *The Economist* that the reshuffle came after the agency expressed reservations about certifying over-optimistic estimates of wheat production. Beker Shale, the ESS's director, denies political interference and says the service is professional and independent.

External trade estimates also cast doubt on the government's statistics. Mr Abiy's office claims that Ethiopia "completely ceased" wheat imports nearly four years ago. But private traders brought in some 400,000 tonnes in the first five months of 2024 alone, according to USDA, 57% more than in the same period in 2023. Imports for the year were 1.4m tonnes, compared with 150,000 tonnes of exports.

The government suggests the discrepancy may be due to aid agencies buying wheat from abroad instead of locally. But combine net imports with 23m tonnes of official domestic production, and either the government is building up a massive reserve or the average Ethiopian munched through some 187kg of wheat in 2024, nearly three times the global average. That seems particularly unlikely given that the country's staple grain is not wheat but teff.

The self-sufficiency drive should also have reduced the need for food aid. Yet the UN's World Food Programme says that 16m Ethiopians still needed such support in 2024. Mr Abiy said last year that his government had released more than \$250m to stave off hunger.

Even if all questions about statistics are put to rest, there are reasons to doubt that Mr Abiy's reforms are a model for Africa. The drive towards wheat monocropping risks worsening soil quality, which could reduce yields in the long run. Trying to force farmers to fulfil unrealistic production targets could trigger resistance of the kind that contributed to the fall of previous Ethiopian regimes. Mr Abiy's grandiloquence could prove his undoing. ■

South Sudan

Another civil war?

NAIROBI

The country's fragile peace deal is hanging by a thread

RESIDENTS OF JUBA, the capital of South Sudan, are familiar with violence. When civil war erupted in 2013, two years after independence from Sudan, the city was the scene of ethnic massacres and looting. After a ceasefire collapsed in 2016, Juba was a war zone for days. By the time the conflict ended in 2018, more than 400,000 people had been killed.

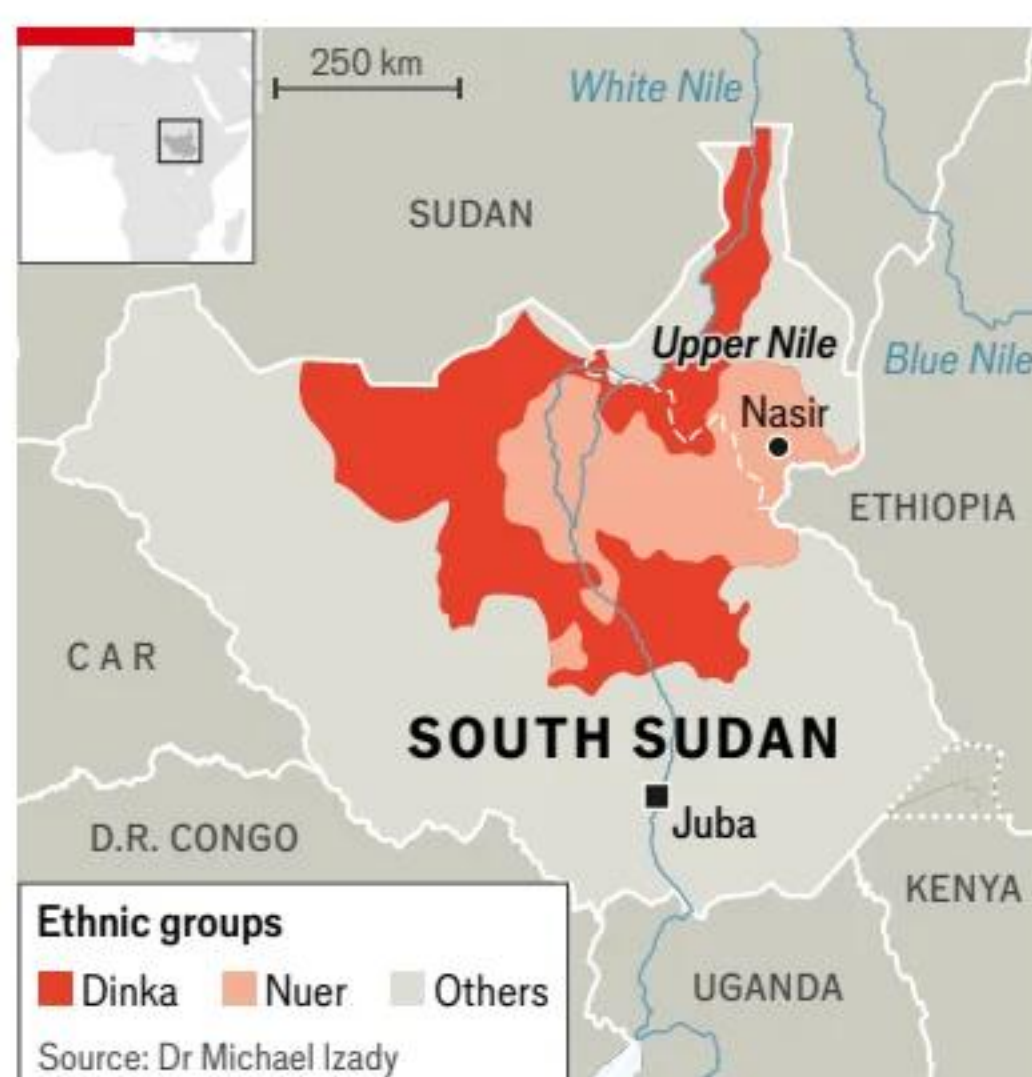
Many South Sudanese worry that Juba could soon be consumed by violence again. In 2020 the two main adversaries in the civil war formed a unity government. Yet the truce between Salva Kiir, the president, and Riek Machar, the vice-president, and their respective ethnic groups, Dinkas and Nuers, looks increasingly shaky. If it collapses, fighting could quickly engulf the country. Worse still, it could merge with Sudan's civil war across the border.

The latest escalation came on March 7th when a general and multiple soldiers were killed in an attack on a UN helicopter by a Nuer militia known as the White Army, which fought alongside Mr Machar in the civil war. They had been trying to leave Nasir, a town engulfed in fighting in the oil-producing Upper Nile state near the border with Sudan (see map). Mr Kiir has had several of his rival's allies arrested since the violence erupted last month.

The power-sharing deal has always been fragile. But the war in Sudan has made things much worse. For the past year it has prevented the export of about two-thirds of South Sudan's oil—the petro-state's economic lifeline. Mr Kiir, who relies on oil money to hold his government together, has embarked on a firing spree, ditching several close allies. He "feels threatened" by his lack of resources, says Daniel Akech of the International Crisis Group (ICG), a Brussels-based think-tank.

A succession struggle is adding to the uncertainty. The 73-year-old Mr Kiir is reportedly unwell and believed to be grooming a close adviser as his replacement. Veterans in the ruling party are said to be unhappy with his choice of successor.

The immediate trigger for the current crisis may be regional. Sudan's army is understood to resent Mr Kiir's perceived closeness to the Rapid Support Forces, the army's adversary in Sudan's civil war. Sudanese troops may be arming the White Army in response. By contrast Uganda, another neighbour, has sent troops to Juba to shore up Mr Kiir's government. When out-



siders get involved, local conflicts in South Sudan tend to turn into full-blown war, says Alan Boswell, also of ICG.

For now, the fighting remains far from the capital. Regional leaders, who convened a virtual emergency summit on March 12th, want to keep it that way. So do outsiders. "This region cannot take another war," says Nicholas Haysom, head of the UN mission in South Sudan. Sadly, that does not mean it won't get one. ■

South Africa

Government of national disunity

CAPE TOWN

What the country's budget saga says about its coalition

BUDGET ANNOUNCEMENTS are rarely memorable events in South Africa. But the statement on March 12th by Enoch Godongwana, the finance minister, was one of the most notable since the end of white rule in 1994. That is because it said a lot about the increasingly misnamed Government of National Unity (GNU).

It was Mr Godongwana's second stab at the speech. On February 19th he cancelled the first attempt at the last minute after the Democratic Alliance (DA), the main partner of the African National Congress (ANC) in the governing coalition, opposed the plans. On this occasion the finance minister went ahead but the leader of the DA said his party could still not support the budget "in its current form". Though the GNU is not on the brink of collapse, the impasse is a worrying sign.

Local reports have cited the DA's opposition to any rise in value-added tax (VAT). But the party, which has 22% of the seats in parliament to the ANC's 41%, has a bigger concern: South Africa's public finances and lack of growth. Since 2008 the ratio of public debt to GDP has more than tripled,

from 24% to 75%. South Africa spends around 20% of government revenues servicing debts, about as much as on health and policing combined. The idea that the country may need a bail-out from the IMF has gone from preposterous to possible.

The ANC is to blame. It has built a patronage state that has repeatedly given civil servants above-inflation pay rises, bailed out failing state-owned enterprises and stolen vast sums through corruption, while adding layer upon layer of regulation in the name of redressing historic wrongs. As a result GDP has grown by just 1.3% a year on average since 2008, slower than the annual growth in population (1.4%). And since the ANC has wasted much of the additional spending, poor South Africans have experienced worse public services.

Last year voters punished the ANC's record in government by depriving the once-hegemonic party of its majority. The hope was that the GNU would usher in an era of rational compromises and collective decision-making. In practice, the ANC has largely tried to govern as it has always done. The DA has proved something of a pushover, allowing the ANC to make bad laws on property rights and education.

The budget has changed that dynamic. The DA stood firm, insisting it would not support any permanent increases in taxes, including VAT, which Mr Godongwana proposes should rise from 15% to 16% over the next two years. For the DA, getting the debt-to-GDP ratio down by cutting wasteful spending and accelerating growth is the defining issue in the GNU. It says it will not vote for the budget measures in parliament as they stand.

The ANC will try to call its coalition partner's bluff. The largest party hopes that a majority of MPs, including perhaps from opposition parties, will ultimately vote for the measures over the next few months. But depending on, for example, the Economic Freedom Fighters (EFF), an unreliable hard-left party that wants to seize land, has its own considerable risks.

Whatever happens, the budget spat has revealed that the GNU, though better than having the ANC and EFF run the country, is not a coalition in the sense that Germans, Israelis or the Dutch might think of one. In the eyes of the ANC it is a tactic that allows it to keep governing while it waits to regain its majority. But that works only as long as it has the votes in parliament.

If domestic politics cannot fix South Africa's public finances, outsiders may eventually get involved. Some reckless members of the ANC assume the country can turn to the World Bank or the IMF in case of serious trouble. That was always a complacent view. It looks even more so now that South Africa is at odds with America, still the most powerful voice at these institutions. ■

Europe



Rearmament

Yes—but how do we pay for it?

AMSTERDAM

Will Europeans pay to defend themselves without America?

TRUMP SAYS defence spending has to go up, and the European Union jumps through the hoop. €800bn (\$871bn), whoopee!” Wendela de Vries, a campaigner against the arms trade, is denouncing the EU’s new defence-financing initiative before a few hundred activists at a community centre in Amsterdam. The ReArm Europe credit scheme, announced at a summit on March 6th, was hailed by many as a sign that Europe is getting serious about paying for its security. But to peace activists like Ms de Vries it is greedy militarism, an attempt “to pump up military spending and cut social benefits”.

For European governments, Donald Trump’s temporary cut-off of aid to Ukraine and threats to renege on defending America’s allies have created a terrifying sense of clarity. Defence budgets are going up fast. Countries that meet the NATO baseline of spending 2% of GDP on defence are aiming at over 3%; those that

spend 4% are heading for 5%. At the summit Mette Frederiksen, Denmark’s prime minister, exhorted Europeans to “spend, spend, spend on defence”. But that requires sustained political will, and not all countries or voters feel the same urgency.

Countries that border Russia, of course, need little convincing. In the Baltic states, where left-wing parties are small and social spending is low, defence budgets generate no serious dissent. Hanno Pevkur, Estonia’s defence minister, is planning for a

military budget of around 5% of GDP. “All the parties are supporting it,” he says. Poland launched a huge build-up under its previous hard-right government, and the centrist government of Donald Tusk has continued it. This year it will spend 4.7% of GDP on defence, the most in NATO. A poll in September by the Friedrich Ebert Stiftung, a German foundation, found 75% of Poles wanted to spend even more.

Another region with strong support for defence is one long associated with peace-niks: the Nordic countries. Besides being within sabotage range of Russia, they have solid national finances and high willingness to sacrifice for the common good. Enthusiasm for defence is not confined to the right: Ms Frederiksen is a Social Democrat.

In Sweden all eight parties in parliament, including the hard left, agreed in a recent debate to raise spending above the currently planned 2.6% of GDP in 2028. The war in Ukraine has “sharpened the will to co-operate across the aisle”, says Pal Jonson, the defence minister. Finland, with its long border with Russia, is similar. In December the government said it will raise spending to 3.3% of GDP by the early 2030s. “There is not a single party who is against it,” says Pauli Aalto-Sepala, an MP for the governing National Coalition party.

Farther from Russia, things get complicated. Germany’s conflicted attitudes to- ➤

→ ALSO IN THIS SECTION

39 Spain’s defence shortcomings

40 Talking of ceasefires

41 Polling Ukraine

42 Russia’s digital war

43 Charlemagne: Evolving Europe

► wards military force and Russia stem partly from guilt over the second world war, and partly from nostalgia for its bridge-building foreign policy during the cold war. Rearmament creates splits both between and within parties. The Left party and the hard-right Alternative for Germany (AfD) oppose it, the one because it is ideologically anti-military, the other because they oppose taking on debt (and think the Russian threat overblown). There are doveish factions in the Social Democrats (SPD), too.

Because a defence-spending push requires Germany to ease its constitutional debt brake and borrow money, these splits spell trouble. After an election last month, the Left and AfD will have enough seats in the next parliament to block constitutional changes. So Friedrich Merz, the Christian Democratic chancellor-in-waiting, is trying in effect to remove the brake for defence spending (and create a €500bn special fund for infrastructure) in the current lame-duck parliament. Negotiations are proving tricky.

Exempting defence costs from the debt brake is crucial, says Ralf Stegner, an MP who hails from the SPD's peace wing yet backs rearmament. Otherwise there will "always be tension between spending for defence and social policies" that will benefit populists like the AfD. In the Netherlands too, the guns-versus-butter framing is seen as political poison. The Dutch anti-war left is a tiny minority, but the hard-right Party for Freedom, the biggest in government, is ambivalent. Geert Wilders, its leader, insists that defence rises be accompanied by higher social benefits.

The toughest problems are in countries that lack fiscal headroom. In France, President Emmanuel Macron has championed European strategic autonomy for years, but his country only just meets NATO's old 2% threshold, is deeply in debt and already has the highest tax burden in Europe. His government barely managed to pass a budget in a National Assembly split between three irreconcilable factions. Little wonder that he presses for the EU to issue bonds to finance defence spending: it may be the only way France can afford a big increase.

Italy spends just 1.5% of GDP on defence, but outside the populist Five Star Movement and far-left groups there is little outspoken opposition to spending more. That is because the issue is scarcely on the agenda, says Alessandro Marrone of the Institute of International Affairs, a think-tank in Rome. The focus has been on the successful attempt to persuade the EU not to count defence spending towards its 3% budget-deficit limit for member states. Giorgia Meloni, the prime minister, is a firm supporter of Ukraine, and Italians rate their armed forces highly. But a YouGov poll in February found that 41% think the

defence budget too big; just 11% think it too small. Indeed, in France, Germany, Italy and Spain, YouGov found voters do not want governments to finance higher defence budgets by taxing more, borrowing more, or cutting public services.

That will leave politicians scratching their heads. And spending money is only part of what European countries must do to defend themselves. They must also recruit soldiers—and in most countries few young people are interested. (The Nordics are in better shape: they conscript.) Countries must consolidate their fragmented defence industries, though perhaps not too much: research in Romania by Eoin Power of the University of Texas at Austin shows that voters are more likely to support defence spending that creates jobs in their own country. Above all, they have to convince their citizens they need stronger armed forces. Many Europeans accept that message; fewer are willing to pay for it. ■

Spain

Falling short

MADRID

A terrible record on defence spending

"SPAIN IS VERY low," Donald Trump said last month, referring to the country's defence spending. For once, he was correct with his numbers. At just 1.28% of GDP last year, Spain comes at the very bottom of the NATO league table (see chart).

The government defends itself stoutly. Look at what the country does with the money and it is a "reliable partner", Pedro Sánchez, the Socialist prime minister, responded. Its spending is rising sharply: it is on track to fulfil Mr Sánchez's promise to reach the alliance's target figure of 2% of GDP by 2029—though that target was, it

should be noted, set in 2014 and most other EU countries have already achieved it.

The problem is that the target is already obsolete. With fears growing that Mr Trump may withdraw the American security guarantee from Europe, Spain is under intense pressure from its European partners to spend much more—and quickly.

Surprisingly, perhaps, the meagreness of Spain's defence budget goes back to the days of Francisco Franco, the country's dictator from 1939 to 1975, who having led the armed forces to power could ignore them. Military modernisation began only with democratic governments after Spain joined NATO in 1982. They abolished national service, created a professional army and bought American jets. But voters are unenthusiastic about military spending, and in the austerity budgets that followed the financial crisis of 2008, it fell to just 0.9% of GDP in 2014, the year Russia first attacked Ukraine.

"Defence policy has always been a problem for governments," says Félix Arteaga, a retired officer now at the Elcano Royal Institute, a think-tank. "Nobody thought we had to increase military spending." It is only in this decade that it has begun to rise again, and especially since Mr Sánchez hosted NATO's annual summit in Madrid in 2022. The next year the defence budget rose by 26% in nominal terms. But reaching the 2% target requires nearly doubling annual spending (to €36.5bn). In normal times, that would be hard.

Unlike many stagnating European countries, Spain is growing at a decent clip of around 3%, so finding resources for defence ought to be possible. The problem is political. Mr Sánchez has led minority governments since 2018. He failed to gain approval for a budget last year and may fail again this year. That makes it hard to replicate the 26% rise in defence spending in the 2023 budget. By reshuffling budgeted spending, this month the government announced €400m in extra spending to raise Spain's comparatively low military wages. But the lack of a multi-year budget makes defence planning and big new procurement deals harder.

When it comes to military beef, Spain performs better than it does on spending. At around 116,000 (due to rise by 7,000 by 2029), its armed forces are fairly small. But they are well trained and well equipped—at least by the standards of yesterday. Its hardware includes Eurofighter jets, transport planes and amphibious ships designed for force projection. Around 3,500 Spanish troops are taking part in NATO missions in eastern Europe, and others operate in UN peacekeeping. Mr Sánchez has been a staunch supporter of Ukraine's resistance to Russia's invasion. He visited Kyiv again on February 24th. Spain has sent tanks, trained 7,000 Ukrainian troops ►►

Some catching up to do

NATO members, defence spending, % of GDP
Selected countries

● 2014 ● 2024 estimate



► and this year, like last, approved €1bn for donations of munitions and missiles.

To face Europe's deteriorating security outlook Spain needs stronger air-defence systems, new planes and tanks and much more investment in drones and cyber-warfare, says Mr Arteaga. Some of these are on track but others are not. A particular worry is Morocco, which claims sovereignty over Ceuta and Melilla, two Spanish enclaves in north Africa. In Mr Trump's first administration Morocco became a favoured American partner. It is seeking F-35 stealth fighters and may get them. Mr Sánchez has spoken out against many of Mr Trump's policies. But his officials trust in the strategic importance to the United States of Rota, a naval base in southern Spain where it berths up to six destroyers under an agreement renewed in 2023.

In rearming faster, the prime minister's room for manoeuvre is limited by his hard-left coalition partners, who are anti-Amer-

ican and anti-NATO. The conservative opposition People's Party supports a big increase in defence spending, but Mr Sánchez has been loth to seek its parliamentary support. Above all, the government wants to avoid having to cut social spending in order to fund defence, which might break apart his left-of-centre coalition.

Mr Sánchez now says that spending will reach 2% of GDP before 2029, though he hasn't said how. But Spain faces a moving target. Mr Trump talks of 5% of GDP while Mark Rutte, NATO's new secretary-general, wants the alliance to approve "considerably over 3%" at its next summit in June; the favoured number is 3.6% or even 3.7%. Spain's government insists that anything beyond 2% must come from European sources, in the form either of additional EU debt or the repurposing of existing EU programmes. Some of this may now happen. And conveniently it would attract little domestic opposition. ■

Talking and fighting

Is Putin ready to cease fire?

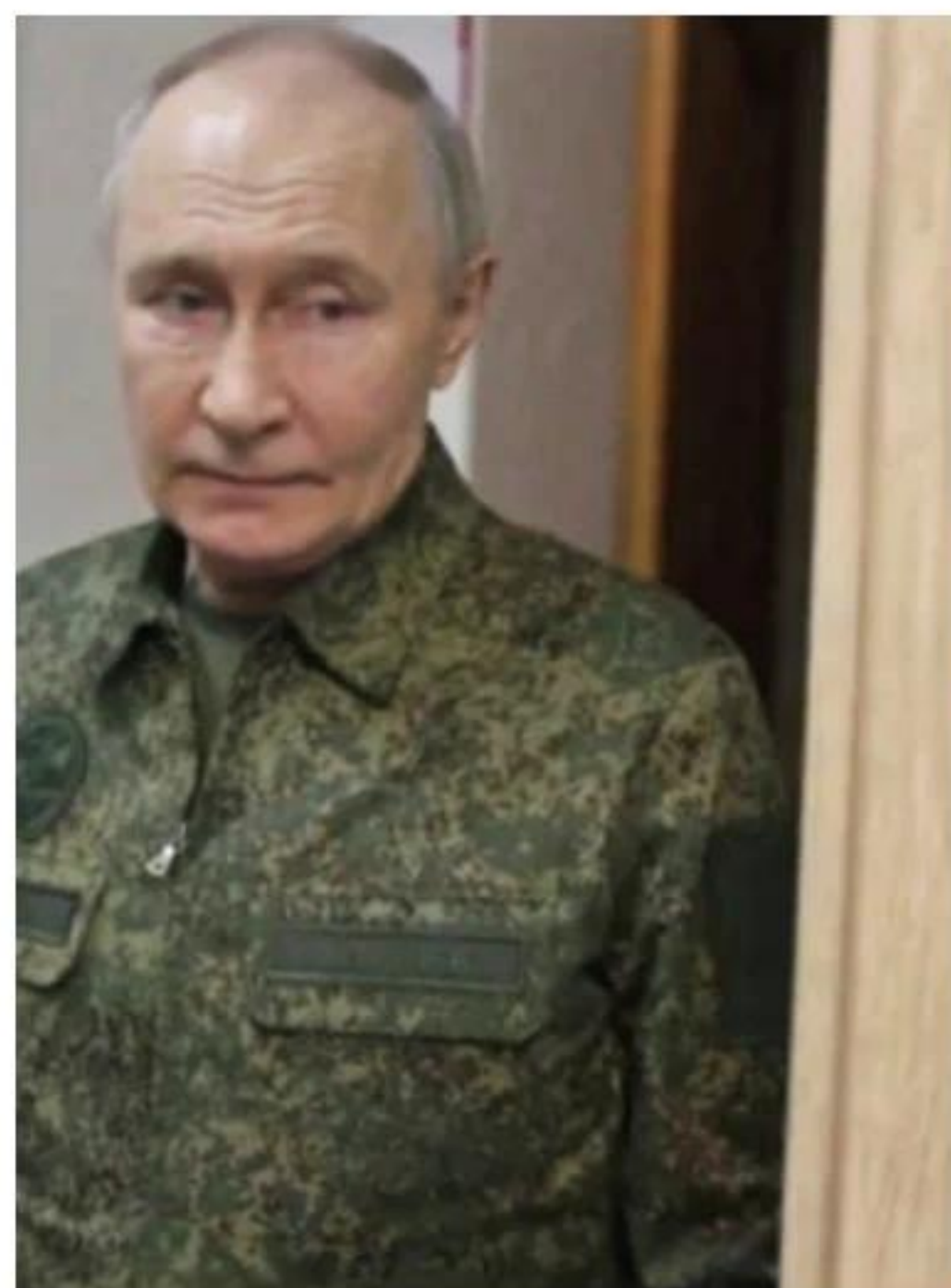
WASHINGTON, DC

Probably not. But by agreeing to a 30-day truce Ukraine has regained crucial American weapons and intelligence

ON MARCH 12th Vladimir Putin donned military camouflage to visit his troops in the Kursk region, where his forces seem to be in the final stages of pushing out Ukrainian soldiers from the territory they occupied last August, to huge Russian embarrassment. This TV set-piece, endlessly replayed, was Mr Putin's first response to Ukraine's offer of a 30-day ceasefire that had been sealed by America at negotiations in Jeddah a day earlier. As *The Economist* went to press, Russia was still to disclose its official verdict, but America has restarted the flow of arms and intelligence to Ukraine. The offer has put the ball in Mr Putin's court, American and Ukrainian officials said. Mr Putin will no doubt whack it back with a counter-proposal.

But he still faces a dilemma: stop fighting without achieving most of his expansive war aims or risk alienating the usually sympathetic Mr Trump and spurring him into giving more support to Ukraine. Similarly at home he must balance between appeasing his pro-war zealots and accommodating growing hopes for peace. Mr Putin's top goal is self-preservation, so any decision he makes will be guided by that principle, and for all his dictatorial powers he depends on the appearance of public support. Nobody knows what Vladimir Putin will decide, "probably not even himself", says one Russian business figure.

War bloggers and ultra-patriots in the Russian parliament rushed to reject the ceasefire which, they argue, would allow Ukraine to regroup, resupply and counter-attack. "Why the fuck do we need this?" one blogger wrote. But according to a recent survey by the Levada Centre, a Russian polling organisation, Russians who prefer peace talks now outnumber those



Problems for Putin

who favour continuing the war by 61% to 31%, an all-time high. This does not mean Russians are prepared to give much away. Given Russia's grinding advances, and Mr Trump's bullying of Ukraine, another poll found that 76% expected a Russian victory. In other words, a majority of Russians may want peace but expect it to be on the Kremlin's terms.

Mr Putin's objectives for his three-year-old war include the annexation of four Ukrainian provinces, the neutrality of Ukraine, a reduction of its armed forces and dealing with the "root causes" of the conflict, implying a retreat of NATO forces from much of eastern Europe. All of which suggests he is playing a much bigger game, seeing the war as a means of ultimately forcing America out of Europe.

Mr Putin will probably try to set conditions for any ceasefire, perhaps including a fresh halt to American supplies for Ukraine, and may seek to delay it at least until he has secured a summit with Mr Trump. Mr Rubio, however, has said the proposal is for an unconditional ceasefire, followed by immediate negotiations on an enduring peace. "If their response is yes, then we know we've made real progress and there's a real chance of peace. If their response is no, it'll be highly unfortunate, and it'd make their intentions clear." He would not spell out the consequences of a Russian refusal, beyond saying: "We'll have to examine everything."

His comments will reassure Mr Zelensky, who worked hard to repair the breach, with intense help from Britain and France, after Mr Trump halted military aid and most intelligence sharing. On March 4th Mr Zelensky wrote an assuaging letter to the American president describing the White House bust-up as "regrettable".

In Jeddah, away from the febrile politics of Washington, the Ukrainians proposed a partial ceasefire to halt attacks from the air or at sea. The Americans countered with the idea of a full but temporary ceasefire, renewable if both combatants agree to it. After consultations with Mr Zelensky, the Ukrainian team accepted. Within hours, military aid and intelligence sharing was restored, recounted one participant. A joint deal to extract Ukrainian minerals is expected to be finalised soon.

Mr Zelensky had hitherto resisted any ceasefire without first securing an explicit American security guarantee, fearing that Russia would use it to prepare for a future war. Mr Rubio appeared to accept that Ukraine needs "long-term security". America, he insisted, was "not interested" in a peace that collapses after a few years. The real question was: "Can Ukraine create a sufficient deterrent against future aggression, against future attack, against future invasion? Because every country in the world has a right to defend themselves, and no



▶ one can dispute that.”

A central element would be a mooted European “reassurance” force, perhaps 20,000-30,000 strong, that would be deployed to Ukraine if a lasting ceasefire is reached. Even if no American troops are sent, Britain has pushed for an American “backstop”, ie, some assurance that the United States would help defend the Europeans if they were attacked by Russia.

Despite occasional threats of additional economic sanctions against the Kremlin, Mr Trump has for the most part put extreme pressure on Ukraine while easing it on Russia. His administration no longer labels Russia as the aggressor, voted with it at the United Nations and, reportedly, has stopped cyber-attacks against Russia. Mr Trump has also yielded on important points: for instance, saying Ukraine would not recover all of its lost territory and ruling out its hopes of joining NATO. There is little to stop him again blaming Ukraine as the recalcitrant party when the next problem appears.

For now, though, Ukraine has regained some initiative. Eric Ciaramella of the Carnegie Endowment for International Peace, an American think-tank, argues that a “clean ceasefire” benefits the Ukrainians, allowing them to rest without making upfront concessions. At the diplomatic table as in the trenches, short-term success is no guarantee of victory. But Ukraine has staved off disaster, and has survived to fight another day. ■

Polling Ukraine

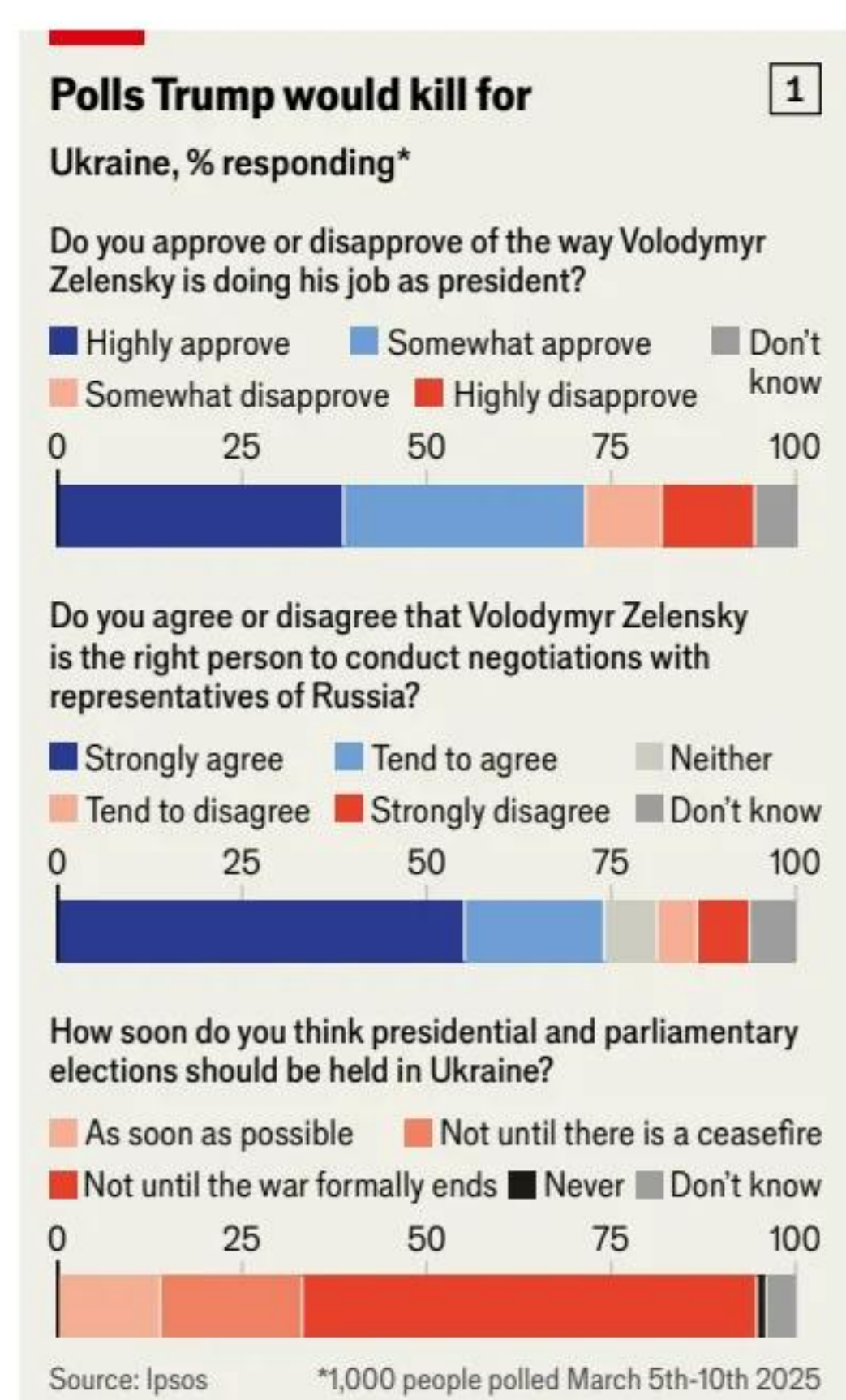
A rating to die for

KYIV

We find solid support for the president

LIKE CANADA’S Mark Carney, Volodymyr Zelensky is finding that being attacked by Mr Trump is great for one’s ratings. A new telephone poll by Ipsos of 1,000 Ukrainians, commissioned by *The Economist*, shows that he commands overwhelming support in the wake of his falling-out with Trumpland. More than seven in ten Ukrainians now say they approve of Mr Zelensky’s work. Eight in ten say he is still Ukraine’s legitimate president, and reject the idea of elections while fighting continues. Over seven in ten still trust him to lead negotiations. Even more striking, the poll suggests that Mr Zelensky would win an election if one were held today, with Valery Zaluzhny, his popular former top general, in distant second place.

Our poll was conducted in the week following the White House showdown, a per-



iod that saw America withdraw first military aid and then offensive intelligence-sharing. (Both have been restored after the latest talks in Saudi Arabia.) It shows Ukrainians in a mood at least as stubborn as their president’s, favouring military aims that seem unachievable, given Ukraine’s resources. A huge majority (74%) favour fighting on, even without American support. A clear majority (59% v 21%) say they believe Ukraine can still win on the battlefield, in contrast to American officials such as Marco Rubio, the secretary of state, who say it cannot. A similar majority rejects any ceasefire until the West gives Ukraine military guarantees—the very situation that seems to be developing after the talks in Saudi Arabia.

Those talks covered possible Ukrainian concessions for peace. The data show Mr Zelensky’s public is reluctant to concede much. Of Russia’s probable demands, only renouncing Ukraine’s aspiration to join NATO has net support: with 38% for and 37% against, a difference that is well within the margin of error. Just 6% of Ukrainians would be willing to recognise Russian territorial gains since the full-scale invasion in 2022, though more might concede Crimea and the parts of eastern Ukraine which Russia seized in 2014 (11% and 27% respectively). Fully 80% oppose shrinking Ukraine’s armed forces, another probable Russian demand.

The poll appears to justify Mr Zelensky’s tough stance at a moment of mounting American pressure. Ukrainians are rallying around their president in ways that Mr Trump could only dream about. The poll finds that 72% of Ukrainians strongly

or somewhat approve of their president’s job performance; Mr Trump is at 46%, according to *The Economist*’s tracker. It also shows categorical opposition to holding elections during wartime, as America seems to want. Ukrainians agree with Mr Zelensky’s view, stated in our recent interview with him, that holding elections while mobilised for war is logistically and legally impossible. A solid 62% reject elections until the war ends. Another 19% would consider them only during a ceasefire. Just 14% agree with the White House that they should take place as soon as possible.

Far from giving Mr Zelensky a dignified way to leave office, an election would probably keep him in power, the poll suggests. The war has put competitive politics in Ukraine on hold, so the numbers are theoretical; they would shift in a real campaign. But they suggest Mr Zelensky would get many more first-round votes than his closest potential rival, Mr Zaluzhny (46% v 31%).

Despite his popularity, Mr Zelensky is hardly secure. He cuts a lonely figure among the political elite, and he is under heavy pressure from America and Russia, as well as events on the front line. Many Ukrainians say corruption has grown during the war (43%). He almost certainly cannot deliver the decisive military victory most desire. Sooner or later, Ukraine’s president will face a difficult choice: make concessions and see his ratings tumble, or fight on and court the Americans’ anger. ■

Fighting words



News and propaganda in Russia

Digital warfare

VIENNA

Photons and electrons may matter as much as bullets and bombs

FOR THE past three years Vladimir Putin has been fighting on two fronts. Just as his army has ruthlessly bombed Ukraine, his security machine has been purging Russia of any dissenting voices. From the start, crushing independent media that could consolidate opinion against the war was an essential counterpart to an invasion that lacked popular support.

Mr Putin might seem to be winning on both fronts. In fact, his achievements have been limited. Despite having wasted the lives of perhaps 200,000 Russian soldiers, his army is still failing to overwhelm Ukraine's forces. And for all the clamp-downs and repression, millions of Russians continue to watch, listen and read news and opinion supplied by hundreds of independent Russian journalists and bloggers operating both from Europe but also from within the country.

Mr Putin must have hoped that by forcing more than 1,000 journalists into exile and arresting some of those who stayed, he would render them irrelevant. Instead they have regrouped and launched a counter-offensive. Last week hundreds of them gathered in Vienna to discuss and develop new tactics in their war for the hearts and minds of the Russian people.

Jerzy Pomianowski, who heads the European Endowment for Democracy, an EU body that gives grants to independent Russian journalists, says that supporting the exiled media is an indispensable part of Europe's own security. "We can't defend our democracy with tanks, drones and planes alone," he says. "We need to have channels of communication to Russian society and the analytical capacity to understand its dynamics."

One aim is to hobble Mr Putin's efforts to feed his war machine. One recent investigation by the *Insider*, an outfit based in the West, in collaboration with other media outfits, prompted the European authorities to stop sanction-busting imports of Taiwanese-made high-precision machine tools used by Russian defence contractors. Another of its investigations identified links between the Kremlin and the hard-right Alternative for Germany.

The main goal of Russia's media-in-exile, however, is to help keep room for free political, cultural and social exchanges within Russia itself. Some 66 media outlets and dozens of bloggers and influencers reach an audience of 10m-20m people in-

side the country. Their impact is hard to quantify but, says Mr Pomianowski, "Democracy is a long-term investment."

Mr Putin understands this too. Over the past year the Kremlin has been testing a new model of digital censorship that is more restrictive than the one that operates in China. But the challenge Russia faces is far greater. China developed its internet in controlled isolation. In Russia it evolved freely, as a way of connecting to the rest of the world. More than 36% of Russians use a VPN, the highest percentage in the world. Obviously not all of them harbour anti-war views, but it shows that the internet is still contested territory.

One example is Telegram, one of Russia's most popular messaging apps. Since the Kremlin is unable simply to ban it because of its popularity, including among its own officials and the armed forces, it has instead flooded it with its own content.

Just lock 'em up

Another technique is criminalisation. Last year the Kremlin made it illegal for anyone to advertise in any media outfit branded as a "foreign agent". Some outlets, such as Meduza, Russia's largest independent online media organisation, based in Europe but reliant on a network of local freelancers, are designated "undesirable". This makes any contact with them a crime.

Nothing, though, poses as big a chal-

lenge to the Kremlin as YouTube, the most popular social-media and video-hosting platform in Russia, with a monthly reach of 96m. It has in effect become an alternative version of television, particularly among the young. Unlike Telegram, YouTube blocks the Kremlin's propaganda channels, so its political segment is dominated by anti-war content.

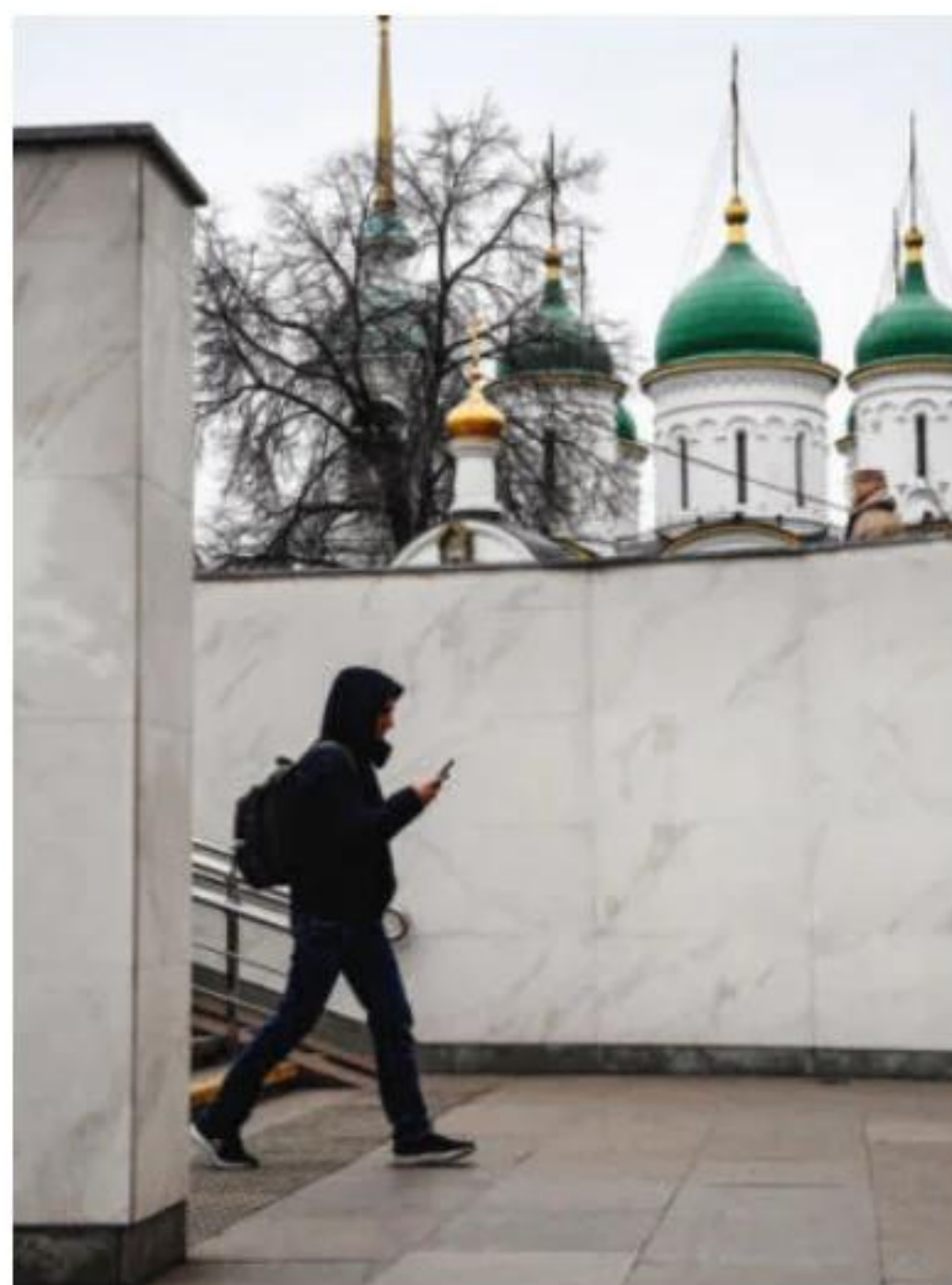
This varies from TV Rain, the largest online television channel, to popular bloggers such as Maxim Katz, whose sleek and short videos regularly win a million views. As important as the content provided by independent media is the sense of community YouTube creates among Russians who feel ostracised by the state, resented by Ukrainians and ignored by the West. Alexander Plushchev, who runs a YouTube breakfast show, says the most frequent feedback he receives is "Thank you for keeping us sane".

Dmitry Kolezev, who monitors the political segment of YouTube, estimates its monthly audience at about 15m people. What probably worries the Kremlin most is not the anti-war minority, but the silent majority who come to YouTube looking for entertainment—music, games, films and comedy—but, thanks to algorithms, are exposed to anti-war content as well. Interest surges when big news events occur, such as mobilisation for the army, the death of Alexei Navalny, or Ukraine's invasion of the Kursk region. Traffic then tends to double in volume, as people look for alternative explanations.

The Kremlin is trying to wean them off YouTube through a mixture of sticks and carrots. It is using equipment installed on servers to reduce the download speed of YouTube videos, making them unwatchable without VPNs, while promoting its own home-grown version of the news.

It is trying to herd audiences towards VK, Russia's largest social-media and video-hosting platform, which offers entertainment but is devoid of opposition content. VK is owned by Gazprom, Russia's gas monopoly, and is run by the son of Sergei Kiriyenko, the deputy head of Mr Putin's presidential administration. In April 2023 Russia's sovereign-wealth fund bought bonds issued by VK for 60bn roubles (\$700m).

Much of this cash was used to lure popular lifestyle vloggers, comedians and influencers to provide content to VK and win over their YouTube audiences, while schoolchildren are required to use VK to communicate with their teachers. The tactic has worked—up to a point. The vloggers took the money, made short videos, and then went back to YouTube. Tempted as it may be to block YouTube outright, the Kremlin so far prefers a war of attrition. As in the case of the real war against Ukraine, it thinks time is on its side. ■



Read all about it

CHARLEMAGNE

The hour of Europe. Really, this time

Donald Trump has pushed Europe back into “whatever it takes” mode



CHARLEMAGNE, Jean Monnet, Konrad Adenauer, Donald Trump: the pantheon of figures who have helped forge European unity has taken an unexpected turn of late. In less than two months in office the American president has prompted such disbelief and revulsion in Europe as to unexpectedly jolt the place into collective defiance. A dozy continent that has ignored decades of geopolitical wake-up calls has at last located its resolve. Yes, the sudden wobbliness of the transatlantic alliance that has underpinned European security for generations means it is yet again in crisis (there have been so many in the past decade or so, ranging from the euro-zone miasma to Brexit, that it can be hard to keep count). Yet a set of circumstances that might have petrified the continent into stupor seems to have galvanised it into action instead. It is too soon to cheer, for there is much to be done. But a jilted Europe feels like a place suddenly in a hurry.

Such an outcome hardly seemed likely as Mr Trump readied for office. Then, the continent looked like a deer caught in headlights. Efforts to “Trump-proof” Europe—from misguided tariffs or his impetuous comments about encouraging Russia to invade NATO allies that didn’t spend enough on defence—looked futile. Worse, a deepening of the fissures formed during Mr Trump’s first term seemed inevitable. On one hand were Atlanticists, particularly in central Europe, who thought the returning president could be brown-nosed into alliance, whether through commerce (buying American gas) or flattery (Poland had once proposed renaming a military base “Fort Trump”). On the other were Gaullist types, native to France, who had long fretted about NATO being “brain dead” and Europe needing to be ready to go it alone. European disunion threatened once again.

But the divisions never opened up. The bullying, erratic ways of Mr Trump and his vice-president, J.D. Vance, were decried from Warsaw to Dublin. Nobody will soon forget their haranguing of Ukraine’s president, Volodymyr Zelensky, in the Oval Office. In the same way that there are no atheists in a foxhole, it turns out there are no Euro-Atlanticists during a rebooted Trump presidency. The upshot is the early stage of what might be called a European *Zeitenwende*, the epochal change that Germany committed

to after Russia launched its full-scale invasion of Ukraine in 2022. The defeatist vibe that Europe too often exudes has been replaced by a yearning for ways out of the mess. The acute phase of the euro-zone crisis ended in 2012 when Mario Draghi declared the European Central Bank he presided over would do “whatever it takes” to save the single currency. It was not by coincidence Friedrich Merz, the incoming German chancellor, alighted on the phrase soon after his party came top in elections.

Thus the European Union, at heart a “peace project”, looks ever more at ease talking about regiments and missiles. Countries that had gorged on a post-cold-war peace dividend have ordered enough military kit to send European defence contractors’ shares soaring (just as, satisfyingly, shares of the tech companies whose bosses have kowtowed to Mr Trump have taken a battering). Change is in the air. Germany is ditching its quasi-religious attachment to fiscal restraint to splurge on infrastructure and defence: just the thing to fend off economic blues *and* Russians.

Then, on March 6th the EU’s 27 national leaders pledged to make €150bn (\$165bn) of cheap loans available for countries wanting to spend more on defence, on top of agreeing Eurocrats would look the other way when countries bust the bloc’s budget rules. That is a good start, but only that. Talk is afoot of rebooting a covid-era scheme whereby EU countries jointly borrow money for common aims, in this case to buy arms. Such a plan would once have been stymied by one veto-wielding member or another (not least by Viktor Orban, Hungary’s prime minister, or the skinflint Dutch). But the union is happier than ever to set such institutional constraints aside. For now that means exploring “coalitions of the willing” which can both exclude recalcitrant countries inside the club and bring in enthusiastic ones from outside (one upshot: Britain is back in the European fold, closer than it has been for years). Down the line, a more radical rethinking of how the continent’s nations confederate around common priorities may emerge, for example a fully fledged “European pillar” of NATO.

Europe’s can-do spirit is necessary for it to meet the moment, but is it enough? The challenges to be overcome are formidable. Announcing lots more defence spending is easier than telling voters their taxes will go up or pensions be trimmed. The EU economy is still sluggish and needs to be reformed, just as a trade war with its biggest commercial partner is brewing (the EU imposed retaliatory tariffs on America this week). Some Europeans—notably those far from the front lines in Ukraine—do not share the urgency of Poles or Balts. Hard-right politicians who parrot Kremlin talking points are doing well at the polls.

European... union?

Mr Trump will no doubt try to take credit for this *huge!* European awakening. Not so fast. What Europe is doing is not protecting itself alongside America, as it has been asked to do for so long, it is protecting itself from an impetuous, unworthy America. Perhaps this ally will one day rejoin this partnership, which many hope it has not quite abandoned. But Europe will ensure it will be on its own terms. Perhaps delusionally, this once washed-up continent seems to think it can pick up the burden of global responsibility that America has now decided to shake off. As it looks to an erstwhile friend that seems to have lost its head, Europeans are on a mission inspired by a place they used to admire: to show that government of reasonable people, by reasonable people, for reasonable people, shall not perish from the West. ■

Britain



Health benefits

Britain's worklessness mess

BARNESLEY

Can Labour get more people into jobs, and save money, without exposing the vulnerable?

FOR SARAH, the trouble started with a fracture in her back. She'd worked in a warehouse for years. Now she's "too old to lug boxes" and her back still aches when it's cold. Poundland, a budget retailer, rejected her job application. Others didn't reply. For Mandy, it was losing her job. Without that structure, she felt anxious and depressed. Michael hurt his back in 2022, but is still waiting for surgery. He's only done part-time Christmas work since.

All three live in Barnsley, in northern England. Ill health pushed them into the ranks of what statisticians drily call the working-age economically inactive: people with no job who have stopped looking. Nearly 3m Britons aged between 16 and 64 are not working because of poor health, up from just over 2m in 2019. That is a misery for them and a mystery to economists. No other rich country has seen a similar rise.

Worklessness is a headache for the government, too. Since 2019 annual spending

on health-related benefits for those of working age is up by £19bn (\$25bn, 0.7% of GDP) in inflation-adjusted terms (see left-hand chart on next page). The government has forecast a further £13bn rise by 2029. It is spending more on both incapacity benefits, for people unable to work, and disability benefits like the Personal Independence Payment (PIP), which cover the cost

of disability whether the recipient works or not. In England and Wales 4m people, or one in ten of working age, now claim one or both. In 2019, only 2.8m did. And losing so many from the jobs market has compounded wider economic woes, pushing up inflation and pulling down growth.

Have Britons really got so much sicker, so quickly? The evidence is mixed and messy. Official labour-force figures show a particular deterioration in mental health among the young, alongside bone and muscle trouble in the middle-aged. But nearly all sickness is up. And since the pandemic, the data have become ever less reliable, as fewer people respond to surveys.

Over a wider set of measures, the Institute for Fiscal Studies (IFS), a think-tank, found no consistent picture (see right-hand chart). "Some surveys suggest long-term ill health has grown, while others suggest it has remained unchanged," says Eduin Latimer of the IFS. "There is much clearer evidence on mental-health conditions. All surveys suggest that more people are reporting mental-health problems now than before the pandemic."

What, then, is going on? Health-service waiting lists get blamed, but probably unfairly. A study by the Office for Budget Responsibility (OBR), the fiscal watchdog, found that most people on them were working or past retirement age, and that

→ ALSO IN THIS SECTION

45 Women and remote work

46 A ruckus at Reform UK

46 Collision in the North Sea

47 Bagehot: Labour and rearmament

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▶ even halving the lists would get only 25,000 of the long-term sick back to work.

A more plausible culprit is the welfare system. Britain is spending a record 4.3% of GDP on benefits for working-age people. But most benefits that are not related to health, such as unemployment support, have been squeezed. (The state pension is a marked exception.) That decline has probably shunted more people into health benefits. Court rulings also forced Theresa May's government to widen eligibility for people with mental-health problems.

A technological shift has also added to the bill. During the pandemic, phone and video interviews replaced face-to-face assessments for disability and incapacity benefits. TikTok is full of tutorials walking would-be applicants through PIP interviews, listing key things to mention—struggling with cooking, forgetting to take medication—to maximise the likely award.

Once the welfare system has deemed someone ill, the label tends to stick. Sir Steve Houghton, leader of Barnsley council, says post-industrial areas like his have long experience of this. "If they're in the benefits system for over three years, it's not easy to get people back out," he says. "They fear if they come out and work doesn't work out, going back in will be difficult." Research by the Resolution Foundation, another think-tank, also found that the newest PIP recipients are less likely than previous cohorts to move off the benefit.

Worklessness frustrated the previous government, too. Rishi Sunak tightened eligibility for incapacity benefits in 2023, but was challenged in court over the length of consultation. The government lost in January (after winning last year's election, Labour kept fighting the case). Now fiscal necessity has jolted Sir Keir Starmer into action. New OBR forecasts, due on March 26th, are expected to show that the government's already slim room for manoeuvre has been squeezed to nothing by weak growth and the gilt market. The newly urgent need for rearmament spending has made things tighter still. After the over-

seas-aid budget, now stripped almost bare, benefits are the next least-popular bit of public expenditure.

Leaks to ITV, a broadcaster, suggest the government is eyeing cuts of around £6bn a year. That will be controversial within Labour. At a meeting of the party's National Executive Committee in January, Sir Keir was warned that "the disabled community were deeply alarmed". Measures to raise the bar for disability and incapacity benefits are a necessary stopgap. But Britain's recent history of welfare changes is littered with the unforeseen consequences of misbegotten schemes, and suffering for society's poorest as a result. PIP, rolled out in the 2010s, was intended to make disability benefits harder to get, and to save £1.4bn a year. The latest estimates suggest it saves only £100m or so.

So reform is needed too. That means somehow framing eligibility in a way that does not penalise people's efforts to start working, without hurting those who cannot. At least Labour has electoral time and a huge parliamentary majority on its side.

Barnsley is running a pilot scheme, starting in April, to better tie together the 70-odd training and support programmes for jobless people and collaborate with employers to find them work. The Treasury is watching. If the scheme succeeds—its designers expect four-to-one returns—it could be rolled out nationally.

But the government's own policies are an obstacle to improvement. Most people don't fall out of work instantly. Like Sarah, they first look and then, after enough disheartening rejections, stop trying. It would therefore be wise to make it cheaper and less risky for employers to take a punt on someone with a thin CV and poor health.

Sadly, the rest of Labour's jobs agenda is rowing in the opposite direction. Increases in employers' national insurance, a payroll tax, and the minimum wage will make hiring the low-paid costlier. The Employment Rights Bill will probably block up the job market more. Progress will be hard without a change of course. ■

Women and work

Leaning back out

Rather than return to the office, some women have quit

"WORK ANYWHERE", an initiative at Nationwide, Britain's biggest building society, was short-lived. In 2021 Joe Garner, the chief executive, ruled that staff could work wherever they liked. In 2023 Debbie Crosbie, his successor and Nationwide's first female boss, changed tack. Too little time with colleagues would damage women's careers, she said.

Yet flexibility seems to have helped rather than hindered women—professional women especially. The share of women in finance and insurance working full-time rose to 83% in 2023 from 75% in 2019, finds Public First, a research firm; the rate for mothers in finance rose by more than ten points. Overall, the share of mothers in work reached a record 79% in 2023. Similarly, in America, Australia and Canada mothers of young children powered a surge in female employment rates.

Women were still more likely than men to be in poor-quality jobs and less likely to become company bosses. Those starting their careers out of the office missed crucial mentoring. But ditching long commutes made it easier to manage work and family life.

Now bosses want people back in. Half of companies in Britain require staff to be in the office at least four days a week, according to the Virgin Media O2 Business Movers Index, which polled 2,000 bosses in 2024. Old attitudes are resurfacing. Alan Sugar, star of the British version of "The Apprentice", growls that Britons should "get their bums back into the office".

Many women have chosen not to. The employment rate for women with dependent children has receded from its peak, while men's has stayed flat. By the end of 2023 the difficulty of juggling work and child care had pushed nearly 250,000 mothers out of jobs, says the Fawcett Society, a charity. Last year EngineeringUK, a trade body, reported a "worrying spike" in women aged 35-44 leaving the industry. Female police officers and teachers are also quitting. At Nationwide, Ms Crosbie insists office life has left women feeling energised. Just as well: the commute might be too draining otherwise.

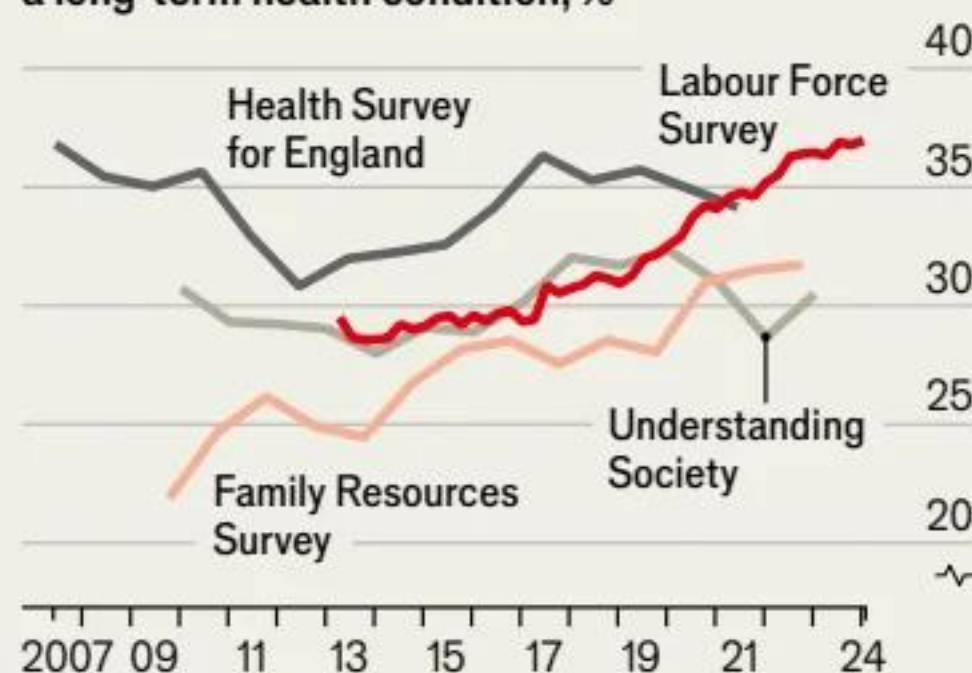
Peaky not perky

Britain, spending on working-age benefits as % of GDP



Sources: Resolution Foundation; IFS

England, 16- to 64-year-olds with a long-term health condition, %



Reform UK

Punch-up in a phone box

Discord erupts in Nigel Farage's party

THE PAST few months have largely been good ones for Nigel Farage and Reform UK, the right-wing party he leads. Having won 14% of the vote, and five seats, in the general election last July, the party has since flourished as Labour has dithered in government and the Conservatives have floundered in opposition.

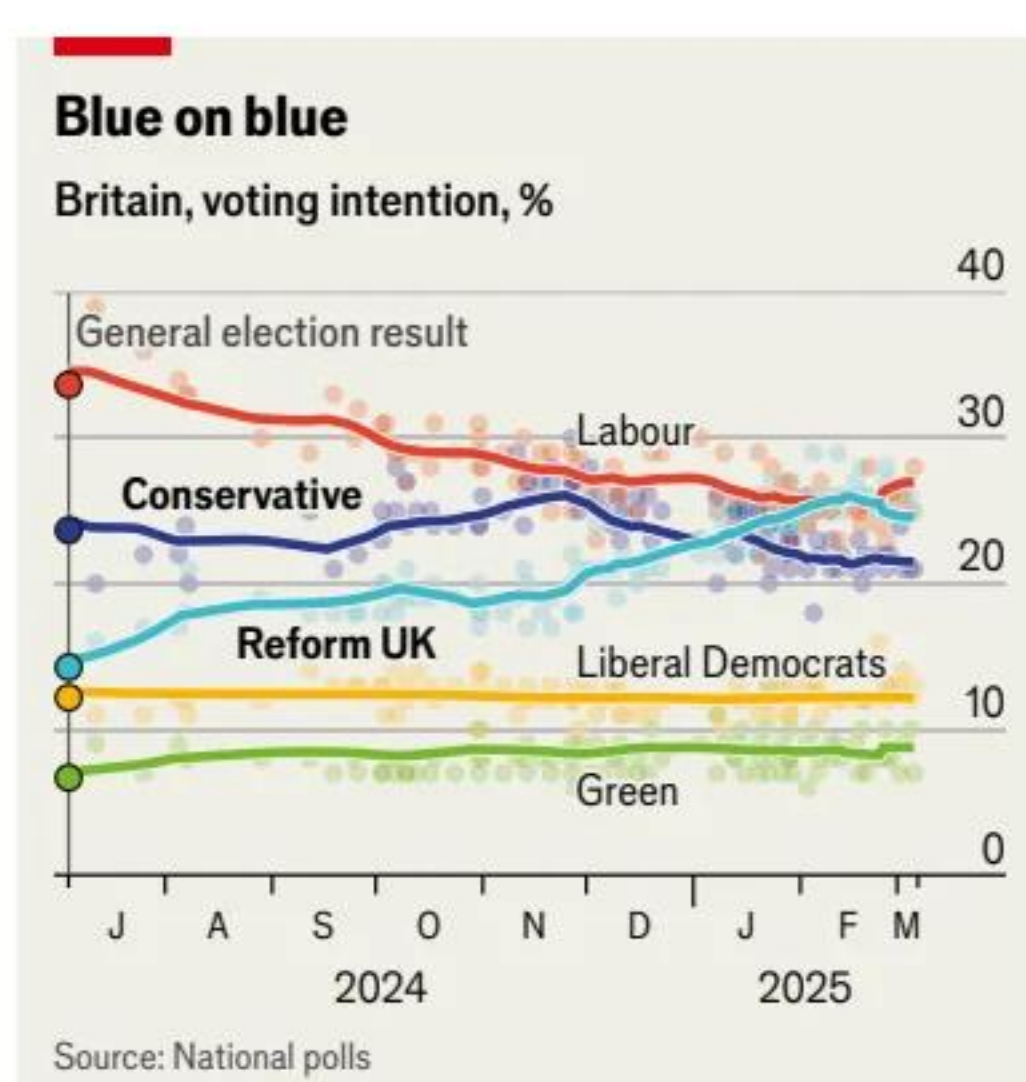
According to *The Economist's* average of opinion polls, Reform UK sits on 25%, just two points behind Labour and four ahead of the Tories (see chart). Zia Yusuf, Reform UK's chairman, boasts of winning 350-400 seats—a majority—at the next election, due by 2029. Mr Farage has declared he wants to be prime minister that year, and has talked a lot about growing and professionalising his party. Nervous Tories have been musing about an electoral pact, or even an outright merger to consolidate the right of British politics.

Lately, however, the merger chatter has been stifled and the party's grand claims about making itself fit for office have been ringing hollow. A bust-up within Reform UK has revived old questions: of whether Mr Farage can build a party with a leadership broader than just himself; and of whether Reform UK's flaws put a hard limit on its ascent.

Reform UK has accused Rupert Lowe, one of its MPs, of threatening Mr Yusuf, and has reported him to the police, who say they are investigating. The party has also appointed a senior lawyer to look into claims of bullying in his office. Reform UK has also suspended Mr Lowe, reducing its parliamentary strength to just four.

Mr Lowe denies all the allegations. In his telling, his only crime is to have crossed Mr Farage. His suspension followed an interview with the *Daily Mail* in which Mr Lowe had mockingly referred to Reform UK as a "protest party led by the Messiah". He later claimed to have been "entirely frozen out" of the party machinery. Mr Lowe is also a favourite of Elon Musk, proprietor of X and confidant of Donald Trump, for his hardline views on immigration and grooming gangs.

The falling-out fits a familiar pattern. Reviews of Mr Farage by some ex-colleagues in the UK Independence Party (UKIP) and the Brexit Party, forerunners of Reform UK, have been less flattering than Mr Lowe's. Those leaving Reform UK in recent months include Ben Habib, its former



co-deputy leader, and Howard Cox, its candidate for mayor of London last year.

Another factor that may limit Reform UK's advance is Mr Farage's view that the West "provoked" Russia's invasion of Ukraine through the eastward spread of NATO. He criticised Volodymyr Zelensky for not wearing a suit in his ill-starred meeting at the White House with Donald Trump on February 28th. Such talk is unpopular: 77% of voters believe that Russia is wholly or mostly responsible for the war, according to YouGov, a pollster.

Yet the furore over Mr Lowe may not be the calamity for Mr Farage that it appears. Reform UK's rise in the polls suggests that

the party is becoming an entrenched force on the British right. Reform UK's surge took a quarter of the Conservatives' vote between the general elections of 2019 and 2024; since then, the Tories have lost a further 20%, again according to YouGov.

A paper by Oliver Heath of Royal Holloway, University of London, and his colleagues shows a "remarkable continuity" between the places that voted most heavily for UKIP in 2015, Brexit in 2016 and Reform UK last year. The paper suggests that as this succession of parties headed by Mr Farage has continued to improve their showing at the polls, support for them has deepened rather than widened. It has grown most in older, white, working-class and Eurosceptic towns.

The next test of Reform UK's potential—and of whether recent events have made any difference to voters—will come in a few weeks, in Runcorn and Helsby, in north-west England. On March 10th the local MP, Mike Amesbury, elected for Labour in 2024, said he would resign, having been convicted of assault after a drunken street brawl. Reform UK finished a distant second last July; it might hope to come close to winning the by-election.

The past few days have been a reminder of why Mr Farage will struggle to convince the electorate that he is a prime minister in waiting. But his record warns against writing off his capacity for disruption. ■



Peril on the sea

At around 10am on March 10th the *Solong* (pictured), a Portuguese-flagged cargo ship, and the *Stena Immaculate*, a tanker carrying jet fuel for America's armed forces, collided off the east coast of England. The *Solong* was reportedly travelling at 16 knots (30kph) when it struck the *Stena Immaculate*, which was at anchor on its way to the port of Hull. Prolonged fires burned on both vessels; 36 crew were rescued; one person is unaccounted for. The *Solong's* German owner, Ernst Russ, said that, contrary to early reports, its ship was not carrying sodium cyanide, a toxic chemical. The ship's captain, a 59-year-old Russian, was arrested on suspicion of gross negligence manslaughter. It is too early to assess the environmental damage caused by the *Stena Immaculate's* cargo or other leakages.

BAGEHOT

Come, friendly bombs

How Labour learned to love rearmament



WHICH MP WOULDN'T want a defence factory in their constituency? The median full-time pay for making weapons and ammunition in Britain last year was £49,300 (\$64,000), far above the national average of £37,400. Big plants hire lots of apprentices, and keep local suppliers of screws and sandwiches in business. For poor English towns that other industries don't reach, they are a godsend.

Still, the cold transactionalist logic of pork-barrel politics does not alone explain the enthusiasm that greeted Sir Keir Starmer's announcement last month that defence spending would tick up to 2.5% of GDP by 2027, and 3% some time after. Never mind that the aid budget, once Labour's pride and joy, would be heavily cut to pay for it, nor, as many Labour MPs have grasped, that taxes must eventually go up. A group of MPs called for ESG rules, which deter banks from lending to arms-makers, to be cut. Others want defence firms to be helped to recruit on university campuses.

What stirred was deeper: a veneration of manufacturing jobs, dear to the soul of Sir Keir's Labour Party. It was on show on March 6th, when Sir Keir visited Cammell Laird, a shipyard on the Mersey. He shook the hands of oil-smeared apprentices, declared they were serving their country, and waxed eloquent about learning a trade over going to university. He reminisced (not for the first time) about his father, a toolmaker. Lately the prime minister has worried about teenagers who live parallel lives in isolating jobs. Defence work, by contrast, he sees as purposeful, even heroic.

Getting here owes less to political science than to theology. Jeremy Corbyn, Labour's leader until 2020, regarded the arms industry as a great evil. Worse in his critics' eyes, his tenure speeded up Labour's retreat from former industrial towns to the cities, to become a party of public-sector workers and professionals. For those who wrestled the party back, this was not just an electoral crisis, but a moral one. Its founding constitution, Rachel Reeves, the future chancellor, wrote in 2017, commanded it to serve "the workers by hand or by brain". That, she said, was "the point of Labour".

In opposition she spoke of "securonomics", which fused a scepticism about globalisation with support for blue-collar jobs. Yet it was a philosophy in search of a policy: which industries

should be protected, and with what spare cash, was never worked out. Sometimes she seemed unconvinced of her own arguments, knowing that the modern working class is more often found in retailing and hospitality. In unguarded moments she would parody the factory photo-ops that filled her diary: "The traditional politician visit to manufacturing, we all put on our PPE, that is 'The Economy'." Once in office, the Treasury orthodoxy of promoting free trade, deregulation and services exports held sway.

Now the intellectual muscles honed in opposition have twitched. Securonomics has found a focus. There are few industries for which the Treasury is willing to pay the premium that goods marked "Made in Britain" demand, but defence is one of them, and only a crisis such as America's retreat from Europe could jolt out the money. The national-security case for buying European-made solar panels and wind turbines was never compelling. For European-made tanks, it is obvious.

Some of the strongest supporters of rearmament are MPs on Labour's left. They agree with Mr Corbyn on workers' rights and better pay; on foreign policy, they do not. The same is true of Unite, a large trade union and leading Labour donor. Sharon Graham, its general secretary, called on the government to buy the partly British-built Eurofighter Typhoon over American F-35s; its range and defensive systems make it better suited to policing NATO's borders against the Russians, she said. These are debates more often aired in *Janes* than the *Morning Star*.

It is a moment in the sun for Labour's "neo-Bevinites", a type first identified by Colm Murphy and David Klemperer, a pair of academics, as a crop of MPs marked by faith in state-directed industrial strategy and hawkish foreign-policy views. Ernest Bevin, a union leader, served in Winston Churchill's wartime coalition; as a Labour foreign secretary, he insisted that Britain must have the nuclear bomb. The war, notes John Bew, a historian, seemed like a vindication of Labour's ideas of "manpower" and state planning.

Those air-conditioned, bright canteens

The need to rearm is undisputed: a recent Commons committee report laid bare a dearth of shells, tanks, artillery and air defences. The size and nature of the jobs dividend are less certain. A great chunk of the defence budget is earmarked for the nuclear deterrent and cyber-capabilities, and the future will be one of automated weapons in which software matters more than the hardware containing it. All this will provide plentiful work for laptop-wielding graduates but less for teenage apprentices. Much depends on timing, says Ben Barry of the International Institute for Strategic Studies, a think-tank. If planners conclude that confrontation with Russia is at least five years away, they will be more inclined to invest in advanced weapons systems; if it is much closer, they will sustain existing ones with much-needed stocks of ammunition and spare parts.

A lot rests on the story Sir Keir has chosen to tell. Those in government can see that Britons' support for Ukraine is high, but not solid. People tell pollsters they favour defence spending in theory, but their enthusiasm shrivels when tax rises are mentioned. Rearmament is liable to be inflationary; other services will be cheese-pared. Only if Britons feel the country stands to be enriched by defence spending, the logic runs, will they be willing to shoulder the burden of European security. A nostalgic ideal of a generation of young welders and platers enjoying the spoils of rearmament may not stack up as economics. As politics, it has to ring true. ■

International



Nuclear deterrence

Eurobombs

Could a European bomb replace the American nuclear umbrella to deter Vladimir Putin?

“WE WOULD BE safer if we had our own nuclear arsenal,” Donald Tusk, Poland’s prime minister, told his country’s parliament on March 7th. The reason he gave was the “profound change of American geopolitics”, a euphemism for Donald Trump’s diplomatic arson, which also required Poland to expand its conventional armed forces.

Mr Tusk was not proposing a Polish nuclear bomb—at least not immediately: “The road to that would be very long and there would have to be a consensus.” Instead, he was responding to a call by Friedrich Merz, Germany’s incoming chancellor, for talks with Britain and France on “supplementing the American nuclear shield”. On March 5th Emmanuel Macron, France’s president, announced a “strategic debate on using our deterrence to protect our allies on the European continent”.

That debate will need to confront two problems: credibility and capability. For

nearly 80 years America has held a nuclear umbrella over Europe. Yet extended deterrence is a strange and unnatural thing. One country must promise to use its nuclear forces—and thereby risk nuclear annihilation—on behalf of another. The difficulty of making that promise credible is what drove America to build a huge arsenal and to scatter it across the world. Britain’s nuclear forces, though modest, are also “assigned” to the defence of NATO. Though only the prime minister can authorise their use, the implicit promise is that they would be used to defend allies such as Finland, Romania or Turkey.

→ ALSO IN THIS SECTION

50 Satellite warfare

50 NATO’s race against time

51 The Telegram: Realist follies

France has a more complicated relationship to extended deterrence. It pursued an independent nuclear deterrent in the 1950s precisely because it believed, to a greater extent than Britain, that America’s umbrella was not dependable. France did not join and still does not take part in the Nuclear Planning Group (NPG), a NATO forum in which 31 allies discuss nuclear policy. “The idea is really to keep options open for the president,” explains Emmanuelle Maitre of the Foundation for Strategic Research in Paris. “There is a kind of reluctance to commit...to anything that could limit [his] freedom of action.”

Yet France’s leaders have also said its vital interests have a “European dimension”. In 1995 Britain and France agreed that “the vital interests of one could not be threatened without the vital interests of the other equally being at risk”—an implicit expansion of the horizon of French deterrence. The same language was used in the Franco-German Aachen treaty 24 years later. Even Jordan Bardella, the leader of the far-right National Rally party, recently acknowledged that French nuclear weapons “protect, by definition, certain neighbours and certain European partners”.

The question is what this means in practice. In 2022 Mr Macron said he would “evidently” not respond in kind if Russia used nuclear weapons in Ukraine. French

► vital interests were “clearly defined”, he claimed, confusingly, and “these would not be at stake if there was a nuclear ballistic attack in Ukraine”—or, he added, unwisely, “in the region”. That phrase seemed to exclude eastern European EU and NATO allies from protection. Since then Mr Macron has taken a hawkish turn, successfully rebuilding ties to eastern European states. But even France’s closest allies have private doubts as to whether successive presidents in the future will be willing to risk nuclear war to support them.

European allies are now asking how far Mr Macron might be prepared to go. “I would like to know, first of all, in detail what it means in terms of power to use these weapons,” Mr Tusk told journalists, seeming to hint at a model in which Poland would be vested with some launch authority. “If we were to decide on this, it would be worth making sure it is in our hands and we make the ultimate decisions.”

La bombe, c’est la mienne

That carries echoes of the proposed Multilateral Force, a 1950s concept for a jointly owned and operated pan-European nuclear force. The idea was that 25 ships would each carry eight Polaris missiles, with the crew of each one drawn from at least three NATO countries. Later, in the 1960s, Britain proposed an Atlantic Nuclear Force that would put British and American nuclear forces under international command, with national vetoes.

Those plans largely fizzled and are unlikely to find favour today. Mr Macron appears to have ruled out any movement towards joint launch authority. France’s nuclear deterrent is “sovereign and French from start to finish”, he insisted. The decision to use nuclear weapons “has always been, and will always be, up to the president and commander-in-chief of France”. There are legal obstacles, too. If Britain or France were to transfer custody and control of their own nuclear weapons, or if non-nuclear states were to build new ones, they would have to leave the Nuclear Non-Proliferation Treaty—or violate it.

There are other options, though. Peter Watkins, a former British defence official who oversaw nuclear policy, proposes that France could join NATO’s NPG as an observer rather than participant. A punchier option would be for France to publicly clarify the European dimension of its interests. Bruno Tertrais, a French nuclear expert, has suggested that France could simply make it clear that Article 42.7 of the Lisbon treaty, the EU’s mutual-defence clause, “could be exercised by any means, thus including nuclear weapons”.

Another course would be to borrow from America’s approach to extended deterrence. The United States has long stationed 180 or so B61 tactical nuclear bombs

in Europe. They remain under American control. But the air forces of Belgium, Germany, Greece, Italy, the Netherlands and Turkey practise carrying and delivering them using dual-capable aircraft. Other air forces contribute conventionally armed aircraft to support those missions, performing tasks such as jamming enemy radars and refuelling (see map).

Britain would find it tricky to mimic those nuclear-sharing arrangements. Since the 1990s all its nukes have been on submarines whose whereabouts remain secret. Subs can be used for signalling—in early 2022, soon after Russia’s invasion of Ukraine, France took the unusual step of putting three of its four nuclear-armed boats to sea—but you cannot sail one up the Rhine or Vistula to reassure allies.

Planes are a different matter. France possesses air-launched nuclear weapons to send a “final warning” to an enemy, before it fires submarine-launched missiles at, presumably, Russian cities. In its Poker exercise, the French air force practises long-range nuclear bombing raids four times a year. In 2020, after the shock of Mr Trump’s first term, Mr Macron invited allies to “associate” with French nuclear drills. *Voilà*, in 2022 an Italian tanker refuelled French aircraft in one such exercise. In recent days, other allies have offered to take part, says a person familiar with those talks.

The question is how much further this might go. French nuclear-capable aircraft increasingly take part in conventional exercises abroad, including with Lithuania and Germany last year. In 2018 Mr Tertrais suggested that France could eventually rotate unarmed nuclear-capable Rafale fighter bombers to eastern European air bases “to demonstrate its solidarity”. That would not be just a political signal. It would also extend the range at which France could strike Russia and safely return its aircraft. In more extreme scenarios, Mr Tertrais

writes, France could base tens of air-launched missiles in Germany, allow these to be carried by allied jets or even convene “a European nuclear maritime task-force”.

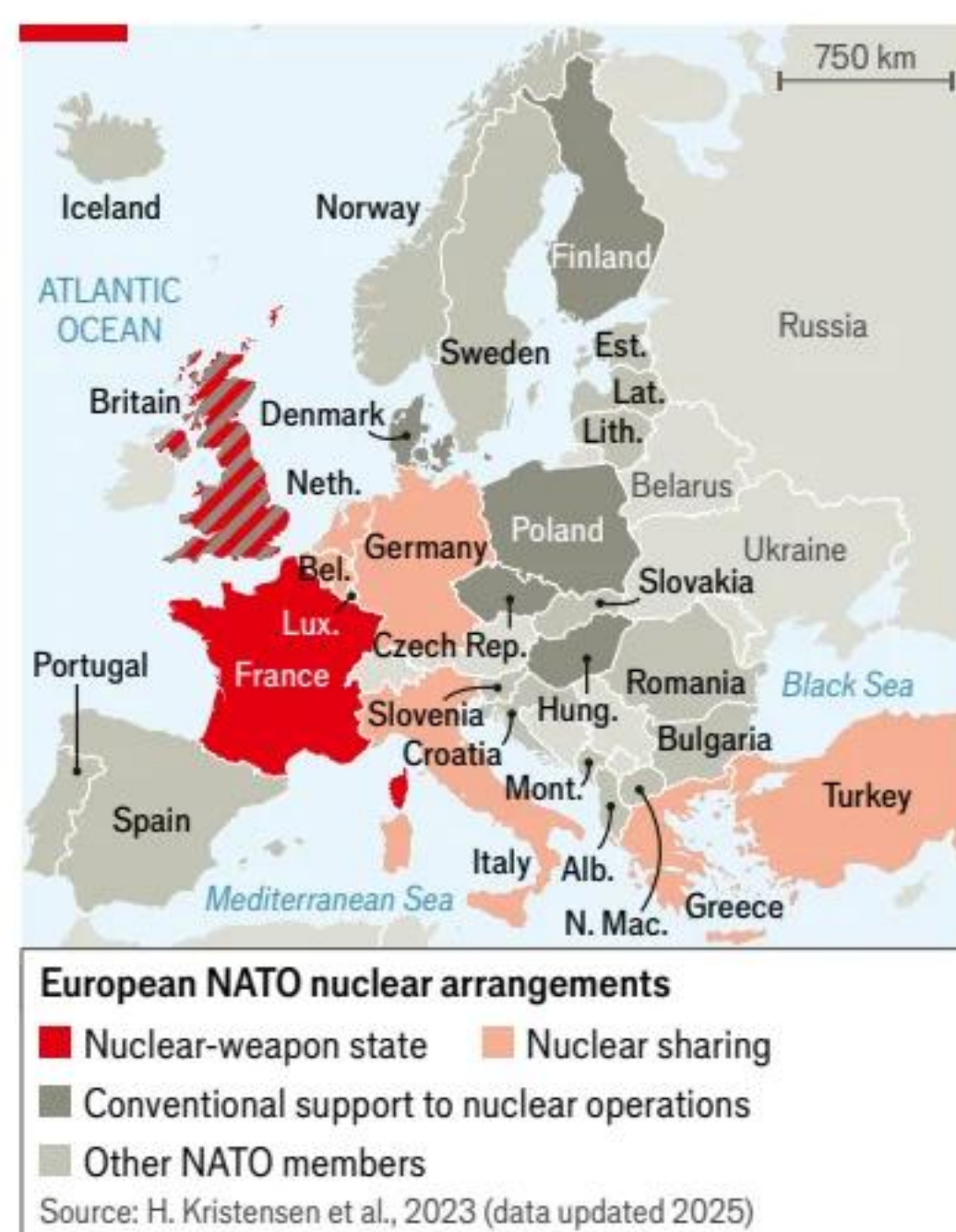
The problem with all this is scale. America’s arsenal is large enough, notes Mr Watkins, “that it is plausible that it could employ some weapons in response to [an] attack on an ally while still having plenty in reserve...to deter an attack on the US homeland.” In Britain’s case, he adds, using a single missile at lower levels of escalation—say, in response to Russia’s use of a tactical nuclear weapon—“could compromise the location of the sole deployed submarine”. These problems are hardly insurmountable. Britain raised its cap on warheads in 2021 and could do so again. Moreover, if it built five rather than four Dreadnought-class submarines, the first of which is expected in the early 2030s, it could put two boats out to sea at once.

Assuming, that is, it could build more. The very threat which necessitates these schemes—Mr Trump’s hostile attitude towards allies—might also complicate the response. Britain depends intimately on America for the design, manufacture and maintenance of nuclear weapons. The Trident missiles that carry them are leased and held in America. Their British warheads must fit inside an American “aeroshell”. And the tubes which hold the missiles in the Dreadnought class are the same as those in America’s Columbia-class subs.

A new entente cordiale

In the worst-case (which few officials think is likely), if America were to cut off support, Britain could hang on to the missiles in its possession, probably for some years. But its future warhead and submarine plans would no longer be viable. One option for Britain would be to revive the idea of co-operation with France. In the 1970s France proposed selling submarine-launched missiles to Britain and, in the 1980s, suggested co-developing a nuclear-capable cruise missile.

That would be a dramatic step. Mr Macron’s “strategic debate” is at an early stage. For now, says H  lo  se Fayet of the IFRI think-tank in Paris, “there are no talks about putting French nuclear weapons outside French territory”, let alone diluting French authority to use them. “The idea is more to advance on the political side,” says Ms Fayet, “trying to find, at a very high level, shared vital interests between, for example, France and Sweden, or France and Germany”, as well as expanding allied involvement in French nuclear exercises. “There are plenty of ideas, but we are lacking French political guidance.” That might disappoint the likes of Mr Tusk, who see a crisis brewing. Even so, Mr Trump has sparked Europe’s most profound nuclear debate since the 1950s. ■



European communications

Satellite warfare

Could Europe replace Starlink if America pulls the plug?

IN HIS FIRST few months, President Donald Trump has shredded the transatlantic alliance and damaged the trust of America's allies. He has suspended arms shipments and intelligence-sharing with Ukraine, and then restored both when Ukraine accepted a proposed 30-day ceasefire. All this has sparked doubts across Europe about the wisdom of relying on American arms for security.

Ukrainian troops rely heavily on Starlink, a satellite-internet service provided by SpaceX, an American firm founded by Elon Musk. Last week it emerged that the European Union (EU) had approached domestic satellite operators to discuss replacing Starlink if America pulls the plug. A €1.5bn (\$1.6bn) deal for Starlink to provide Italy's soldiers and diplomats with secure communications is looking shaky.

Mr Musk has hardly been calming things down. On March 9th he said that Ukraine's "entire front line would collapse if I turned it [Starlink] off", then told Radosław Sikorski, Poland's foreign minister, to "be quiet, little man" when he said that would force Ukraine to find alternatives. Mr Musk later said he would never use Starlink "as a bargaining chip" in Ukraine.

In any case, Europe does have alternatives. Eutelsat is a French firm that runs OneWeb, a direct Starlink rival, that already operates in Ukraine. Eva Berneke, its boss, said it has been in talks with the Italian government, although the Italians later played down the claim. Eutelsat's share price has risen five-fold since the beginning of March. Companies such as SES, based in Luxembourg, or Hispasat, a Spanish firm, also offer satellite services.

But none can match Starlink's price, capacity or scale. Starlink has over 7,000 satellites in low orbit. OneWeb's fleet is less than one-tenth the size. Lluç Palerm-Serra at Analysys Mason, a consultancy, reckons Starlink can offer dozens to hundreds of times more bandwidth to Ukraine's soldiers than OneWeb could. SES and Hispasat's fleets are smaller still, and many of their satellites fly much higher, which adds delays to connections that use them.

Mass production allows SpaceX to charge just \$400 for Starlink's satellite dishes. Terminals for OneWeb can cost over \$10,000. Replacing the 40,000 Starlink antennae thought to be in Ukraine would be expensive. And even European firms have links with America. OneWeb's satel-



Signalling alarm

lites were built in Florida; many of SES's are made by American firms such as Boeing and Lockheed Martin. Both companies have launched satellites through SpaceX.

In December the EU signed a €10.6bn contract to develop IRIS2, a Starlink-style system of 290 satellites designed for governmental and military use. (China, Russia and Taiwan are all pursuing similar systems.) But it is expensive, of modest size, and not due to be switched on until 2031 at the earliest. Starlink is not quite irreplaceable. But the threat of losing it makes Europe feel very uncomfortable indeed. ■

Fighting tech

NATO's race against Russia

PARIS

The alliance has three to four years to rearm with AI and new tech

AS A YOUNG naval fighter pilot operating from a French carrier during the Kosovo war in 1999, Lieutenant Pierre Vandier would pore over surveillance photographs developed from celluloid film. Now an admiral, the Frenchman is NATO's Supreme Allied Commander Transformation, one of the alliance's two most senior commanders. His job is to work out, among other things, how to use artificial intelligence and human skill to make sense of the mass of surveillance imagery and data that the alliance collects. He is, in effect, bringing NATO into the 21st century.

It is a race against the clock. "We have a problem of time," Admiral Vandier tells *The Economist*. If a lasting ceasefire is secured in Ukraine (see Europe section), the alliance has "three to four years" to adapt and fix its shortcomings. During this time Russia will rearm, recruit and innovate. In

the past, says the admiral, arms programmes took years to design, years to produce and years to adopt. Now, "We don't have this time." He wants 15% of additional money for defence to go on "the new". Tech will supplement old kit rather than replace it, he argues. Planes and ships with drones attached will be "maybe ten times more lethal [and] resilient".

That is not hypothetical. In January NATO launched Baltic Sentry, a mission to monitor undersea infrastructure, such as cables, at risk of Russian sabotage. But it was challenged by a shortage of ships and the high cost of crewing and maintaining them. "When you use a...frigate to look at cables in the Baltic with 300 people on board, do you think it's a good way to use your money?" he asks, rhetorically. "It's better to use them to chase submarines." Instead, NATO launched Task Force X, a fleet of autonomous naval systems.

Drones can perform well in the Baltic, freeing up big vessels for other tasks. Underwater drones can operate in shallows or conduct persistent surveillance. The lesson from Ukraine is to "constantly update, update and update", he says, noting the success rate of Ukraine's naval attack drones in the Black Sea fell from 85% to less than 10% as Russia adapted.

In theory, few NATO generals or admirals disagree that their forces need to be more modern. The debate is over the precise mix of old and new. The admiral's command is using modelling and simulation tools—borrowed from America—which crunch classified data on enemy capabilities to produce better answers to this question. He hopes to present allies with simulation results shortly after a NATO leaders' summit in The Hague in June.

Armed forces often resist change. "Pilots think they will lose their job," suggests Admiral Vandier, who went from flying fighter jets to commanding France's aircraft-carrier. The most prestigious posts often involve large platforms. He invokes a hypothetical lieutenant-commander involved in planning a future force: "Do you want to programme drones...or do you want to command a ship?" NATO has not changed for 30 years, he complains. "Adoption [of tech] is a cultural problem," he says. "It's a fight against ourselves."

Today NATO's European members are openly talking about a new security order in which America may be absent, or actively hostile. But America, he insists, "does not intend to disengage from Europe". NATO's capability targets, which are to be approved by defence ministers in June, do not need to change in response to the recent geopolitical turmoil, he says. He offers an implicit rebuke to panicked allies who talk as if the alliance is crumbling. "The adult discussion is...what kind of capabilities the Europeans need." ■

THE TELEGRAM

*Trump's whims are overriding the national interest**Foreign-policy realists will struggle to explain America's sharp turn*

WHEN ENVOYS of President Donald Trump travel the world making promises, demands and threats, do they speak for America's national interest? Or are they travelling partisans, representing the ambitions and prejudices of the 47th president, and—to be generous—of the 77m voters who returned him to office?

For allies and adversaries around the world, these are not idle questions. For decades no other country has wished to defy, for long, the unified will of America. To be sure, elections came and went, handing power to Democrats and Republicans in turn. Big policies changed. Wars began and ended. Globalisation enjoyed broad support among leaders of both parties, until it did not. But some core American interests were enduring.

That continuity raised the stakes for any challenger thinking of testing them. America's leadership of military alliances in Europe and Asia, while costly, allowed it to project power worldwide and to pen in such would-be rivals as Russia and China. The global reach of its companies helped American operating systems and technologies—and the norms embedded in some of them—set international standards.

In foreign policy, especially during the cold war, successive presidents took a selective approach to moral principles that they called universal. For all that, most aspired to a world order secured by shared liberal democratic values, rather than by conquest.

The second Trump presidency marks the end of that America. Mr Trump has returned to office showing a belief in power and taste for domination that would not shame a 19th-century Russian tsar. That sets hard tests for his most eloquent defenders, starting with Marco Rubio, his secretary of state. Mr Rubio is a late convert to Trumpism after years as a hawkish Republican senator. On March 11th, during meetings with Ukrainian officials in Saudi Arabia, Mr Rubio scored a win for conventional diplomacy. After days of grumbles from Mr Trump that Ukraine is an obstacle to peace, Mr Rubio secured a Ukrainian offer of a 30-day ceasefire, which will now be put to Russia.

But Mr Rubio's job has been revealingly unconventional since he took office. He has an uneasy relationship with radicals in his boss's inner circle, such as Elon Musk, the technology billionaire

who wants America to quit NATO and cut European allies loose. Mr Rubio has a hard task: to convince foreign governments to take seriously his president's impatience with the status quo, while at the same time signalling that a Trumpist America will in time be a more reliable partner for the world, just as soon as the American people are confident that their interests are being put first.

In his confirmation hearing in the Senate, Mr Rubio described an "unmistakable mandate" from American voters who elected Mr Trump to pursue foreign policies that make America safer, stronger and more prosperous.

As secretary of state Mr Rubio has defended his president's eagerness to end Russia's isolation and stop the war in Ukraine. He emerged from earlier talks with his Russian counterpart in Saudi Arabia, waxing lyrical about "incredible opportunities that exist to partner with the Russians". Echoing Mr Trump's impatience with allies, he has publicly chided Ukraine's president, Volodymyr Zelensky, for showing insufficient gratitude to America.

In common with other prominent Republicans who have embraced Trumpism, Mr Rubio casts his tough talk as old-school realism. He calls on critics to "grow up" and understand that the world is a dangerous place, so that all governments should coldly pursue their abiding, long-term security and commercial interests.

The problem with this claim is that American policy, notably towards Russia, looks anything but abiding and long-term. It has spun through 180 degrees since Mr Trump won re-election, leaving Republican grandees like Mr Rubio scrambling. In 2022 Senator Rubio called for America to stand by Ukraine—not as an act of charity, but in its self-interest. "The world will become a very scary place if we allow thugs like Putin to invade sovereign nations without severe consequence. We must be clear and unyielding in our support for the Ukrainian people's fight against a merciless tyrant," Mr Rubio declared. Two years before the invasion of Ukraine he warned political leaders being courted by Russia to remember that "Putin is always working an angle for himself".

Now these former Russia hawks serve Mr Trump, who has blamed Ukraine for provoking its invasion. On March 7th, after Mr Trump paused help for Ukraine, the president was asked about the increase in Russian attacks on Ukraine. Mr Putin wants the war to end and is "doing what anybody else would do", he replied.

When interests collide

The realist school cannot plausibly claim that American national interests reversed on the day of Mr Trump's inauguration. Even talk of business deals with Russia make little sense: America is energy-rich and Russia's main exports are oil and gas. What changed was the man in the Oval Office. Mr Trump is a longtime Putin apologist. As a property developer, he reportedly cut lucrative deals with Russian investors. In his inner circle, Vice President J.D. Vance, Mr Musk and others are advocates for hard-right, pro-Russian, anti-immigrant political parties in Europe.

Trump defenders praise him as a disrupter. But in foreign policy, he is doing something much more destructive. He is breaking decades-old understandings about America's enduring interests, and replacing them with his own personal preferences. In consequence, foreign governments are being asked to weigh their own interests against Mr Trump's whims. As the leader of the world's most powerful country, Mr Trump will often get his way, for now. But he is squandering political capital he did not accrue. The costs will be paid by his successors. ■

Business



Artificial intelligence (1)

Seeking highs

SHANGHAI

China's AI boom is reaching astonishing proportions

JUST HOURS after the launch on March 6th of Manus, a Chinese artificial-intelligence (AI) bot, a flood of visitors caused its registration site to crash. Butterfly Effect, the company behind the bot, claims its technology outperforms that of OpenAI, maker of ChatGPT. It is now granting previews by invitation only as it struggles to handle the traffic. Touts are said to be selling registration codes.

Manus is but the latest example of the mania that has swept over China since January, when DeepSeek, the country's hottest AI startup, shook the world with a whizzy model that cost a fraction of similarly powerful Western ones to train. The effect on Chinese markets has been staggering. Stocks are experiencing their best start to the year on record, leaving American ones in the dust (see Finance & economics section). The Hang Seng Tech Index, which tracks the biggest Chinese tech companies listed in Hong Kong, is up

by more than 40% since mid-January (see chart on next page).

Many in China are betting that cheaper AI will help innovators develop new applications for the technology. Purveyors of cloud computing are ramping up investment in data centres, triggering a surge of capital spending through the supply chain. Will the boom last?

→ ALSO IN THIS SECTION

53 DeepSeek goes global

54 Metal-tariff mayhem

55 Bartleby: The power of repetition

56 Tesla's Musk problem

56 The fight for 7-Eleven

57 Shaking up the Olympics

58 Schumpeter: Walmart v Walmex

In recent weeks hundreds of large Chinese enterprises, from carmakers and state-owned energy companies to banks and food-and-beverage pedlars, have said they plan to use DeepSeek's technology. Some of the country's tech giants, such as Tencent, are also embedding it into their products, despite having models of their own. City governments are now integrating DeepSeek's models into mobile applications that residents use for basic services, while government departments, hospitals and universities across the country are discussing how to employ it for "party building", as activities that strengthen the Communist Party are known.

Local equity analysts now joke that they must find a DeepSeek angle if they want their reports to get attention. Some investors have gone so far as to speculate that the company could single-handedly revive the property market in Hangzhou, where it is based.

Chinese venture capitalists are equally exuberant. One based in Beijing enthuses that plugging in DeepSeek's technology at her portfolio of robotics companies has led to big reductions in cost and improvements in performance. Amid the excitement, countless AI startups have emerged across China. Some venture investors are throwing money at them even though they spy a bubble. "It's overwhelming but we



► have no other choice," says an investor based in Hangzhou. "The economy is not good and there's not many opportunities elsewhere. So we have to go into AI as fast as possible." The strategy, he says, is to invest in an "A" round, the earliest financing series, and exit during an "A+" round, which might occur only a few months later. On March 6th China's central government said that it would set up a venture-capital fund armed with 1trn yuan (\$140bn) for tech-focused investments.

China's largest tech firms, including Alibaba, Baidu, Huawei and Tencent, are embracing the hype, and will be hoping to cash in on the boom through their cloud-computing divisions in particular. Last month Alibaba proclaimed that its main objective was to achieve human-like artificial general intelligence. On March 6th it released a new reasoning model that it says is as good as DeepSeek's.

The company has promised to spend around \$53bn over the next three years to build data centres to meet demand for AI cloud services, more than it spent over the past ten years. It holds the leading position in the cloud market in China, with a share of 36%, and may be betting that growth there will make up for sluggishness in its core e-commerce business. Baidu has already experienced a leap in its cloud revenue, helping it offset declines in other divisions. Soaring demand for AI might also help improve profit margins in China's cloud-computing industry, which have tended to be lower than in the West owing to stiff competition.

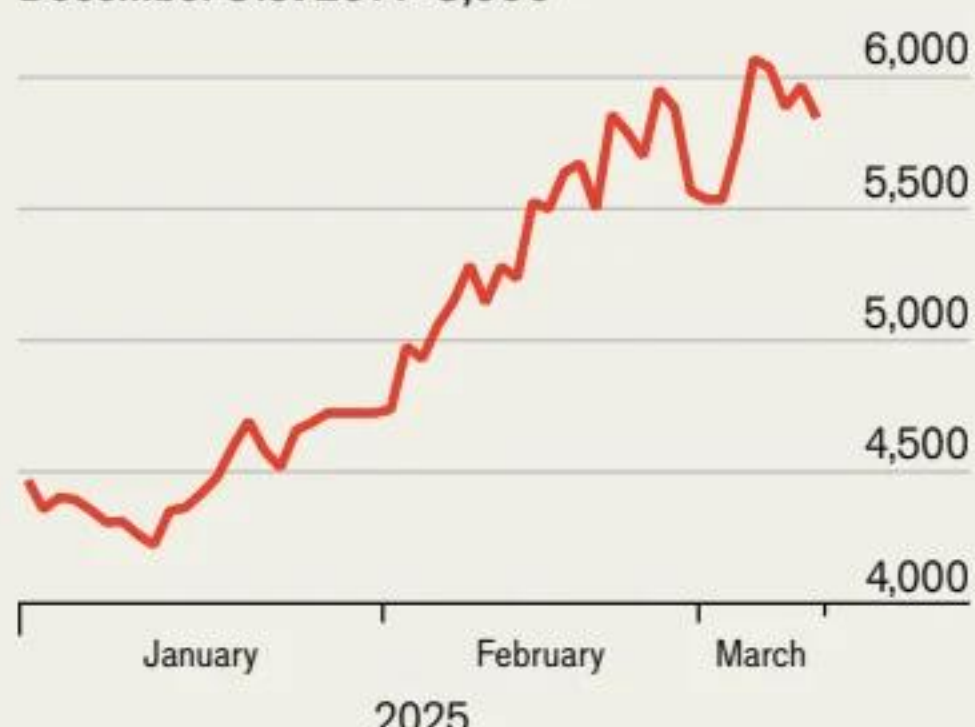
Demand for servers tailored for AI has rocketed since the end of the Chinese lunar new year in early February, according to Liu Yiran of HSBC, a bank, roughly coinciding with DeepSeek's surge to prominence. Suppliers have begun offering "all-in-one" servers that come pre-equipped with AI software. Many are sold directly to companies, including state-owned enterprises, that may prefer to have servers on their own premises to improve security. Sangfor Technologies, which was started by a group of former Huawei employees, has been one of the biggest beneficiaries of the trend: its share price is up by about 140% so far this year. Ms Liu and her team estimate that the market for all-in-one servers will grow by more than 70% a year, on average, until 2028.

China's AI boom is encouraging capital investment across the country's hardware supply chain. Server-makers may spend more than 1.4trn yuan over the next two years as they expand production capacity, according to analysts at Jefferies, an investment bank. GDS, one of the largest, has scaled up its capital-expenditure plans. VNet, a competitor, recently said it would double its capacity this year.

Some analysts, though, are beginning

Into the deep

Hang Seng Tech Index,
December 31st 2014=3,000



Source: LSEG Workspace

to urge caution. Kai Wang of Morningstar, an American financial-services firm, argues that DeepSeek will not change the fundamentals of most of the companies that have cashed in on the recent stock-market rally in China. Another recent rally faded when strong government support for the economy failed to materialise; the same could happen this year, says Mr Wang, if companies have difficulty monetising AI.

Access to advanced semiconductors could be another party-pooper. For now, the supply is sufficient. Companies are still able to buy H20 chips from Nvidia, America's AI-chip champion. Although these are less powerful than Nvidia's best chips, which America has barred China from buying, they seem to do the trick. Local chip designers, such as Cambricon, Enflame and Huawei, are trying to catch up, and have already started supplying some Chinese AI firms.

Yet a lack of semiconductors could still cause China's AI frenzy to fizzle. Some analysts worry that as new applications emerge, fuelling demand for ever more computing power, constraints on the supply of chips will start to bite. China's star foundry, the state-owned SMIC, has serious capacity constraints, and is unable to produce the most advanced semiconductors. What is more, even the best locally designed chips from Huawei still lag far behind Nvidia's on performance. Greg Allen of CSIS, a Washington-based think-tank, wrote recently that it will take several more years of improvements to Huawei's AI chips and accompanying software for DeepSeek to adopt them as a viable alternative.

The Trump administration is said to be considering harsher restrictions on China, including limiting its access to H20s. China's rally is premised on a belief that the cost of training and running AI models will continue to plunge. By curtailing access to chips, America's president could well push those costs back up, bringing China's AI euphoria to an abrupt end. ■

Artificial intelligence (2)

Scouring the depths

Western companies are experimenting with DeepSeek

TWO MONTHS on from its release, DeepSeek's R1, which wowed experts and caused American tech stocks to crash in January, is still unbeaten. The Chinese firm's artificial-intelligence (AI) model remains the best open-source offering released by any lab, anywhere in the world. Back home it has spread like wildfire (see previous article). It is catching on in the rest of the world as well.

The value offered by DeepSeek's open-source models is hard to ignore. They can be used by coders without asking permission or paying a fee, and can be downloaded and run on a company's own hardware if it wishes to do so for performance or privacy reasons. That puts DeepSeek in a different category to more technically impressive but closed labs like OpenAI.

Some companies in the West have already begun to adopt DeepSeek's models, which are now supported by cloud providers including Amazon and Microsoft. Gloop, a messaging platform for churches founded by Pat Gelsinger, who until December was the chief executive of Intel, has used the model as the basis for its chatbot. Latenode, an automation platform, began offering R1 shortly after the model was launched, noting that its support for non-English languages was appealing to content marketers looking to translate material. Meta, DeepSeek's main open-source rival, has assigned researchers



► to pull apart R1 and apply the lessons to its own family of Llama models.

Perhaps surprisingly, European banks have emerged as a hotbed of experimentation. Strict confidentiality rules limit how much the financial sector can rely on cloud-based AI services. That makes open-source models hosted internally an attractive alternative. Natwest and HSBC, two British lenders, are both experimenting with building their services on top of R1, as is Spain's BBVA, according to the *Information*, a news site.

Many Western businesses, though, remain cautious. Security is often the concern, and one that may preoccupy Americans more than Europeans. One American boss says he would only run DeepSeek's models on an "air-gapped" computer with no connection to his firm's systems—even though it would have taken a breakthrough in computer science for DeepSeek to have smuggled malicious capabilities into the model itself.

Moreover, the White House is considering banning DeepSeek's chatbot app on government devices, on national-security grounds, and could decide to go further, including possibly preventing American cloud providers from offering DeepSeek's models at all. That would have a chilling effect on adoption.

Europeans, by comparison, may find themselves with little choice. None of the old continent's homegrown AI champions are of the calibre of DeepSeek. Donald Trump's trade war and his overtures towards Vladimir Putin mean that some European companies and policymakers may want to lower their reliance on American tech.

In late February DeepSeek made it even easier for others to harness its technology by making the code it used to create its models available free of charge. Previously DeepSeek had only shared details of the process it used to train its systems, which was far more efficient than the approaches taken by Western firms. But now companies have access to the exact code used by the Chinese pioneer to develop its models. Thousands have downloaded it in the past week alone.

Using DeepSeek's methodology may be a good option for companies looking to benefit from its breakthroughs while avoiding the Chinese censorship that is embedded in its models—a final hurdle to adoption. Ask DeepSeek's chatbot about Tiananmen Square, for example, and it will want to "talk about something else". Others have taken a more direct approach to tackling that problem. Perplexity, an American AI search engine, has taken R1 and retrained it to ensure it produces "unbiased, accurate, and factual information". It has dubbed its creation, with patriotic fervour, "R1 1776". ■

Tariffs

Steeled for hardship

Trump's metals tariffs will cost American industry dearly

CODDLING AMERICA'S steel industry has long been a policy of presidents from both sides of the political aisle. Donald Trump, in that respect, is not unusual. Yet no recent predecessor has been as aggressive in wielding tariffs to that end. In his first term Mr Trump imposed a 25% levy on steel imports and 10% on aluminium, though he granted exemptions to some trading partners. On March 12th the tariff wall rose higher still. A new 25% levy on all imported steel and aluminium products, with no exclusions, came into force (a bonus 25% on Canadian metals, threatened on March 11th, was ultimately dropped). The measures are not only unlikely to raise domestic production of the metals. They will also cause many American companies pain.

American industry imports a sizeable share of the metals it needs. Steel imports represent about a quarter of consumption. American steelmakers also export some, bringing net imports to around 15% of American demand. For aluminium, net imports account for fully 80% of consumption, with Canada the single largest source. Most of the aluminium America now makes comes from melting scrap, rather than so-called primary production.

Some metals bosses are delighted by Mr Trump's new tariffs. In January Leon Topalian, boss of Nucor, America's biggest steelmaker, bemoaned the various exemp-

tions that the first Trump administration granted on customs duties, and called for the tariffs to be expanded. Since Mr Trump's announcement in February that he would do so, Mr Topalian's firm has raised prices, as have US Steel and Cleveland-Cliffs, two other big steelmakers. The price of aluminium has also ticked up. Last month Jesse Gary, boss of Century Aluminium, America's largest primary-aluminium producer, said he expected the tariffs to have a "material impact" on profits.

The extent to which that will translate into more production—and jobs—is less clear. For years American steel output has hovered at around 75% of capacity. The Trump administration wants to raise that to 80%. Yet production of both steel and aluminium barely budged after Mr Trump's earlier tariffs in 2018. Although Century Aluminium has announced that it is building the first primary smelter in America in nearly half a century, doubling domestic primary production, that decision is in part a result of a \$500m grant last year from the Department of Energy. In February Bill Oplinger, boss of Alcoa, another big aluminium producer, said that the tariffs would not be enough to entice his company to reopen facilities in America, arguing that electricity prices were a bigger constraint. Mr Oplinger added that it was difficult to make decisions "without knowing how long the tariffs will last", because his firm plans on "a horizon of 20 to 40 years".

American manufacturers of everything from cars to kitchen appliances, which rely on the metals, are likewise grappling with the uncertainty generated by Mr Trump's tariff threats and assessing the pain they will inflict, made worse by the retaliatory tariffs that have already been announced by Canada and the European Union. According to BCG, a consultancy, the ►►



Cutting deep

► duties on metals announced in February will add \$22bn to the cost of steel and aluminium imports in America, and as much as \$29bn for derivative products, from aircraft parts to bulldozer blades.

Mr Trump's levies will be especially punitive for companies where metals make up a big portion of their costs. According to Barclays, a bank, steel accounts for more than a tenth of the cost of construction equipment such as excavators. Crown and Ball, two makers of aluminium cans for

fizzy drinks and beer, will see the cost of a 12-ounce can go up by about a tenth; the malleable metal accounts for around two-thirds of the total cost. America's oil industry will also be hurt: about 40% of the various types of steel used to drill oil wells is imported.

Some companies will soften the blow from tariffs by switching to alternative inputs. Coca-Cola has said that it will probably put more of its fizzy drinks in plastic bottles. But many will not have that

luxury. In a letter to Mr Trump last month, the Can Manufacturers Institute, a group that represents can-makers and procurers, pointed out that, by raising input prices, the 2018 tariffs crushed makers of tinplate steel, a thin plate of steel coated with tin that is commonly used for canned food. The industry mothballed nine production lines, "contrary to the intent" of the duties. Only three lines now remain. Consumers may soon be grumbling about the price of baked beans. ■

BARTLEBY

Over and over and over again

The underappreciated importance of repetition in the workplace

IF YOU HAD to define the indispensable power of a leader, which would you pick? Would it be probing intelligence? Boundless energy? Or perhaps just being lucky? One ability may not come to mind for many, but really should. For if there is a talent that every boss needs to master, it's the ability to say the same thing over and over and over again without seeming bored.

You don't have to spend a lot of time with executives to hear repeated words and phrases. They might be drumming home the critical elements of their strategy to investors. They might be reciting talking-points with the media. They might be inculcating the company's culture at town halls with employees, or telling the firm's origin story for the thousandth time. What they are not doing is starting afresh every time.

When Kevin Lobo first became the chief executive of Stryker, a medical-technology firm in Michigan, his team drew up a mission statement ("Together with our customers, we are driven to make health care better") that he used at the start of every presentation he gave. He says that the combination of simplicity and repetition helped it to spread organically: presentations within Stryker now routinely start with its mission. Anyone who takes on a leadership role at Novo Nordisk, the Danish pharma firm behind Wegovy, a weight-loss jab, will head to Copenhagen to hear Lars Fruergaard Jorgensen, the CEO, give a talk about the firm's enduring values.

If Amazon's culture is coupled to certain ideas, such as its "day one", never-settle, mentality, it's largely because of repetition. The firm always reattaches its first shareholder letter, where the term is prominent, to its most recent one, for instance. Likewise, if you



associate JPMorgan Chase with a "fortress balance-sheet", it's probably because Jamie Dimon, the bank's boss, has been saying it for 20 years straight.

Repetition is partly a function of time constraints: in the same way that many politicians have a stump speech they can give at every rally, most bosses are too busy to craft their messages from scratch every time. But mainly it's to do with the way that people remember things and absorb ideas.

Repetition makes things stick, as every schoolchild knows. That's true in offices and beyond. David Gergen, a doyen of American political communications, advised candidates in debates to pick the three or four points they wanted to drive home. Songwriters do something similar. One analysis, by Joseph Nunes of the University of Southern California and his co-authors, found that songs with more repetitive lyrics were more likely to make it into the top 40 singles chart in America. Another study, by Emilia Parada-Cabaleiro and Maximilian Mayerl of Nuremberg University of Music and their co-authors,

concluded that lyrics have become simpler and more repetitive over the past five decades. If it works for Fatboy Slim, why not the senior leadership team?

Repetition helps persuade people that something is correct, a phenomenon known as the illusory truth effect. In various studies, people have been given a list of plausible statements (the capybara is the largest of the marsupials, for example, or this column is the best one in *The Economist*), whose veracity they are asked to judge. They are then shown more statements, some new and some repeated. The more times someone is exposed to a statement (this column is the best one in *The Economist*), the more likely they are to say it is true.

Repetition is harder on speakers than listeners. It takes time for anyone to realise that they are hearing the same thing over and over. Workers are in any case likely to be forgiving. In a recent paper, Francis Flynn and Chelsea Lide of Stanford University looked at the comments people made about leaders in an archive of 360-degree assessments. Less than a quarter of leaders were judged to have got communication right. The miscreants were nearly ten times more likely to be criticised for under-communicating than over-communicating.

Repetition may even be a positive sign for employees. In autocratic organisations, bosses may rely on fear to make people attentive. In more decentralised firms, managers need to find other, more subtle ways to guide behaviour.

The burden falls more heavily on the repeaters. But if Mr Lobo has had enough of reciting his mission statement or Mr Dimon is fed up of the word "fortress", you would not know it. There is more to leadership than repetition. But it is still a singular part of the job.

Tesla

In reverse

Elon Musk is causing trouble for his carmaker

FRIENDS HELP each other out. Tesla's boss, Elon Musk, may well have been grateful when Donald Trump said he would buy one of its electric vehicles (EVs) on March 11th. Yet that was the least the president could do for his bureaucracy-basher-in-chief. The day before, Mr Trump had helped bring on a fall of over 15% in Tesla's share price, amid a wider sell-off sparked by his trade policies and his warning that America's economy faced a "period of transition". The subsequent Trumpian endorsement will not be enough to apply the brakes to Tesla's declining sales and slumping share price.

Mr Musk's backing for Mr Trump's second presidential run once looked like a clever business move. His reward was to run the Department of Government Efficiency (DOGE), boosting what Barclays, a bank, calls the "Elon premium". Investors clearly thought that his political sway would do Tesla good. Its market value hit a record \$1.5trn in December (see chart).

Since then his closeness to Mr Trump and support for far-right causes have prompted a backlash. Protests against Mr Musk's role at the heart of the administration and DOGE's mass firings of civil servants have gathered steam in America. Picketing of Tesla showrooms has turned ugly, with windows smashed and vehicles vandalised; a Tesla charging station was attacked by arsonists. Outside America, Mr Musk's actions have also provoked protests against the carmaker. So closely are the man and brand intertwined that embarrassed owners are resorting to anti-Musk bumper-stickers to distance themselves from him.

But Mr Musk's politics only partially explains Tesla's troubles. Sales were falling before he took a chainsaw to America's public sector. Last year Tesla dropped a long-standing aim to be making 20m cars annually by 2030 and reported its first decline in annual sales for many years—a fall of 1%, to 1.79m cars.

Sales have continued to fall in recent months compared with a year before, at a time when the EV market overall is still growing. Barclays estimates that first-quarter sales in Europe could be down by around 30%. In Germany, where Mr Musk caused an uproar by supporting a far-right party in recent elections, sales fell by 76% in February, year on year.

Yet Barclays reckons that first-quarter

sales in America, where antipathy to Mr Musk seems highest, will be flat. Sales in China also fell by nearly 14% in January and February, but a political backlash is an unlikely explanation; Mr Musk is generally regarded as pro-China. In Britain, where his political meddling should be a factor, Tesla sales actually increased by almost 21% in February.

This suggests that a reaction from consumers who dislike Mr Musk's antics are only one reason for falling sales. An updated Model Y, Tesla's best-selling vehicle, has just gone on sale. In preparation Tesla ran down inventory of the old model, crimping supply. Customers doubtless held off purchases until the new car was available.

The bigger problem, though, is that Tesla has become what Philippe Houchois of Jefferies, an investment bank, calls a "reluctant carmaker". It relies for the bulk of its sales on two models, the 3 and the Y, whereas global giants such as Toyota have many more to satisfy all parts of the market. In October Mr Musk decided against launching a cheaper "Model 2", instead switching focus to robotaxis and humanoid robots. Meanwhile the competition from established carmakers and Chinese newcomers is heating up.

Tesla's valuation has long lost any connection with fundamentals, and is more a bet on Mr Musk's ability to revolutionise any business he turns his hand to. He now claims that robotaxis and robots will make Tesla the "most valuable company in the world by far".

That hints at another explanation for Tesla's plunging share price: Mr Musk spreading himself ever thinner. In an interview with Fox News on March 10th he noted the "great difficulty" he faced running Tesla and his other firms while working for the government. As Mr Trump inspected his potential new purchase outside the White House, he chastised protesters for "harming a great American company". Yet much of the blame for that lies with his buddy, Mr Musk. ■

Punctured

Tesla, market capitalisation, \$trn



Source: LSEG Workspace

7-Eleven

Inconvenient truths

TOKYO

What a protracted takeover battle says about corporate reform in Japan

THE BATTLE for control of Seven & i, the Japanese owner of 7-Eleven, has taken a number of surprising turns since Alimentation-Couche Tard (ACT), a Canadian retailer, offered to acquire the company in August. Seven & i has been looking for ways to wriggle out of the takeover ever since. First came a rival proposal for a management buyout orchestrated by the company's founding Ito family, which collapsed owing to difficulties securing funding. Then earlier this month the company appointed its first foreign chief executive, Stephen Dacus, an American. Mr Dacus has outlined a sweeping restructuring plan including an initial public offering of its American subsidiary next year, the sale of York Holdings, its supermarket chain, and a hefty share buyback.

Although welcome, those plans have not persuaded shareholders that Seven & i is better off on its own. "If the company pursues the standalone path, it needs to convince the market that it can raise its value above ACT's reported offer price," says Kuriyama Shunsuke, an analyst at Jefferies, an investment bank. "We have not seen that yet." Nor has ACT given up on what would be the largest foreign takeover of a Japanese firm in history. The saga says much about the difficulty Japan faces making its corporate giants more attuned to the interests of shareholders.

Opposition to ACT's proposal has taken various forms. Seven & i has pointed to possible antitrust hurdles in America, where 7-Eleven and ACT's Circle K chain are the two largest convenience-store operators. Yet ACT has agreed to explore selling some stores to help mitigate that, and has already begun talks with potential buyers.

Another set of concerns relates to 7-Eleven's significance to Japan. Despite its North American origins, the chain has become integral to life in the country. Convenience stores, or *konbini*, are "an essential part of Japanese infrastructure", says Shimizu Michinori, a retail analyst. They are not just places to grab rice-balls and cookies, but serve as banking hubs and crucial supply points during natural disasters. The chairman of Itochu, a large Japanese trading house, recently declared that Seven & i's fate was a matter of "national interest". Government officials have expressed worries, too.

Those concerns demonstrate the challenge of reforming Japan Inc. The ►►

► country's firms have tended to prioritise customers, employees and suppliers ahead of shareholders. In recent years lawmakers and regulators have sought to change that. The Stewardship Code, introduced by the government in 2014, and subsequent rules set by the Tokyo Stock Exchange have improved transparency and pushed firms to prioritise shareholder value.

Some progress has been made. Cross-shareholdings—long used to cement business ties among Japanese firms and shield bosses from outside pressure—have gradually declined. Campaigns by activist investors have grown more common, and have succeeded in nudging many firms to make shareholder-friendly changes in recent years. Takeovers have also become a credible threat now that bosses are no

longer able to dismiss proposals out of hand. The threat of acquisition is “a very strong form of *gaiatsu*”, says Mr Kuriyama of Jefferies, referring to the Japanese word for “outside pressure”, commonly used to describe how change in the country follows external shocks. Thanks in part to the reforms, Japanese shares have soared in recent years.

Yet the saga at Seven & i shows that change will take time. Meanwhile, tensions between the firm and its suitor are growing. At a press conference on March 13th, Alain Bouchard, ACT's boss, said he was “disappointed” with the lack of engagement. “We have the deepest respect for Seven & i and the business they have built,” he declared, adding that “going hostile is not our plan.” He may not have a choice. ■

The business of sport

Runners and riders

Facing disruption, the Olympics prepares to elect a new boss

ON MARCH 20th the 109 members of the International Olympic Committee (IOC)—a group that includes the grand duke of Luxembourg, a former Costa Rican president and an Oscar-winning actress from Malaysia—will gather at a luxury resort in Greece to elect their new president. The job is one of the most powerful in global sport. More than 200 countries take part in the games. The IOC's budget is in the billions of dollars and many sports rely on it to survive. The outgoing president, Thomas Bach of Germany (pictured), has been a steady hand on the tiller. During his 12 years in office he has overseen a steep rise in revenue while steering the games through the Russian doping scandal and the covid-19 pandemic. His successor will take charge at a time when difficult decisions loom.

Under Mr Bach, the IOC's financial position has strengthened. The body makes almost all its money from broadcasting and sponsorship, and both have risen significantly. Sales of media rights rose from \$3.9bn in 2009-12 to \$4.5bn in 2017-20, the most recent figures available. Income from the IOC's small club of corporate sponsors grew from \$950m to \$2.3bn over the same period.

Yet pushing those numbers higher still could be tricky. The IOC has long marketed the Olympics as the sporting world's most prestigious tournament. It organises just two events every four years, limits its number of sponsors and tightly controls how they can advertise.

Competition from other global tournaments, however, is growing. Rob Prazmark, a former marketer for the IOC, reckons some of them could now offer better value for sponsors. This summer FIFA, the football association, is relaunching its Club World Cup, which pits 32 teams from Chelsea to Inter Miami against one another. The International Cricket Council is hosting a men's tournament every year until at least 2031. The rising popularity of women's tournaments has caught the attention of advertisers, too. FIFA, the ICC



Passing on the torch

and others, unlike the IOC, allow sponsors to plaster arenas with billboards and signs.

The next boss of the IOC will need to decide how to respond. In recent years the committee has become more open to overt branding. At the 2008 Olympics in Beijing Omega persuaded it to put giant digital clocks next to the track for athletes to pose beside. Four years later, in London, BMW sent a fleet of remote-controlled Minis to retrieve javelins and shot-put balls. And in the Paris games last year Louis Vuitton was everywhere, from the opening parade to the medal-giving. Mr Prazmark suggests that 2024 “changed the whole concept of branding at the games”, but annoyed some long-time sponsors who were not given the same opportunities.

The next president will also need to come to terms with a changing media landscape. The IOC's deal with NBC, its American media partner since 1988, is responsible for around half its total media-rights revenue, according to Ampere Analysis, a research firm. The Paris games drew bumper audiences for the network and its streaming service, Peacock.

The current deal with NBC ends in 2032, which means the next president of the games will need to start planning for what comes after. The IOC could follow the path taken by America's National Football League and National Basketball Association and attempt to increase its media revenue by splitting its rights across traditional broadcasters and streaming services such as Netflix and Amazon Prime, which have taken a growing interest in live sports. But such fragmentation irritates both viewers, who must pay for several subscriptions to watch the action, and sponsors, whose products are no longer put in front of the entire audience.

The seven candidates for the IOC's top job are mostly playing it safe, with manifestos that are heavy on buzzwords but light on big ideas. The most radical proposal, to split the Olympics across five host cities and significantly increase the number of sports covered, belongs to Morinari Watanabe, a Japanese gymnastics administrator who is expected to be eliminated early in the voting.

The two favourites are Juan Antonio Samaranch, a Spaniard, and Sebastian Coe, an Englishman. Mr Samaranch, whose father was president of the IOC from 1980 until his death in 2001, has been a deputy to Mr Bach since 2016. Lord Coe led the 2012 games in London and has run World Athletics, the biggest sporting body to take part in the Olympics, since 2015. He also won gold medals in 1980 and 1984. Kirsty Coventry, Zimbabwe's sports minister and another former gold medallist, could win some votes as well. Whoever prevails, though, the games look unlikely to race into major changes soon. ■

SCHUMPETER

Trolley problems

America First could be a boon for Walmart's Mexican business. No, really



THERE ARE few more potent symbols of American capitalism than a Walmart supercentre, its endless aisles heaving under the weight of as many as 150,000 different products, from fresh avocados to fancy Zojirushi rice cookers. Similarly, there are few more visible emblems of the ties that bind America's and Mexico's economies than those supercentres catering to shoppers south of the Rio Grande.

The same can be said of the company that runs these capitalist wonders, alongside neighbourhood Bodegas Aurrerá and Sam's Club membership-only big-box stores, across all 32 Mexican states (and in Central America). Walmart de México, or Walmex, is majority-owned by Walmart but listed on the Mexican stock exchange. It is the country's most valuable public company, worth some \$45bn, and its largest private-sector employer, with a workforce 200,000 strong. Like its parent in Bentonville, Arkansas, it is bracing for a Trumpian makeover of North American commerce. For once, it may be better placed to withstand the disruption.

Last year was rough for Walmex. Together with other Mexican businesses, it had to contend with stubborn inflation, interest rates near record highs and a rising minimum wage. In June a left-wing populist, Claudia Sheinbaum, won the presidency and her Morena party consolidated control of Congress, allowing it to push ahead with plans to emasculate the courts. Five months later Donald "Tariff Man" Trump romped back to power in America, threatening to lob grenades at the global rules-based trading system and maybe actual missiles at drug cartels on Mexican soil. Investors dumped the peso and fled the Mexican bourse, whose main index slumped by 14% in 2024.

In addition to these pan-Mexican problems, Walmex had to steer a swivelling trolleyful of company-specific ones. In contrast to American Walmarts, its outlets count as relatively high-end. This makes them more vulnerable to penny-pinching by Mexicans, who still buy perhaps a third of their groceries from informal *tienditas* and *mercados*. On the formal high street it has had to fend off competition from fast-growing rivals such as Tiendas 3B, an Aldi-like discounter which went public a year ago. Online it was being outmatched by e-commerce marketplaces such as Mercado

Libre. Sales and operating profit grew more slowly than in previous years. Margins tightened. To top it off, Mexico's competition regulator was breathing down its neck over its alleged abuse of market power in its dealings with suppliers.

By late November, Walmex's market value languished at 900bn pesos, down from 1.3trn pesos in January that year. In dollar terms it had collapsed by 40%, from \$73bn to \$44bn. Even in Mexico's struggling stockmarket the company looked disappointing. Next to its go-getting parent up north, whose market capitalisation leapt from \$450bn to \$740bn on the back of perky American GDP growth and Mr Trump's promise of more of the same, it appeared the underachieving offspring.

As the weaker of the two firms in the feebler of the two economies, Walmex might be expected to suffer more than Walmart now that Tariff Man is putting his duties where his mouth is. On March 4th Mr Trump imposed 25% levies on imports from Mexico and Canada, ostensibly because they were letting fentanyl flood into the United States. He paused most of them two days later, but may change his mind again next month. Even before the latest whiplash, Mexico's central bank halved its forecast for Mexican GDP growth this year, to 0.6%, given all the uncertainty. That is bad for consumer spending—and so for Walmex's bottom line.

Yet in several ways Walmex looks less exposed to Mr Trump's policies than Walmart. Measured by value, just 17% of what Walmex sells in Mexico comes from abroad. Walmart's equivalent share in America is twice that. In 2022 Walmart imported nearly 1m standard 20-foot containers, more than any other American company, according to the *Journal of Commerce*, a trade publication. It does not say where these boxes originate. But it is a good guess that many arrive from Mexico (all those avocados and other fresh produce) and similarly tariff-hit China (some of those Zojirushi rice cookers), as well as Canada (for which Mr Trump reserves especial scorn).

Helpfully for Walmex, any retaliatory tariffs Ms Sheinbaum may impose would probably be targeted so as to minimise the harm to Mexico's wobbly economy. This points to another source of comfort for the company, and Mexican business as a whole—the president herself.

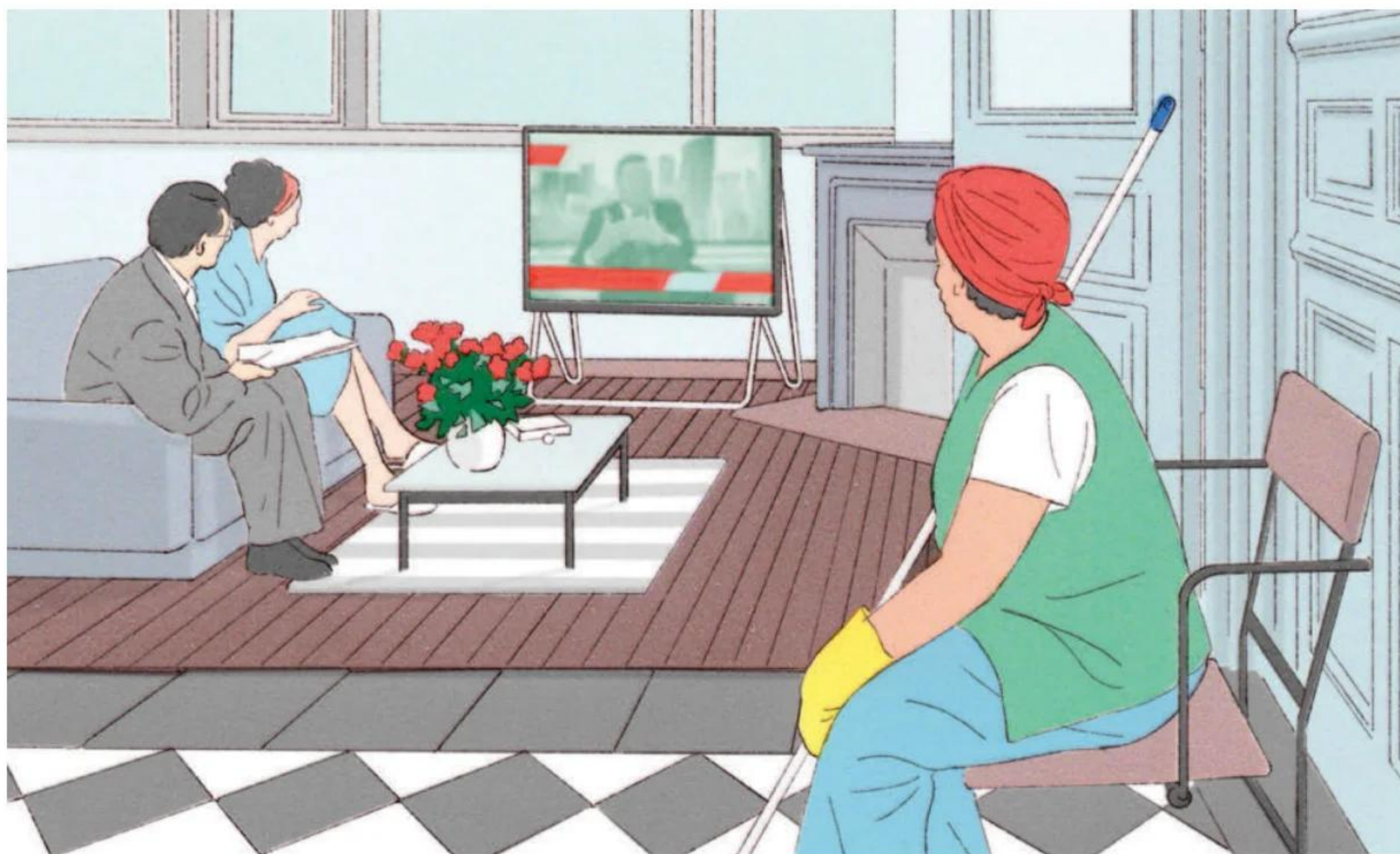
Who's the piñata?

Yes, she clings to some costly populist pledges, such as raising the minimum wage by 10% or so a year. Still, Mexican CEOs report that she has proved more receptive to their concerns than expected from a protégée of her business-loathing predecessor, Andrés Manuel López Obrador.

Were it not for Mr Trump's economic vandalism, she might have been less inclined to soften her attitude to the private sector, they say. In a sign that forbearance may be spreading, in December Mexico's competition cops concluded the investigation into Walmex with a \$5m slap on the wrist. At the same time, Mr Trump's fentanyl finger-wagging is forcing Ms Sheinbaum at last to crack down on organised crime, a perennial corporate bugbear. In late February Mexico extradited 29 alleged kingpins to America. As a Mexican executive sums it up, with a Morena-dominated government, "the only check and balance comes from Trump."

That is not to say *todo está bien*. Walmex's share price has stagnated since Mr Trump first announced the tariffs on Mexico at the end of January. But things could be much worse. Just ask investors in Walmart, whose stock has lost 11% of its value. ■

Finance & economics



Insular politics

The anti-immigration handbook

Arrivals raise house prices, cost money and undermine economic growth. That, at least, is the argument of a new generation of nativists. Does it have any merit?

NOTHING UNITES and propels the world's nationalists quite like hostility to immigration. And in the 2020s there has been lots of it: the number of long-term migrants to the rich world rose by 28% from 2019 to 2023. This wave has helped Donald Trump return to the White House and benefited hard-right parties across Europe. Immigration is arguably the present era's defining political issue.

Moreover, it is not just the number of arrivals that has changed. The arguments nationalists make in opposition to them have, too. Migrants are said to have bid up the price of housing. They are said to cost the government money, rather than improve the public finances. And they are said to have eroded the culture on which Western countries have built their long-term economic success. Call these arguments the new economics of nativism.

They are heard across the rich world. "You see a very consistent relationship be-

tween a massive increase in immigration and a massive increase in housing prices," said J.D. Vance, America's vice-president, on March 10th. German migration policy has led to "a drain on state finances...damage to the social-welfare system and housing market", according to the Alternative for Germany's recent manifesto. Open borders make it "impossible to have a sustainable society, especially if you have a welfare society", Mette Frederiksen, the centre-left but anti-migration prime minister

of Denmark, has said. Stephen Miller, now the White House deputy chief of staff, has put things starkly: "If you import the third world, you become the third world."

Historically, anti-migrant parties focused on the job market. Millions of foreigners entering the Western workforce every year reduced opportunities and wages for natives, or so the argument went, particularly low-earners who were forced to compete with overqualified, highly motivated and exploitable newcomers. Pro-migration economists responded by pointing out a "lump of labour fallacy". It was not the case that there was a fixed number of jobs to be divided among workers: extra demand migrants brought with them, and resulting increased specialisation in the labour market, had offsetting effects that could raise wages. A range of empirical research supported the idea that any reduction in natives' wages from migration was either small or non-existent. The people who lost most from migration were previous generations of migrants, since they were most similar to the new arrivals.

Fallacious as the old nativist thesis might have been, it had power. But in the red-hot labour markets of the late 2010s and early 2020s, the context changed: unemployment was simply too low to claim that migrants were causing joblessness. And hence the new nativism emerged. »

→ ALSO IN THIS SECTION

62 How Trump sparked a sell-off

63 Reverberations from German largesse

63 Testosterone means higher pay

64 Buttonwood: Revolutionary investing

65 Free exchange: Labour shortages

► Is there anything to it? The argument about culture has an emotive appeal to nationalists, and sometimes lapses into racism. Nativists worry that when migrants move from their countries of origin to rich countries they gradually erode the liberal, open societies that have created long-run prosperity in the West. When made respectably, this argument asks similar questions to those posed at the frontier of academic economic history, not least: “Why are some countries rich and others poor?”

Indeed, the nativist argument seeks to explain the same set of facts that troubled Daron Acemoglu, Simon Johnson and James Robinson, the three most recent winners of the economics Nobel prize. The trio’s research observes that at the start of the 16th century a “reversal of fortune” took place: the poorest economies—including what is now America—became rich, and vice versa. The researchers noted that European colonists spread new institutions across the world. In some places, such as North America, they imposed relatively inclusive liberal ones. In others, such as most of Africa and large parts of South America, colonial governments sought to serve the metropole rather than locals.

Colonial hangover

Who got which institutions, they argued, was determined by migration. Where Europeans were more likely to die of tropical diseases, they ruled at a distance and extractively. Where they found it easy to settle, they formed inclusive institutions. Others have pointed to the people involved. Edward Glaeser of Harvard University and co-authors argue that it is human capital which ultimately matters for economic growth, and European colonists brought education, knowledge and trade links with them, as well as institutions.

Today’s nativists worry the reverse is now happening. More sophisticated types draw on the arguments of Garrett Jones at George Mason University, who in 2022 set out the evidence in a book entitled “The Culture Transplant”. Only a third of the gap between two countries’ income levels can be predicted by the state of technology, such as access to the printing press, in 1500—a correlation that is low owing to the reversal of fortune. But this share doubles when adjusted for subsequent migration. In other words, it appears that the presence of people whose lineage traces to advanced places (typically Europe, East Asia and the Arab world) can explain differences in living standards today.

After presenting evidence that the social attitudes of migrants—in particular, those relating to the amount of trust extended to non-family members—persist fairly strongly through generations, Mr Jones concludes that countries which take too many migrants from the wrong places

Making waves

Permanent migrants to OECD countries*, m



*Excludes Ukrainians under temporary-protection status
Source: OECD

will eventually suffer economic losses. As a consequence, the entire world, argues Mr Jones, has a stake in protecting the cultures of the seven countries responsible for the most innovation: America, Britain, China, France, Germany, Japan and South Korea.

As a basis for the new nativist argument, this theory has serious problems. It performs badly in the world’s most populous countries: America is much richer, and China and India much poorer, than it would predict. Mr Jones’s critics have claimed that his book is really an argument for opening America’s borders, at least to some migrants, given the number of countries with apparently superior growth cultures. This includes places that the hard-right might like, such as Russia, but also many they would not, such as Algeria and Tunisia. Indeed, much of the argument about the importance of migration for long-term economic outcomes is based on the fact that the West, as well as places like Hong Kong and Singapore, owes part of its success to waves of migrants.

Argentina is the only example identified by Mr Jones of a country that has become poorer because of migration. He blames its 20th-century decline on Italian

and Spanish migrants, who supposedly imported trade unionism and other socialist ideas. Yet both countries have a more growth-focused culture than Argentina, according to his measures. Such migrants therefore ought to have improved the South American country’s performance.

Although culture might be a poor measure of a migrant’s potential economic impact, education and earning power do have use, not least when predicting contributions to state coffers. Nativists can cite plenty of evidence to support warnings that low-earning migrants are a drain on welfare states. For instance, in 2016 America’s National Academies of Sciences, Engineering and Medicine convened a large panel of economists to summarise the best evidence on immigration. They reported a strong correlation between a migrant’s skill level and their fiscal impact.

The numbers depend on some assumptions. Researchers must decide how much an immigrant raises spending on, say, defence. They must forecast how an immigrant’s income will change over time. And they must presume that today’s tax-and-spend policies do not alter radically over the course of an immigrant’s life. Under probably the best assumptions available, the 75-year fiscal impact of an immigrant with less than a high-school education, and their descendants, is a drain on taxpayers of \$115,000 (at 2012’s prices). The figure for an immigrant with a postgraduate degree is a net contribution of over \$400,000. One reason for the gap is America’s pension system, which provides generously for low-earners when they retire.

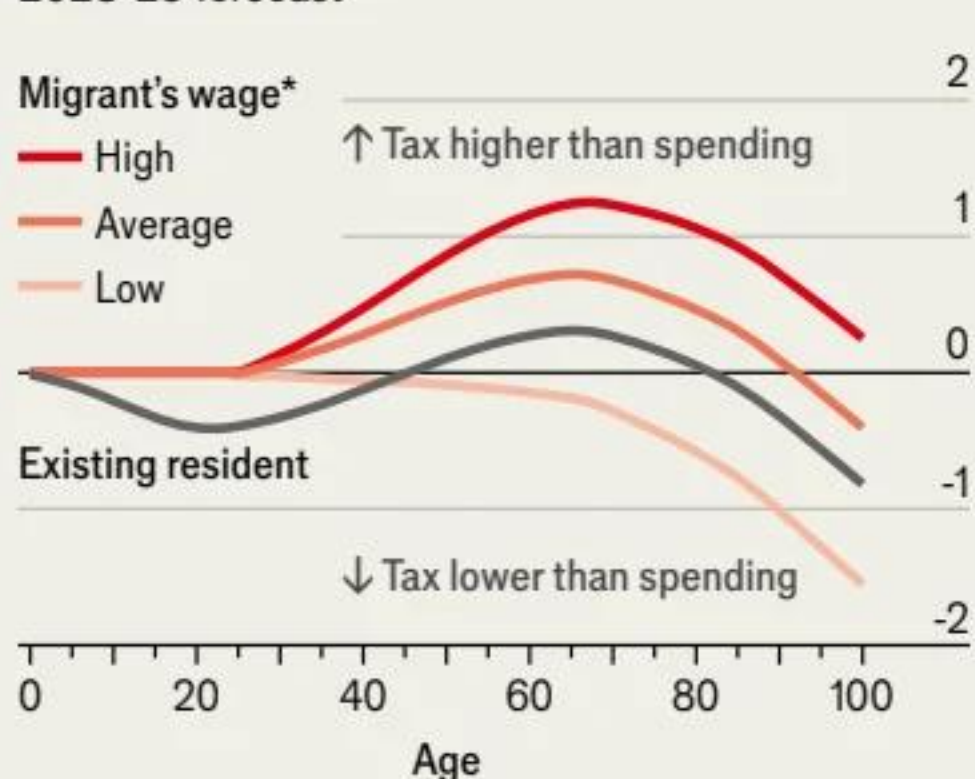
Similar evidence has piled up in Europe, where welfare states are more generous. Last year Britain’s Office for Budget Responsibility (OBR), a fiscal watchdog, found that a representative high-wage migrant worker would be a net fiscal contributor over their lifetime even if they claimed a pension and used the health service until the age of 100. A low-wage migrant would, by the same age, have cost over £1.5m, at assumed 2028-29 prices, having been a fiscal drain since their arrival.

A recent study of Danish data by Jan van de Beek of the Amsterdam School of Economics and co-authors finds that migration is only fiscally beneficial, on average, if immigrants have at least a bachelor’s degree. Migrants from parts of the world with lower human capital are more likely to be a fiscal drag. The Danish finance ministry calculated in 2019 that migrants from Western countries made an average fiscal contribution of 52,000 krone (then \$7,800) per person. Those from the Middle East and North Africa were on average costing the state 74,000 krone more in spending than they provided in taxes.

Such evidence goes some way to proving Milton Friedman’s dictum that it is im- ►►

The Treasury’s view

Britain, cumulative net contribution to public finances by representative workers, £m
2028-29 forecast



*Assumes a constant ratio of the migrant’s wages to the UK average based on the ratio in the year of arrival
Source: Office for Budget Responsibility

► possible to pair open borders with a welfare state. Yet the studies are incomplete. Take the OBR's analysis. Its representative low-skilled migrant is assumed to stay at the same low point in the earnings distribution from the year they arrive; in reality, migrants tend to close the pay gap with natives over time. And the estimates exclude the beneficial effects of having more workers for the public sector. Without migration, the state would have to raise pay to attract, say, care workers—and probably for all workers, not just new ones.

Travel light

There are also deeper issues. Adding in the extra taxes paid by the employers of migrant labour vastly improves the picture, according to Michael Clemens, also of George Mason University. In America this effect flips the fiscal impact of the lowest-skilled migrant to strongly positive, at \$326,000 including descendants. And beyond simple scale, importing workers who are different from natives adds to the diversity of skills in the labour force, allowing all workers to specialise more and hence to be more productive.

This means that immigration raises the average income of natives, and therefore the taxes they pay. The indirect fiscal benefit amounts to roughly \$750 per year for a low-skilled American worker, estimate Mark Colas of the University of Oregon and Dominik Sachs of the University of St Gallen, which may be enough to tip the fiscal impact of an immigrant with only a high-school education from negative to positive, even ignoring Mr Clemens's point. In other words, more migrants are likely to be net contributors than an investigation of tax-and-spending data would indicate. Such investigations "offer precision at the cost of bias", says Mr Clemens.

New nativists have the strongest argument when they turn to housing. The post-pandemic wave of migration has coincided with rising house prices. In real terms, they have grown by 16% across the OECD, a club of mostly rich countries, since before covid-19 struck, despite an increase in interest rates. Just as with earlier arguments about migrants' impact on the labour market, the case depends on a straightforward model of supply and demand: growing populations require more houses. Unlike labour markets, however, rich-world housing markets are often rigid and bound by restrictive planning laws that prevent supply from responding to demand. The lump of labour may be a fallacy but, without more housebuilding, there is effectively one lump of land that must be divided between a larger population.

Research supports this intuition. A meta-analysis by William Cochrane and Jacques Poot, both of the University of Waikato, finds that a 1% increase in the mi-

grant population of a city lead to a 0.5-1% rise in rents. Another study, by Umut Unal of the Czech Research Institute for Labour and Social Affairs and co-authors, estimates that a 1% rise in migration to a German district leads to a 3% rise in house prices. James Cabral and Walter Stein-ger, both of the Bank of Canada, calculate that a 1% increase in an American county's population raises median rents by 2.2%. As migration only has a small positive impact on wages, the rise in costs makes housing less affordable for natives.

Housing demand depends not only on the number of people in an area but how densely they live. Often new migrants are willing to accept worse conditions than natives. For instance, official statistics suggest that the rate of overcrowding among non-British-born residents is almost double that of those born in the country. In Newham, a down-at-heel London borough that attracts lots of migrants, some 40% of those with an Asian background live in overcrowded accommodation, compared with just 16% of the white population. The division of old Victorian terraced houses into multiple flats raises landlords' rental income and lowers the amount of space used to accommodate new arrivals.

Although there are nuances to research on this issue, only in exceptional cases can migration actually lower housing prices. Where housing supply is responsive to prices, the impact of new arrivals is more muted. The effect on house prices also depends on the education level of immigrants. The Bank of Canada study finds that, where supply is least elastic and migrants most educated, a 1% increase in migrant populations produces a 6-8% rise in house prices. If housebuilding is responsive to demand and migrants are less educated, prices may fall by as much as 2%.

What, though, is the right response to these findings? Many nativists would pref-

er to remedy an ageing population by incentivising women to have more babies, rather than admitting more migrants. Yet this is likely to raise demand for housing even more. Marc Francke of the University of Amsterdam and Matthijs Korevaar of the Erasmus School of Economics find that a percentage-point rise in the Amsterdam birth rate typically lifts house prices in the city by 3-5% over the following 25 years. Indeed, the rise in demand for American houses after the pandemic owes much more to millennials' behaviour (as low interest rates at last enabled them to get a foot on the housing ladder) than migration, suggests Riordan Frost of the Harvard Joint Centre for Housing Studies.

A house divided

And the overall impact of migrants on property prices is still small. The share of the OECD population that is foreign-born rose from 9% in 2013 to 11% in 2023. A rough calculation suggests that such a rise will have lifted prices by around 4%. In reality, real house prices have risen by 39%, indicating that other factors play a much bigger role. Morteza Moallemi of RMIT University and Daniel Melser of Monash University find that if there had been no migration to Australia between 2011 and 2016, house prices would have been just 1% lower each year. The biggest public-policy problem facing much of the West is a lack of housebuilding, not a rise in migration.

Nativists have overreached in their fervour to blame outsiders for such a broad range of economic ills. But their new arguments are undoubtedly stronger than their former ones, meaning governments must respond to their most persuasive critiques on housing and the public finances. Ultimately, open societies and free markets are a far better guarantee of long-term prosperity, and Western Europe's welfare state, than a retreat to economic nationalism. ■



America's mounting concerns

Exceptional in the wrong way

NEW YORK

How Donald Trump provoked a stockmarket sell-off

AS THEY SAW the line go down, American investors may have felt an unfamiliar sensation: anxiety. The S&P 500 fell by another 4% in the week to March 12th, leaving the world's most watched stockmarket down by 9% since its recent peak. The NASDAQ, dominated by tech firms, has fallen by 12%. It is not quite the bold new era of American growth promised by Donald Trump in his election campaign.

The president's unpredictable trade policies got things going. On March 12th, in the latest twist in Mr Trump's trade saga, America levied tariffs of 25% on imports of aluminium and steel. After years of growth, the health of the American economy is a source of concern, too, with worries provoked by a drip of discouraging data. Statistics released the same day showed that consumer prices rose more slowly in February than analysts had expected. But the relief for shoppers also hints that America's economy is shifting into a lower gear. Such news is beginning to undermine the idea of American exceptionalism: after all, investors have seen much better returns in China and Europe this year.

During Mr Trump's first term, investors came to believe that his administration's focus on tax cuts and deregulation would ultimately overwhelm his unpredictable, protectionist tendencies. They also saw that he was sensitive to market moves, and keen to avoid falls. This combination was referred to as the "Trump put": temporary sell-offs, often driven by the trade conflict with China, were quickly reversed as the president did whatever it took to change the market mood. Investors who sold tended to regret their decision.

The current dynamic appears to be different. Mr Trump's new administration is more hard-nosed. On March 6th the president said that he was not looking at the stockmarket, but was concentrating on the long term. The same day, Scott Bessent, his treasury secretary, offered a similar view: "Wall Street's done great. Wall Street can continue doing well. But this administration is about Main Street." Then, on March 9th, the president avoided questions about whether America faced a recession, and warned of a "period of transition". Many market participants had believed that Mr Trump would use the threat of tariffs merely as a negotiating tactic. They are gradually being convinced that he really means it this time round.



Rushing for a reason

And just look at the lovely alternatives. So far this year, as American stocks have swooned, Europe's Stoxx 600 index has risen by 12% in dollar terms, and Germany's DAX by 19%. A combination of factors, including a falling dollar and a boom in European defence stocks—driven by expectations of higher defence spending, to cope with America's newfound disregard for the continent—have put Europe in the limelight. Even China's moribund market has gone on a tear, inspired by hype about the progress of the country's artificial-intelligence firms. The Hang Seng, which includes many Chinese firms listed in Hong Kong, is up by 17%. For investors worried

about their portfolios being dominated by a handful of American tech giants, overseas markets are increasingly enticing.

The sell-off has hit highly valued tech stocks hardest of all. Broadcom and Nvidia, two world-leading semiconductor manufacturers, are down by around 15% in the year to date. But the stand-out loser is Tesla, an electric-car firm owned by Elon Musk, a close ally of Mr Trump, which has fallen by 39% this year. On March 10th alone its value dropped by 15%. European sales of the firm's vehicles have dropped as the continent's consumers express their political opinions by buying other cars.

America's wobble is not confined to the stockmarket. The dollar has dropped by more than 5% against a basket of other currencies since its peak in January. Credit spreads on risky bonds, a measure of the protection that investors demand for holding them, have risen, too. On February 18th junk bonds issued by less creditworthy firms offered yields just 2.6 percentage points above Treasury bonds. By March 11th that margin had risen to 3.2 percentage points, near its highest in six months.

If Mr Trump wants to turn things around, which does not yet appear to be the case, it may take something big given the building economic gloom. On March 10th Goldman Sachs cut its forecast for American growth in 2025 by 0.7 percentage points, to 1.7%. Most analysts still predict some growth, but a few expect a recession. Peter Berezin of BCA Research is one of them. He notes that, on top of Mr Trump's turbulence, household savings built up during the covid-19 pandemic have been depleted, and past rises in interest rates continue to feed through to mortgages.

A month ago the federal-funds futures market suggested that investors believed there was a 70% chance the Federal Reserve's policy rate would remain at or above 4% by the year's end. Now it implies a chance of 12%, with a growing number of investors expecting more aggressive monetary easing. Although inflation remains above the central bank's target, Jerome Powell, the Fed's chairman and a long-time target of Mr Trump's ire, may have to cut rates faster than he had planned.

The S&P's remarkable rise in recent years—it has more than doubled in value since March 2020—means it remains vulnerable. The index's price-to-earnings ratio, based on expectations of the constituent firms' earnings over the next year, has dropped from 25 times to 21 times in less than a month. Even so, by historical standards, stocks are expensive. Expectations for the American market, established over many years of strong performance, have become far easier to disappoint. So far, at least, the S&P's fall represents a wobble rather than a nightmare. How will things look after another round of tariffs? ■

President's slump

Stockmarket indices, January 1st 2025=100



Source: LSEG Workspace

Defence and trade

The morning after

Germany's new spending will change Europe, and not to everyone's liking

THE MARKET moves were bigger than expected. On March 5th German long-term yields jumped by 0.3 percentage points, the largest single-day rise in almost 30 years, and the euro surged. European stockmarkets, which would normally have suffered owing to higher rates, held on to their recent rises. Germany's bombshell of a fiscal package—currently under negotiation—represents more than just the start of deficit spending on defence. It is the beginning of a new European growth model. The continent will depend more on internal demand, and less on the world.

At almost 3% of GDP, the EU's current-account surplus is hefty, with Germany and the Nordic countries leading the way. Their surpluses are caused not just by their exporting prowess, but by the gap between levels of saving and investment: if a country invests less at home than it saves, the difference becomes a capital export, and the trade balance adjusts to accommodate it. Now that Europe wants to be insulated from global shocks, invest to make its economy greener and rearm quickly in order to repel Russia, saving and investment will have to shift back into balance.

There are good reasons to think this will happen. To deter Russia, defence experts believe that Europe will have to spend 3.5% of GDP a year on its armed forces, which could rise depending on the level of American support. Few politicians want to pay for this with cuts elsewhere. As Johannes Marzian and Christoph Trebesch of the Kiel Institute, a think-tank, note, military build-ups are almost always funded with a mix of debt and higher taxes. Given the low existing debt burdens in northern and central European countries, deficit funding will almost certainly be the preferred option this time round.

Another reason is provided by Europe's shift from being an ageing society to a straightforwardly old one. Ageing societies save for retirement. An old society sells assets to spend. The EU's median age is 45 and more restrictions on immigration will speed the greying process. For the moment, Europeans are keen savers: at 14%, the EU's household savings rate is comparable to that of Japan, which is even older, in the 1990s. By 2015, though, Japan's rate had fallen to zero. Tight labour markets, as people retire, are also likely to lift wages in services and the care industry, and such workers are more likely to spend than save.

Berlin's bump

Ten-year government-bond yields, percentage-point change from Jan 1st 2025



Source: LSEG Workspace

The last reason for the shift comes from business investment, which has crept up since the euro crisis of the mid-2010s. New industries are likely to emerge soon, prompting more. Defence and aerospace firms will grow to equip Europe's armed forces. And the EU wants to become a net-zero emitter of greenhouse gases by 2050, which will mean yet more spending on everything from grids to charging stations. Estimates suggest that €500bn (\$545bn) in extra annual investment by 2030 will be required, equivalent to 3% of GDP.

Yet Europe's new free-spending impulses will have to overcome constraints. Fiscal expansion will be restricted by high debt levels and deficits in some big countries, notably Italy and France. For its part, despite having space to do so, Spain is reluctant to lavish money on soldiers and kit. Common EU debt to fund such spending, although under discussion, is unlikely to end up happening on a large scale.

Economic growth would make life easier. But ageing will shave between 0.4 percentage points (in France) and 1.1 percentage points (in Italy) off annual growth rates until the end of the 2030s, according to Thomas Cooley of New York University. Although German spending will boost the country's GDP, at least in the short run, it may cause problems elsewhere. When the largest member of a currency union spends big, interest rates must rise to prevent inflation. Higher rates will boost the euro, making exports less competitive.

On top of this, the current Trumpian uncertainty makes businesses nervous about gambling on long-term investments. Policymakers hope that, by boosting local demand, they will also make Europe less vulnerable to trade wars. In order to help the process along, they might consider a dose of deregulation. Linking the continent's capital markets, for instance, would both allow savers to earn higher returns on investments and provide funding for new endeavours. Germany has already done the unthinkable. It would be a shame to waste the opportunity. ■

The labour market

Macho money

More testosterone means higher pay—for some men at least

TESTOSTERONE REPLACEMENT therapy is popular. In men with a deficiency, injections should provide pep, a stronger libido and lower anxiety. Now many with normal levels hope to achieve the same benefits, as well as slower ageing, even though the jabs are unproven and risk side-effects including infertility. Adherents include Joe Rogan, a podcaster; Robert F. Kennedy junior, America's health secretary; and Robbie Williams, a singer portrayed as a monkey in a recent biopic.

The motley crew will be excited to learn of new work by Peter Eibich of the Paris Dauphine University, Ricky Kanabar of the University of Bath and Alexander Plum of the Auckland University of Technology. In a working paper, the trio suggest a link between testosterone levels and earnings in British men. Their findings indicate that moving a man from the 25th percentile of circulating testosterone to the 30th would lead to a rise in monthly earnings of £277 in 2015 prices, or 10% of average wages.

To obtain these results, Messrs Eibich, Kanabar and Plum made use of the UK Household Longitudinal Study. This not only provides long-term data on social and economic outcomes, but also gathers biological and genetic information. By looking for single nucleotide polymorphisms (SNPs), genetic signatures associated with levels of testosterone, the researchers were able to calculate a "polygenic score", which



He really does earn a lot

▶ they showed did indeed reflect hormonal balances as measured in blood samples.

The relationship between pay and testosterone only applies to men with lower testosterone levels. On top of this, gains were only seen in the highest-earning quarter of men. The relationship is mainly driven by variations within occupations, rather than between them, indicating high- and low-testosterone men do not choose different jobs. Instead, testosterone seems to be affecting performance in some way.

Despite their best efforts, the researchers were unable to find anything that might explain this relationship. For example, it does not appear to be the case that testosterone affects the number of hours worked or performance-related pay. Nor is there any visible impact on educational attainment, cognitive functioning or the “big five” personality traits (agreeableness, conscientiousness, extroversion, neuroticism and openness to experience). Although more testosterone leads to a higher risk

tolerance, adjusting for this does not explain its impact on wages.

Could medical research provide clues? Levels of testosterone in therapeutic doses appear to have little or no link with aggression. Yet they do raise sensitivity to status-related cues and, for low-status folk, the desire to compete for a higher rung on the ladder. Caring more about what other people think is not the sort of alpha-male behaviour beloved by Mr Rogan. It might, nevertheless, help explain the pay mystery. ■

BUTTONWOOD

Ruled by randomness

The accidental origins of an investing revolution

WHAT PROMPTS a revolution? When it comes to investing, no change has been as great as that which began with researchers at the University of Chicago in the 1960s. Their financial-theory revolution changed the way that almost everyone invests, and made speculators many trillions of dollars.

The transformation is the subject of “Tune Out the Noise”, a documentary by Errol Morris, an Academy Award winner, which held its premiere in New York on March 6th. His film includes interviews with academics and investors, such as Eugene Fama, Myron Scholes and David Booth, who took ideas about market efficiency and diversification from the textbook and put them into practice in the markets. This led to a surge in the use of data and a disciplined focus on costs, in turn providing the foundation for modern passive investing.

Mr Morris’s film may, in theory, be about brilliant individuals, but its most powerful message is about the role played by chance. History, like markets, is affected by randomness, and luck brought together the right people at the right time. Each had to be present for the financial revolution to emerge.

The University of Chicago’s role is just about the only part of the story that happened by design. It had become the nexus for financial research owing to its reputation for excellence in economics. The Centre for Research in Security Prices was established there in 1960, and its wealth of data on the price of bonds and stocks over decades enabled the academics to do their work.

Randomness is apparent just about everywhere else. Although Mr Fama, who would later win a Nobel prize for his work on asset pricing, completed a doctorate at Chicago in 1964, he almost

never made it to the university. After completing an undergraduate education at Tufts University, he had to chase up his application to Chicago, discovering that it had never been received. On phoning the university, he reached the dean of students by chance, who told him about a scholarship for Tufts graduates, before offering it to him on the spot.

It was a similar story for Mr Scholes, another future Nobel laureate. In the summer of 1963 he started a job as a computer programmer despite scant expertise. The six other programmers who were hired failed to show up for the job, leaving Mr Scholes alone to assist in the financial research of other academics. He took to the work, abandoning his plan to return to his family’s book-publishing company, and was in time offered a place on the university’s doctoral programme.

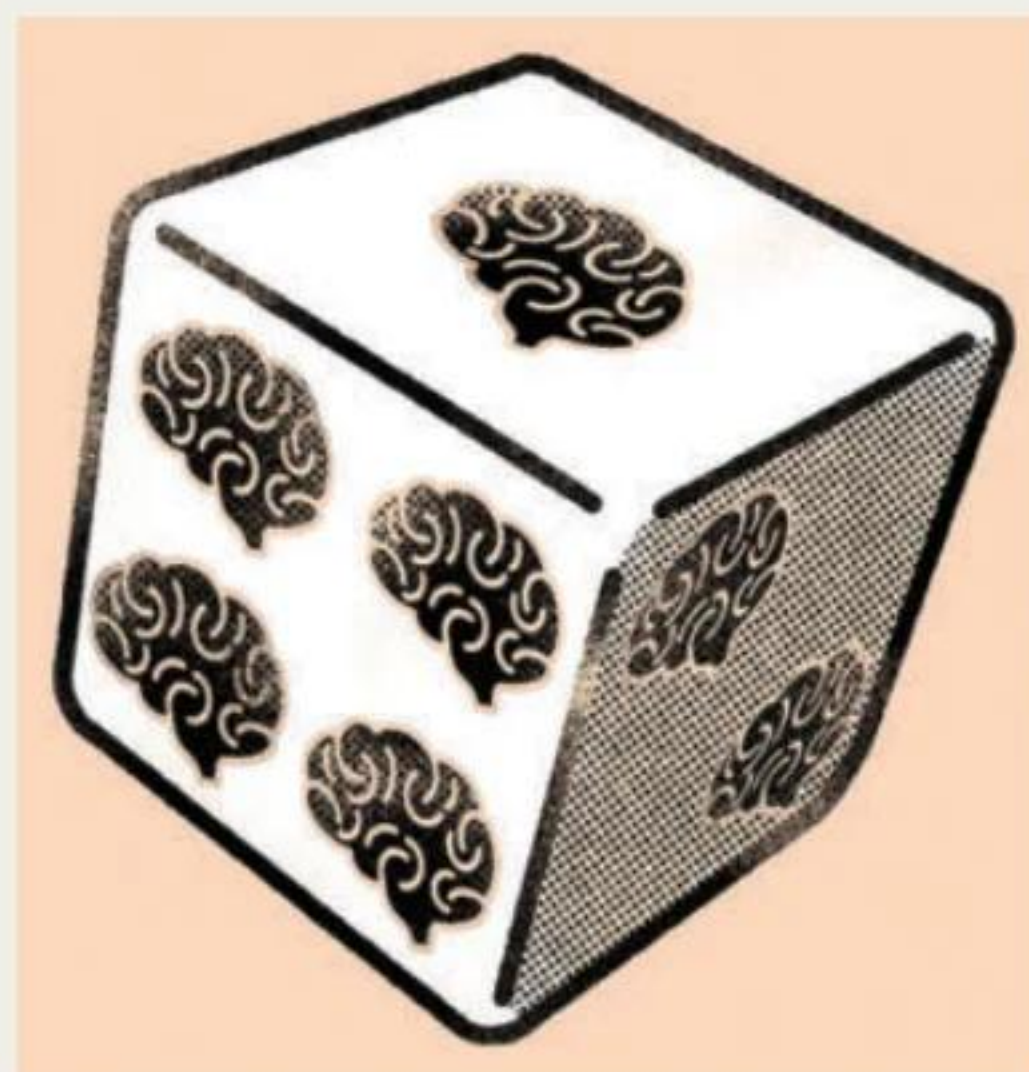
Mr Booth, whose name now adorns Chicago’s business school, and Rex Sinquefeld, his business partner, put the academic ideas into practice by co-founding Dimensional Fund Advisors, a firm that today boasts \$777bn in assets under

management. In 1969 Mr Booth narrowly avoided being made to fight in the Vietnam war, when a lenient officer postponed his conscription since he planned to study for a PhD. Mr Sinquefeld did serve in the armed forces during the war, but poor eyesight kept him from combat.

A few twists of fate—an unanswered phone call, a prickly recruiting officer, more diligent computer programmers or better eyesight—would have prevented some of the men from reaching Chicago. Without the confluence of thought, investing might look very different today, making the world much poorer.

Such happenstance is found elsewhere, too: other parts of economics and nuclear physics, for instance, relied upon the concentration of talent in America after geniuses, often Jewish, fled from the Nazis. In the 1950s Silicon Valley looked to be an unlikely home for the American tech industry, with corporate research mostly taking place on the east coast. That changed in large part because William Shockley, an inventor of transistor technology, set up his own firm in the San Francisco Bay Area. The company’s employees went on to establish giants including Fairchild Semiconductor and Intel. Shockley had picked the area simply because he wanted to be close to his elderly mother.

“Tune Out the Noise” leaves viewers wondering where the next investing revolution will come from. Quantitative trading has speeded up market activity, which is not quite as transformative as the changes that emerged from the 1960s. Some fret that cryptocurrencies are the most significant newish innovation, and that they are the preserve of speculators and criminals. But, in time, more useful ideas could emerge from the industry. There is always a chance.



Science & technology



Lithography (1)

Chipmaking: the next generation

Rivals are racing to dethrone ASML as the maker of the most advanced computer chips. Will they succeed?

FEW WOULD expect the future of artificial intelligence (AI) to depend on Eindhoven, a quiet Dutch town. Yet just beyond its borders sits the headquarters of ASML, the only company that makes the machines, known as lithography tools, needed to produce cutting-edge AI chips. ASML's latest creation is a 150-tonne colossus, around the size of two shipping containers and priced at around \$350m. It is also the most advanced machine for sale.

The firm's expertise has placed it at the centre of a global technology battle. To prevent China from building whizzy AI chips, America has barred ASML from selling its most advanced gear to Chinese chipmakers. In response, China is pouring billions of dollars into building home-

grown alternatives. Meanwhile, Canon, a Japanese rival, is betting on a simpler, cheaper technology to loosen ASML's grip. Yet unlike software, where industry leadership can shift in a matter of months, success in lithography is a slow-moving race measured in decades. Overtaking ASML won't be easy. At stake is control of the machine that will shape the future of computing, AI and technology itself.

→ ALSO IN THIS SECTION

67 Particle accelerators for chipmaking

68 The reality of drone warfare

69 Well informed: Is butter bad?

ASML's most advanced machine is mind-boggling. It works by firing 50,000 droplets of molten tin into a vacuum chamber. Each droplet takes a double hit—first from a weak laser pulse that flattens it into a tiny pancake, then from a powerful laser that vaporises it. The process turns each droplet into hot plasma, reaching nearly 220,000°C, roughly 40 times hotter than the surface of the Sun, and emits light of extremely short wavelength (extreme ultraviolet, or EUV). This light is then reflected by a series of mirrors so smooth that imperfections are measured in trillionths of a metre. The mirrors focus the light onto a mask or template that contains blueprints of the chip's circuits. Finally the rays bounce from the mask onto a silicon wafer coated with light-sensitive chemicals, imprinting the design onto the chip.

High stakes

ASML's tools are indispensable to modern chipmaking. Firms like TSMC, Samsung and Intel rely on them to produce cutting-edge processors, from AI accelerators to smartphone chips. No other company makes machines that can reliably print chips that are called "7 nanometres" (billionths of a metre) and below (though these terms once related to physical resolution, they are now primarily used for marketing). Even for more mature technologies ("14nm" and higher), the firm's tools account for over 90% of the market.

A microchip is an electronic lasagne: a base of transistors topped with layers of copper wiring shuttling data and power. A leading-edge processor can pack over 100bn transistors, contain more than 70 layers and have more than 100 kilometres of wiring, all on a piece of silicon around one-and-a-half times the size of a standard postage stamp. To build these tiny features, a lithography machine works in stages by etching patterns of transistors and metal wires on a wafer, layer by layer. A single wafer can contain hundreds of chips.

ASML's tool is complex, yet its basic principle is much like that of an old slide projector: light passes through a stencil to project an image onto a surface. The smallest feature an optical lithography tool can print depends mainly on two factors. The first is the wavelength of light. Just as a finer paintbrush allows for more detailed strokes, shorter wavelengths enable smaller patterns. ASML's older systems used deep ultraviolet (DUV) light, with wavelengths between 248nm and 193nm, producing features as small as 38nm.

To shrink chip features even more, ASML turned to EUV light, with a wavelength of 13.5nm. Whereas EUV is naturally emitted in space by the solar corona, pro- ➤

▶ ducing it on Earth is far trickier. EUV light is also completely absorbed by air, glass and most materials, so the process must be enclosed in a vacuum, using special mirrors to reflect and guide the light. ASML spent two decades perfecting the method that fires lasers at molten-tin droplets to create and generate this elusive beam.

The other dial that sets the smallest feature size is the numerical aperture (NA) of the mirrors, a measure of how much light they can collect and focus. ASML's latest systems, called high-NA EUV, use mirrors with an aperture of 0.55, allowing it to print features on chips as small as 8nm. To go smaller still, the firm is studying what it calls hyper-NA by cranking the aperture up to more than 0.75 while still using existing EUV light. A higher NA means that the mirrors collect and focus light coming in from a broader range of angles, improving precision. This comes at a cost. Larger NAs require bigger mirrors to intercept and direct the expanded light paths. When ASML increased the NA of their machines from 0.33 to 0.55, the mirrors doubled in size and became ten times heavier, now weighing several hundred kilograms. Increasing the NA again will only add bulk, raising concerns about power consumption.

Another obstacle is pricing. ASML does not disclose precise figures, but its latest EUV machine was almost twice as expensive as its predecessor. A hyper-NA system would be dearer still. Though the company cautions that there are no guarantees of it ever being produced, Jos Benschop, ASML's head of technology, believes a hyper-NA machine could arrive within the next five to ten years, pending demand.

Some researchers are already planning to go beyond EUV light, aiming for wavelengths of around 6nm. This would require breakthroughs in light sources, optics and photoresist (the light-sensitive coating on wafers). Shorter wavelengths also bring new challenges, including "shot noise", or random particle movements that blur patterns. But Yasin Ekinici of the Paul Scherrer Institute, a Swiss research centre, sees this as a "plan B" if hyper-NA fails to deliver.

While ASML pushes the boundaries of optical lithography, China—cut off from the most advanced chipmaking tools—is trying to extract more from the older ASML machines (capable of 28nm and above) it can still import. One approach is multi-patterning, in which a pattern is broken into multiple etching stages, allowing a machine to print details twice or four times as small. Multi-patterning is effective, but adds complexity and slows production.

China is also trying to build its own lithography tools. SMEE, a state-owned firm, is reportedly making progress on a machine capable of producing 28nm chips using DUV light. But developing an EUV system is an entirely different challenge.

Jeff Koch of SemiAnalysis, a research firm, points out that beyond mastering EUV light itself, China would need to replicate ASML's vast supply chain, stretching to more than 5,000 specialised suppliers.

ASML's dominance in high-end lithography, therefore, seems unshakable. But Canon, once an industry leader, is betting on an alternative. Nanoimprint lithography (NIL) stamps circuit patterns directly onto wafers, much like a printing press. In theory, NIL could create features with nanometre accuracy, offering a low-cost, compact rival to ASML's EUV machines.

The NIL process begins with the creation of a master mask which has the template of the circuit etched onto it by an electron beam. Next, droplets of a liquid resin are applied to the wafer before a mask presses the circuit pattern onto the wafer. Ultraviolet light is then used to solidify the resin and form the circuit patterns, after which the mask is removed. This step is repeated for every layer of the chip. Canon estimates that its approach costs around 40% less than a comparable machine from ASML.

For NIL to become a mainstream chip-making technology, it must overcome several challenges. Defects are a big concern—tiny particles or imperfections on the mould can create repeating flaws across entire wafers. Alignment is another hurdle. Since chips are built in layers, the circuit patterns of every layer must line up precisely. Any variation in wafer flatness or slight misalignment between the mould and wafer can cause nanoscale errors, disrupting electrical connections. Canon claims its system achieves nanometre precision, but maintaining this consistently during production is difficult. Then there is throughput, or how many wafers a machine can process per hour. ASML's high-NA EUV tools can handle over 180 wafers per hour, with some older models reaching nearly twice that. In contrast, Canon's latest NIL system manages only 110 wafers per hour, making it less suited for high-volume chip production—at least for now.

So far NIL has found more success outside semiconductor manufacturing, particularly in making smartphone displays and other high-precision components. The technology is now making inroads into memory-chip production, where higher defect rates are more tolerable than in logic chips. Iwamoto Kazunori, the head of Canon's optical division, believes that NIL can co-exist with EUV lithography, cheaply performing manufacturing steps where it can and steering clear of finer detail.

Such innovation could help firms design faster and more energy-efficient chips capable of powering a new generation of AI models. If ASML is not careful, the world's most important machine may not keep its title for ever. ■



Lithography (2)

Press the accelerator

High-speed electrons could make the transistors of the future

SEMICONDUCTOR CHIPS are among the smallest and most detailed objects humans can manufacture. Shrinking the scale and upping the complexity is a fight against the limits of physics, and optical lithography—etching nanometre-scale patterns onto silicon with short-wavelength light—is its most extreme frontier. ASML, a Dutch firm that builds such lithography tools, takes an almost sci-fi approach by blasting molten tin droplets with lasers in a vacuum to produce extreme ultraviolet (EUV) light with a wavelength of just 13.5nm. Now, some researchers hope to generate more powerful EUV beams with a particle accelerator that propels electrons to nearly the speed of light.

The need for this radical proposal stems from a fundamental limitation of current EUV sources: they struggle to generate enough power to reliably etch circuits onto silicon. In a lithography tool such as ASML's, the EUV beam bounces off nearly a dozen mirrors before it hits the silicon (see previous story). EUV light is so easily absorbed, though, that even in a vacuum-sealed chamber with ultra-specialised mirrors, each reflection saps 30% of the light's energy. By the time the photons reach the wafer, less than 2% of the original EUV energy remains. Without enough power, reliability and precision plummet.

One way to boost energy is to bombard the wafer with multiple doses of EUV light, a trick that slows down the chip-manufac- ▶▶

▶ turing process. The other approach is to increase the power of the photons. ASML's latest rig uses a light source that operates at 500 watts, nearly twice the power of its previous machines. To speed up production or to shrink feature sizes even further, the light source must get stronger. ASML currently has a road map to develop a one kilowatt light source.

A more radical solution is to use a free-electron laser (FEL), where electrons traveling near the speed of light are manipulated to emit EUV radiation. The FEL process begins with a powerful electron gun that injects a beam of the particles into a miniature racetrack. The electrons then pass through a linear accelerator, which propels them to nearly the speed of light. Once accelerated, they enter a roughly 200-metre-long structure called an undulator, where a series of magnets generate a field whose polarity flips periodically. This wiggles the electrons, causing them to emit a beam of EUV photons with a specific wavelength.

Nicholas Kelez, the boss of xLight, a Silicon Valley startup developing FEL-based lithography, described the technology as a more powerful and tuneable "new light bulb" that he believes can be swapped into existing optical lithography machines. xLight expects to deliver the first commercial system within four years.

Another research group, at the High Energy Accelerator Research Organisation (KEK) in Japan, has already demonstrated the ability to generate light at 20 micrometres (millionths of a metre)—far longer than the 13.5nm wavelengths ASML is capable of but a step towards refining the process. Chinese researchers are also exploring FEL technology in their quest to develop an independent EUV machine.

Generating light using a FEL has some advantages over using lasers. The first is power: a lithography machine based on a FEL-based light source can be around six times more energy-efficient than a laser-plasma tool. Dispensing with molten-tin droplets also reduces the risk of contamination. Tuning such a machine for smaller wavelengths is also, at least theoretically, much easier: all that needs doing is tweaking the settings on the electron gun and the undulator. It would also be cheaper. A single FEL system can be repurposed to provide light for multiple lithography machines, allowing its operator to distribute the fixed costs across multiple chip-etching tools. Nakamura Norio from KEK estimates that the construction cost is around half that of a laser-based EUV tool and the running costs are around a fifteenth.

For now, all this is theoretical. Whereas ASML's EUV machines are proving themselves in high-volume manufacturing, FEL-based lithography is still in the experimental phase. But in the high-stakes world of chipmaking, any edge is worth chasing. ■

Military technology

Engines of war

Ukraine offers valuable lessons about the effectiveness of drone warfare

IT HAS BECOME a cliché to note that the war in Ukraine is a drone war. But two recent studies shed light on what that means in practice. In mid-February the Royal United Services Institute (RUSI), a think-tank in London, published the latest in a series of papers taking stock of tactical developments in Ukraine over the preceding year. On March 6th the Centre for Strategic and International Studies (CSIS) released another paper looking at Ukraine's capacity and plans for war specifically involving artificial-intelligence (AI) tools. Together they paint a picture of a battlefield that is increasingly saturated with and dominated by the presence of uncrewed machines.

The first observation is that drones have become the most lethal weapons in Ukraine. "Tactical" drones, those with ranges in the low tens of kilometres, are now responsible for 60-70% of damaged and destroyed Russian systems, says RUSI. A growing proportion of these are equipped with AI guidance, allowing them to lock on to targets in the final phase of flight even if the link between pilot and drone is jammed. The automatic guidance can kick in at distances of 2km or more, depending on conditions, notes CSIS, and can raise the hit rate from 10-20% (for manually piloted drones) to 70-80%. That means that one or two drones can do work that would previously have taken eight or nine. AI can also counter decoys and cam-

ouflage that would trick humans.

The second is that Ukraine plans to go much further. Its aim, says CSIS, "is to remove warfighters from direct combat and replace them with autonomous unmanned systems". That includes not only aerial drones, but also their equivalents on the ground and at sea. Thirty-three ground robotic systems were approved in the first nine months of last year. And in December Ukraine carried out what it claims was the first fully uncrewed operation near Lyptsi, a village north of Kharkiv, in which dozens of remote-controlled robotic ground vehicles fired machine guns and cleared mines.

A third finding is that Ukraine has embraced the idea of software-defined weapons, whose operating code matters more than their physical design. Ukrainian producers make "modules", typically chips loaded with software that are smaller than a bar of soap and which can slot into a wide range of different platforms, including drones, vehicles or gun turrets, to enable target recognition or other tasks. Advanced capabilities can thus be fitted or retrofitted to cheap and mass-produced hardware. Should it fall into Russian hands, the hardware might be reverse-engineered but the encryption on the chip would take valuable time to unpick.

Ukraine is also attempting to be efficient in its use of AI. Newer models can be trained quickly on relatively small amounts ▶▶



Chips on their shoulders

► of data. CSIS gives the example of Zvook, Ukraine's acoustic-detection system for drones, which has won plaudits from NATO leaders. When a novel type of drone or other weapon turns up on the battlefield, the model can be trained to recognise its sound with just a week's worth of data.

Fourth, there are still limits to all this. Some 60-80% of Ukrainian "first-person view" or FPV strike drones fail to reach their targets, writes RUSI, depending on the pilot's skill and target location. (For remote-controlled drones, which need a radio signal, swarm attacks are difficult to pull off because the signals tend to interfere with one another.) Of the 20-40% of FPV drones that do get through, a majority fail to destroy armoured vehicles—though they are good at wounding infantry, which helps explain the astronomically high Russian casualty numbers. Roman Kusiv, the medical commander of the eastern and southern front, tells *The Economist* that more than 50% of injuries are caused by drones, up from 25% at the end of 2023.

These figures must be put in context. Though it is true that drones now inflict more casualties than artillery, notes RUSI, this is in part because Ukraine is short of artillery pieces and explosive charges for shells. Moreover, it is still the interplay between drones and guns that often makes the difference. An FPV drone might immobilise a vehicle, for instance, with shellfire used to kill the infantry who dismount. Drone operations can also be time-consuming and complex. One Ukrainian officer tells RUSI that it took "hours" to halt a tank with an FPV drone, compared with the two minutes needed to knock out three tanks with five precision-guided anti-tank shells after they were spotted by a drone. Long-range strikes are especially convoluted. Ukrainian attacks on Russian oil refineries using the long-range Lyutyi drone involve a 15- to 20-page planning document and "meticulous preparation", notes CSIS.

Although AI models are performing a growing range of military tasks, humans are still closely involved in the decision to use force. Ukrainian personnel can "override autonomous functions" when needed, notes CSIS. In ground systems, which face a more cluttered and complex environment than aerial ones, autonomy "remains largely unexplored by Ukrainian defence companies". This means that one of the greatest potential benefits of automated combat—a reduction in human casualties—is some way off. With the pervasive drone threat keeping machinery at least 7km behind the front line, observes RUSI, soldiers have to dig trenches using picks and shovels. Some minefields are still cleared by hand. The grim irony is that AI and robotics have produced a more lethal battlefield for the men unfortunate enough to be deployed to its edge. ■

Well informed

Is butter bad for you?

It's not great. Olive oil is a much healthier fat

BUTTER IS HAVING a moment. In 2024 American consumption per person hit its highest in almost 60 years. Long-standing fears about fat's impact on heart health seem to be dissipating: today, fat is in and it is carbohydrates, sugars and processed foods that are out. But a new scientific study reports that butter-eating is associated with an early death. So: is butter really bad for you?

Reaching an answer involves understanding that not all fats are alike. At a chemical level, fats can be thought of as chains of carbon atoms; some are saturated, meaning every carbon atom clings to two hydrogen atoms, and others are unsaturated, meaning some carbon atoms bond to only one of hydrogen. Those structural differences can dramatically affect how those fats interact with the body. Saturated fats, for example, raise levels of cholesterol, a fatty molecule that gathers in arteries and can contribute to cardiovascular disease. They do this, in part, by partially disabling receptors in the liver which cause excess cholesterol to be extracted from the bloodstream and dumped into bile. Unsaturated fats, by contrast, actively reduce the levels of cholesterol by activating these same liver receptors.

Most of the fat in butter is of the saturated variety. It, therefore, stands to reason that butter should have a negative

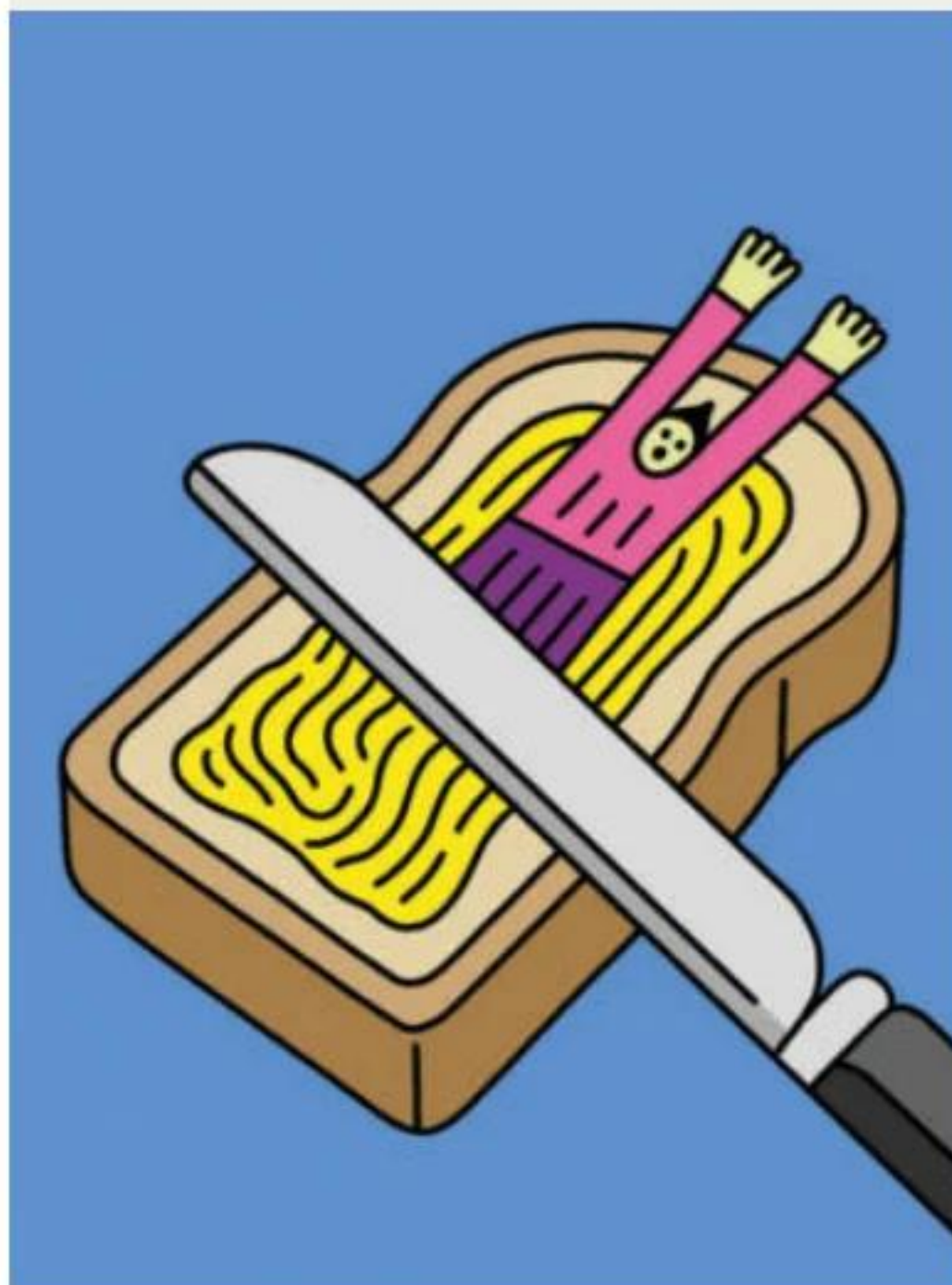
effect on heart health. Indeed, randomised-controlled studies offer good evidence that replacing butter with plant-based oil can reduce cholesterol.

There is more bad news for butter-lovers. The new study, published on March 6th in *JAMA Internal Medicine* by authors in Massachusetts and Denmark, relied on data from three long-run trials of American medical professionals. For almost 33 years 220,000 nurses and doctors have been regularly surveyed about their lifestyle, diet and health. Many have died in this time. The authors found that, after controlling for such things as age, sex, diet and lifestyle, those people who ate the most butter (averaging around one tablespoon per day) were 15% more likely to have died during the course of the study than those who avoided the stuff. By contrast, people who consumed the most plant-based oils, such as canola, soyabean or olive oil—all of which have low levels of saturated fat—were 16% less likely to die than those who consumed the least.

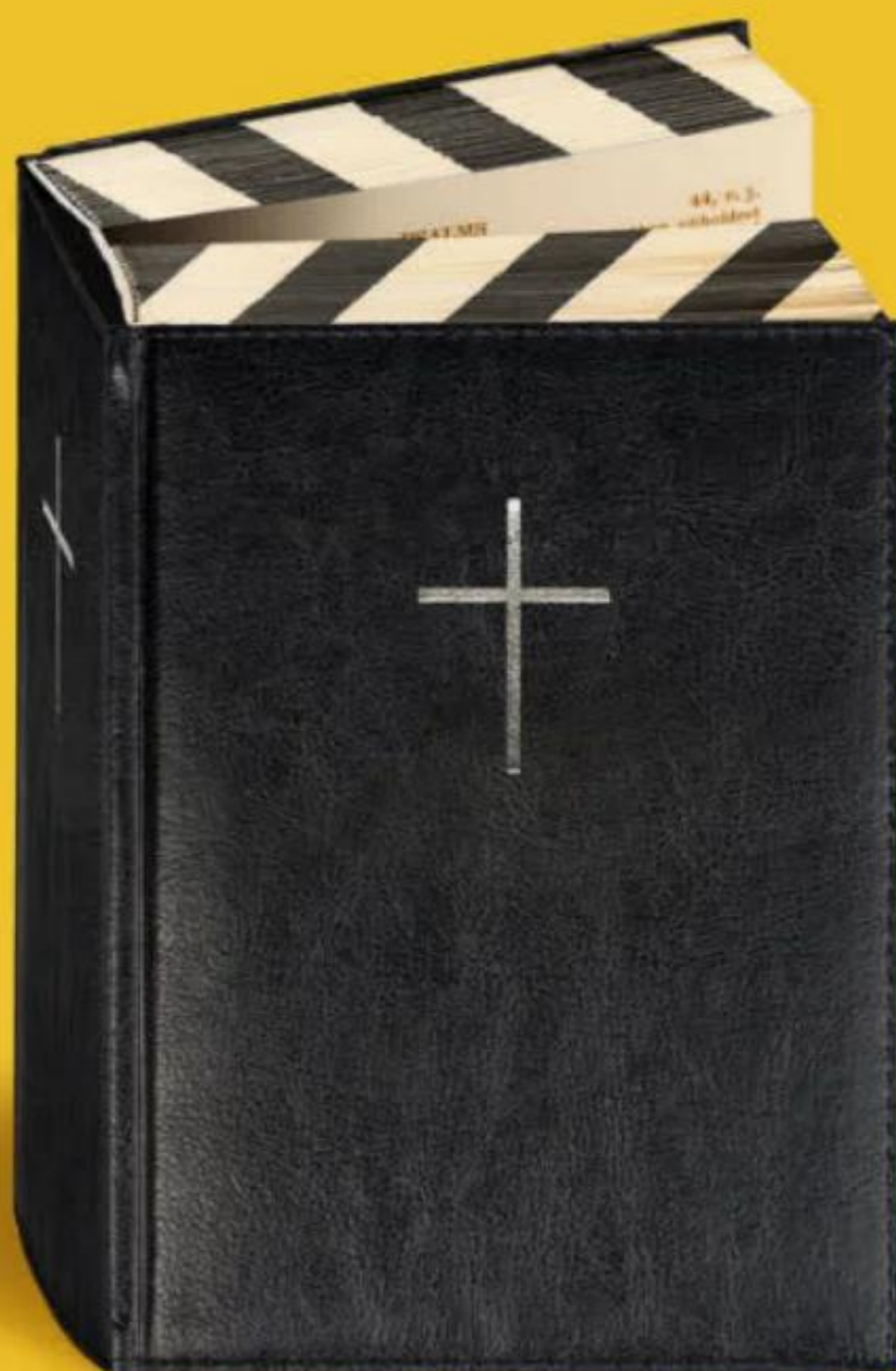
And, though the study could not show that butter increased the risk of dying from cardiovascular diseases, consuming more plant-based oils did lower that particular risk. Butter-eating was, instead, linked to more deaths from cancer. The authors found that replacing ten grams of butter daily with the same amount of plant-based oil appeared to reduce the cancer mortality risk by 17%.

Observational studies like this one are rarely cut and dried, however. George Davey Smith, an epidemiologist at the University of Bristol, points out that there exist other differences in health-related behaviours between the groups: the voracious butter-eaters contained twice as many smokers, for example, as the butter-avoiders. He argues it is not possible to fully control for such differences, which means some non-dietary factors could also be at play.

If you do bin your butter, choose your alternatives wisely. Margarine has less saturated fat than butter (and modern varieties tend to be free of hydrogenated or trans-fats, which also negatively affect cholesterol levels), but it has been linked to higher levels of type-2 diabetes. If you want a sure swap, though, olive oil is probably your best bet.



Culture



Christian films and television

Hollywood

God is back on the box

THERE ARE many signs that Christian entertainment is having a moment. But the biggest one is the beards, which are everywhere. Switch on “House of David”, a new series on Amazon Prime Video, and you will be offered biblically big beards, alongside biblically big battles, in a retelling of the story of David and Goliath. Tune into “The Chosen”, and you will get more big beards, this time starring alongside big bad Romans, in a retelling of the life of Jesus. Stream “Jesus Revolution”, a more modern offering about a Californian pastor in the 1970s, and you will get beards with flares and fixed-gear bikes.

Jesus’s viewing figures—much like Jesus himself—have risen. “The Chosen” has been watched by around 280m people worldwide. “Mary”, about the mother of Jesus, became the third most viewed film globally on Netflix after its release in December. Today “House of David” is the eighth most popular series on streaming

services in America. New religious shows and films are in store: seven faith-based titles were given the green light by streamers in 2024, up from just one in 2021. More will be commissioned this year. Streamers’ catalogues have also become holier: in January they hosted 487 religious films, more than double what they had in 2022.

The deity being served by streamers is not only God, but Mammon. The huge popularity of “The Chosen”, which was seen as such an unlikely success that it was

crowdfunded before its release in 2019, has helped convert Hollywood by demonstrating the merits of religious content. (The show’s fifth season will play in American cinemas starting March 28th, before moving to Prime Video in June.)

The broader social climate in America is suitable for Christian fare, too. J.D. Vance, America’s vice-president, recently invoked Thomas Aquinas, an Italian theologian, when talking about immigration policy; Donald Trump has promoted a “God Bless the USA” Bible; and popular writers such as Jordan Peterson are flogging bestselling books about faith.

However, some film-makers argue that it is less that Hollywood has seen the light than that the world right now feels very dark. Over the past few years people have felt “frayed”, says Kelly Merryman Hoogstraten, the head of the Wonder Project, an independent studio that made “House of David”. Today people want to watch things that “restore faith”, which, she argues, is much “bigger and broader than just God”. The studio describes its mission not as making Christian TV but as “restoring faith in things worth believing in”.

Such as, say, profit margins. In a saturated streaming market, these films and shows are offering that most Christian of values—hope—to their makers. Faith-based shows have proved profitable for

→ ALSO IN THIS SECTION

71 Dystopian fiction’s boom

72 Jane Austen at 250

72 The best- or worst-timed book ever?

73 The Alpha bet

74 How to shame a dictator

► several reasons. The first is that they are relatively cheap and simple to make. The story of Jesus does not rely on many special effects (water, even when it turns into wine, is not expensive); nor do they need big-name celebrities (as founder of the world's largest religion, Jesus offers name recognition enough). They can also tap into a large audience—some 2.4bn people globally identify as Christian.

Not all of these films and shows offer biblical stories. Some merely serve up what are called “Christian values”; in other words, they are low on sex and violence and high on the feel-good factor. They are the kind of programmes that “you could take your grandma to”, says Alice Thorpe of Ampere Analysis, a research firm.

It is not quite the case that these films contain nothing bad: Goliath would dispute the idea that Christian stories are non-violent, and Mary Magdalene, who appears in “The Chosen”, is widely believed to have had some R-rated moments. But in such series and films these scenes are muted in their depiction and—as in some crime novels—contained within a reassuring structure, with good eventually triumphing and villains being vanquished (if not in this series then at least off-screen in the well-known sequel, “Hell”).

It is easy to see why streamers might choose for their shows to diverge from the straight texts: adapting biblical stories can be tricky. God might have made Heaven and Earth, but he does not always make the best screenwriter. The Bible tends to be good “on plot”, says Lena-Sofia Tiemeyer, a professor at the ALT School of Theology in Sweden, but it “doesn’t have a lot of dialogue”.

Nor is all of what the Bible contains useful. Some lines, such as Jesus’s cry in Luke 23:34 (“Father, forgive them, for they know not what they do”), are ready for their close-up. But others, such as Leviticus 18:17 (“Do not have sexual relations with both a woman and her daughter”), require more than a little workshopping.

Different Christian shows and films, therefore, take different approaches to their source material. Some simply use it as a jumping-off point; others write scripts that sound more like scripture. Many of the lines of “House of David” are lifted directly from the Bible. But the series is likely to go lighter on other parts of that story, such as the moment when David, wooing a wife, “slew of the Philistines two-hundred men” then “brought their foreskins” and gave them to the king.

From medieval mystery plays to films, including “Quo Vadis” (a religious epic from 1951) and Mel Gibson’s “The Passion of the Christ” (2004), Christians have always pillaged sacred texts for entertainment and enlightenment—with varying degrees of critical success. The *New York*

Times described “Quo Vadis” as a blend of “visual excitement and verbal boredom”. Mr Gibson’s “Passion” was so bloody that it was summed up as “a two-hour-and-six-minute snuff movie”.

Reviews of more recent fare have been similarly unchristian. “Mary” was panned by a critic as “the single worst film I’ve seen all year”, and “House of David” has been described as “wooden and cheap-looking, humourless and dull”. Such slings and arrows seem to make little difference. The “Quo Vadis” review glumly concluded that the film was such drivel that it would “probably be a vast success”. It became the highest-grossing film of that year. The viewing figures of “The Chosen” and “House of David” continue to climb, whatever critics say. In entertainment, as in history, a little persecution seems only to deepen Christian fervour. ■

Dystopian fiction

Living the dream?

The Dream Hotel. By Laila Lalami. *Pantheon*; 336 pages; \$29. *Bloomsbury*; £16.99

HOW DO YOU concoct a plausible fictional near-future, in which people’s reliance on technology has gone too far? If you read “The Dream Hotel”, a gripping new novel, you can discern one recipe. First, take a big handful of “1984”, with Big Brother and the surveillance state reimagined with private-sector incentives. Sprinkle in the rational irrationality of Joseph Heller’s and Franz Kafka’s best works.

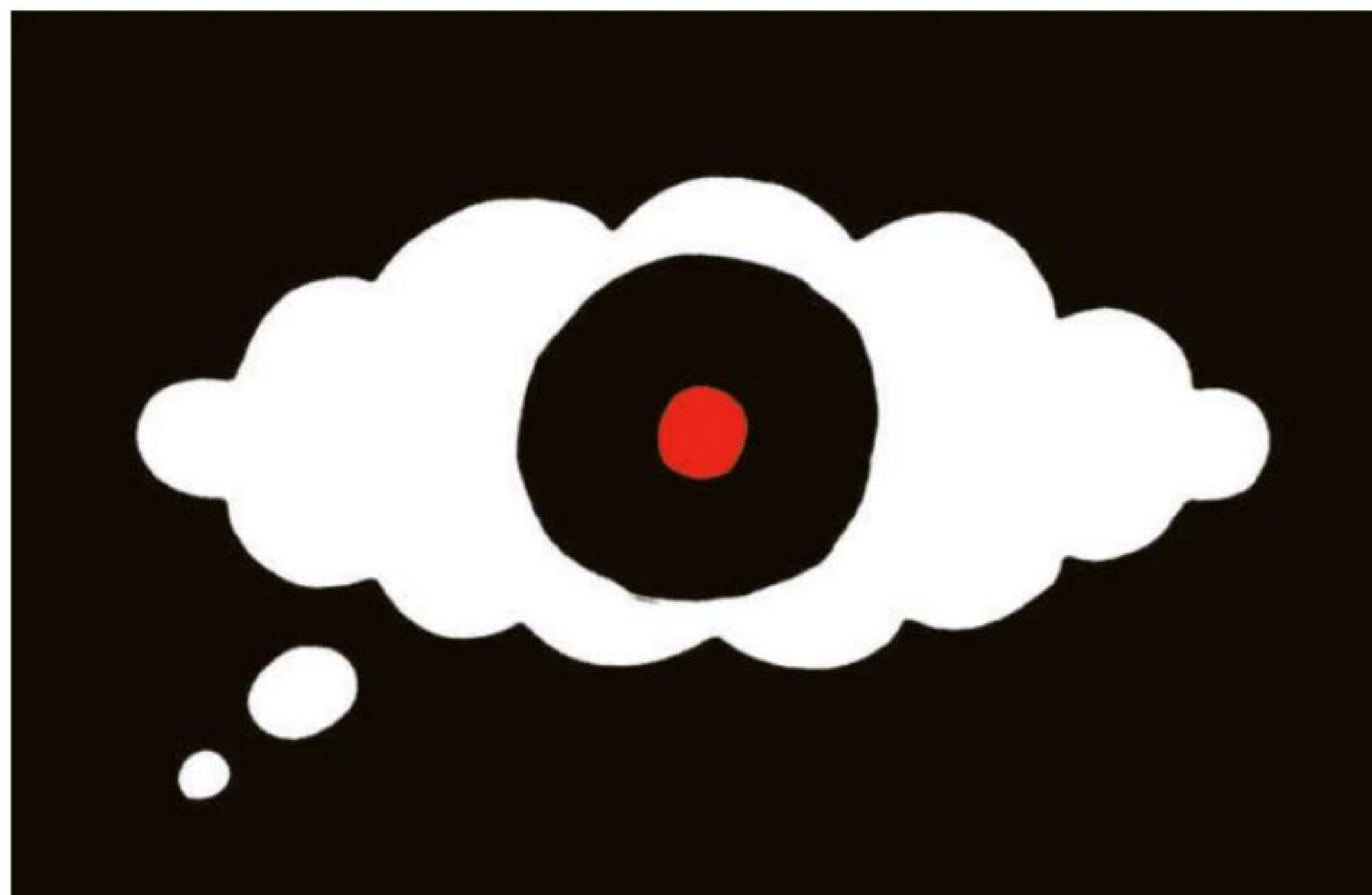
Next mix in a dollop of “Minority Report” (2002), a film starring Tom Cruise in which law enforcement solves “pre-crimes” before people commit heinous acts.

So far, so Orwell. However, “The Dream Hotel” is intriguing and (mostly) satisfying, even if the ingredients feel familiar, for what the novel says about the creep of technology and the trade-offs people make for convenience.

Laila Lalami, a Moroccan-American novelist and former finalist for a Pulitzer prize and National Book Award, tells her dystopian tale by combining traditional storytelling with excerpts from a company’s terms of service, medical reports, meeting minutes and customer-service email chains from hell. The novel’s protagonist is Sara Hussein, an archivist at the Getty Museum who returns from a work trip to London and runs afoul of bureaucrats at immigration control, who say her “risk-assessment” score is too high and that she could pose a threat to her husband’s life. Sara becomes “Retainée M-7493002”, held at a facility for what is supposed to be 21 days of monitoring but stretches much longer.

What went so wrong? In retrospect it was a mistake to get the “Dreamsaver”, a small implant invented by a medical-tech firm in Silicon Valley that Sara agreed to have installed during a desperate period of sleep deprivation. (She had recently had twins.) “Imagine what you could do with more time” was the alluring sales pitch, but it came at a dear price: the device tracked her dreams and shared them with third-party firms and the government.

“The Dream Hotel” evokes a world reminiscent of China’s social-credit system, in which citizens are assessed on a variety of metrics, with a touch of America’s private-prison complex. (“Retainées” are charged vast sums for snacks and ►►



▶ internet service and depend on family to deposit money in their accounts.) AI, algorithms, augmented reality and facial recognition all feature in the novel.

Americans, who in real life are suspicious of the “deep state”, accept surveillance in Ms Lalami’s story because a gunman shot 86 people at the Super Bowl as millions watched the atrocity live. Tracking and mining data for the sake of crime-fighting became socially acceptable. While in custody Sara reads a newspaper editorial supporting “our bias-free, science-based crime-prevention system”; “retention”, it argues, is a “humane tool for reducing violence because it saves...communities both the trauma of the crime and the cost of prosecuting it”. There is no mention of what society gives up—in personal liberty and freethinking—in the name of progress.

Dystopian fiction is booming: five classic novels, including “1984” and Ray Bradbury’s “Fahrenheit 451”, saw a boost in sales after Donald Trump’s inauguration in January. But writing it is not for the faint of heart. So many scenarios have already been imagined; others can feel unimaginatively real. Ms Lalami explores themes that authors before her have already artfully unpacked. But readers will still want to check out “The Dream Hotel”—and be grateful they never have to check in. ■

Jane Austen at 250

Reading between the spines

Jane Austen’s Bookshelf. By Rebecca Romney. *Marysue Rucci Books*; 464 pages; \$29.99. *Ithaca Press*; £25

LEGIONS OF “Janeites” will spend 2025—the 250th anniversary of Jane Austen’s birth—truffle-hunting for undiscovered morsels in the life and work of English literature’s most famous woman author. Amid all the “Austenmania”, including balls, festivals, podcasts, television series and new books, what are the odds of finding something new?

An American rare-book dealer, Rebecca Romney, has managed it, by searching where Austen’s secrets lie hidden in plain sight: her letters and books. “Jane Austen’s Bookshelf” surveys the female writers she admired and whose novels laid the groundwork for everything from gothic thrillers to today’s romantasy boom.

Ms Romney is known for her bibliographic sleuthing on “Pawn Stars”, an American TV show that features experts



Facing prejudice and pride

appraising objects brought to a pawnshop in Las Vegas. Embarrassed by her own ignorance and shocked at the erasure of these writers from the canon, she set out to use the tools of her trade to answer a question: did Austen’s predecessors disappear from the canon because their books were simply “trash”?

No. Take Frances Burney, in whose novel “Cecilia” (1782) the phrase “pride and prejudice” first appears. Burney’s debut, “Evelina”, was a literary sensation, reprinted four times in its first year. Her third, “Camilla”, is cited tongue-in-cheek by Austen in “Northanger Abbey” as “only some work in which the greatest powers of the mind are displayed”.

Or consider Ann Radcliffe, the mother of the gothic horror novel, whose “The Mysteries of Udolpho” also obsesses characters in Austen’s “Northanger Abbey”. Radcliffe’s novel helped create a new genre that represented one-third of the British fiction market in the 1790s. Austen’s bookshelf also included Charlotte Smith, a poet admired by William Wordsworth, whose first novel, “Emmeline”, Austen read at 16 and praised in her own youthful stories. And her favourite was probably Maria Edgeworth, author of “Belinda”, a society novel, to whom Austen had a copy of her own “Emma” sent in homage.

If they were so popular in their own time, how did these authors slip “from the spotlight...to the shadows”? Like most Austen fans, Ms Romney was not familiar with most of Austen’s foremothers. She concludes that the authors and books Austen revered, and in some cases consciously emulated, were shunned by male literary critics, falling prey to what scholars call “the Great Forgetting”.

The Regency era saw both the rise of the modern novel and a backlash against

female authors, derided as “scribblers”. Critics’ disdain coincided with the first time in history when more women published novels than men. Each female writer’s fate was slightly different: Radcliffe, for example, was doomed by the creepy genre she popularised. (One male critic spoke for many of his peers when he derided women writers’ “images of the grosser sort” and dismissed the genre as “a species of...literary prostitution”.)

Ms Romney is not the only scholar to describe Austen’s “sister authors”, most of whose books are now available online in the public domain. But the chronicle of her quest to find and explain the importance of their texts is written with a light, wry touch. “Jane Austen’s Bookshelf” is thus a spirited and scholarly rebuke to centuries of literary bias.

Perhaps the most fascinating lineage she traces is from these 18th-century “romances” (defined as any work with fantastical elements), to Austen’s genteel “courtship novels”, to the dragon-packed love stories flying off shelves today. Such romances give women starring roles and agency, whether in love, marriage or on epic quests. In the case of Austen’s predecessors, too, there is a “happily ever after”: if you have ever wished Jane Austen had written more books, a bookshelf full of her favourite writers is just waiting to be read. ■

Technology and politics

Be careful what you wish for

The Technological Republic. By Alexander Karp and Nicholas Zamiska. *Crown Currency*; 320 pages; \$30. *Bodley Head*; £25

“SILICON VALLEY has lost its way.” So says Alex Karp, co-founder and boss of Palantir, a supplier of software to Western armies and spooks. America’s tech industry has forgotten about the armed forces’ role in its creation, he frets. It shuns defence work and prefers to build frivolous consumer products, such as food-delivery apps and video-sharing platforms. No tech boss dares to make principled, unpopular positions such as, say, working on military technology (the author aside, of course).

But now AI is here, and America’s adversaries are racing to put it to military use. So as with nuclear weapons in the 1940s, when technologists worked hand-in-hand with government (thereby giving rise to Silicon Valley), their modern-day counterparts must do the same again to defend America. Alas, patriotism and a sense of civic

► duty have become unfashionable among a generation of technologists who distrust government and espouse naive pacifism. If only, Mr Karp laments, some brave technologist would step forward and show the way: for techies to become more patriotic and willing to develop military technology, and for governments to become more like the fast-moving, innovative tech industry.

That is the argument advanced in “The Technological Republic”, co-written by Mr Karp and Nicholas Zamiska, a colleague at Palantir. Penned before the American election of November 2024, it has been published after it. Unlike many of his peers, Mr Karp endorsed Kamala Harris. With the victory of Donald Trump, however, many of the things that Mr Karp calls for have now happened—but not in the way he might have wished.

Mr Karp is right that American techies could put their talents to better uses than trivial consumer apps. But his claim that they will not do military work is wide of the mark. Attitudes changed after Russia invaded Ukraine, and the shift accelerated after Mr Trump’s election. Google reversed its ban on the military use of its AI technology in February. Investors are piling into defence-tech startups. Palantir’s own share price hit a record high last month; today the firm’s market capitalisation is around \$174bn, about triple what it was a year ago.

What of the idea that tech bosses will not take unpopular decisions? They have been doing so lately, seemingly to appease Mr Trump. (Nearly every Silicon Valley bigwig was at Mr Trump’s inauguration.) Jeff Bezos of Amazon has pushed conservative viewpoints at the *Washington Post*, a newspaper he owns, causing an exodus of subscribers. Mark Zuckerberg of Meta has attracted criticism for cutting back on fact-checking and calling for more “masculine energy” in the workplace. As for the notion that Washington could use a dose of the “move fast and break things” attitude of the tech industry, that too has come to pass, as Elon Musk chaotically applies shock therapy to the federal government.

It is hard to say whether Mr Karp’s timing is brilliant or terrible. His book has arrived just as many of the things he argues for have come true, but in unexpected ways—like a fairy tale in which the granting of a wish turns out to have unexpected drawbacks. The argument is filled out with a potted history of America’s tech industry, quotes from luminaries, a fair amount of score-settling and quixotic excursions into what managers can learn from honeybees and improvisational theatre. The book’s intellectual eclecticism is clearly modelled on that of Yuval Noah Harari, Silicon Valley’s favourite historian. But “The Technological Republic” is much less compelling. Mr Karp has got what he wished for, but he may not like the outcome. ■



The young and the restless

Meet Generation Alpha

People are curious about what is in store after Gen Z

WHAT COMES after Z? Lots of names have been pitched for the world’s youngest generation, born roughly since 2010. Some are predictable, such as “iPad kids” and “Generation AI”. Others are perplexing, as with “Polars”, which nods both to growing polarisation and shrinking ice caps.

One name has caught on in the English-speaking West: “Generation Alpha”. It symbolises a fresh chapter, says Mark McCrindle, the Australian demographer behind it. He canvassed people for ideas nearly 20 years ago; many suggested the name “Gen A”. But rather than go back to the start of the Latin alphabet, he pivoted to the Greek one.

“Alpha” has recently become a buzzword. A slew of reports and surveys have been published about these youngsters, revealing things they are interested in (video games, sports) and not (recycling, the news). Punters have even predicted the future: Alphas, they say, will be the most innovative cohort yet.

Such insights make for good headlines. But social scientists agree that it is too soon to identify the distinctive characteristics of a cohort that includes toddlers. Predicting how these children will turn out as adults has “no more value than astrology”, says Bobby Duffy, a professor at King’s College London. Plenty of judgments made now will be proved wrong in the future.

Research is largely driven by commercial interests. Alpha is projected to be the world’s largest generation, with more than 2bn members. By 2029 nearly \$5.5trn will be spent on Alphas a year, predicts Mr McCrindle’s research firm. That presents an opportunity for businesses, and for the marketing firms that advise “how to prepare for Gen Alpha”.

Restrictions around marketing to youngsters prevent many insights. Governments regulate advertisements aimed at minors, and stop their personal data from being collected without parental consent. Some surveys about Gen Alpha are filled out by parents, who interpret their children’s habits. Many of the conclusions drawn do not apply to the youngest, nappy-wearing members.

There are disagreements about who exactly counts as Alpha. Mr McCrindle thinks the cohort should include those born between 2010 and 2024. Yet other firms say Gen Z only stopped being born in 2012. Because there is no official taxonomy, one person’s Z is another’s Alpha. But no one can deny that Alphas are in their formative years. Attitudes and values change as people grow up and settle as they come of age. It will be at least five years before Alphas are old enough for real differences to be seen between them and others, reckons Mr Duffy. Until then the generation will keep pundits, and parents, on their toes.

Human rights

How to shame a dictator

To curb the cruelty of the world's worst regimes, first get your facts straight

Righting Wrongs. By Kenneth Roth.
Knopf; 448 pages; \$30. Allen Lane; £30

A DOCTOR IN Syria under Bashar al-Assad was forced to sedate 63 prisoners. Not to ease the pain caused by shackling, but to ensure they did not complain about it when a UN delegation visited the hellish prison where they were being held. At first glance, the moral of this story is obvious: despots spit on human rights. But Kenneth Roth, a former head of Human Rights Watch (HRW), sees another, more hopeful lesson. Even the vilest rulers care about their reputations, and so try to hide at least some of their abuses. This gives human-rights campaigners an opening: by exposing horror, they can sometimes shame governments into perpetrating less of it.

This task is not straightforward. Those who rule by fear are hard to shame. Exposing their cruelty may actually bolster their power for a while, by reminding their subjects of the dangers of disobedience. However, ruling by fear alone “is risky, because a disgruntled public is always on the lookout for a way to oust the tyrant”. (As Mr Assad, pictured, discovered in December, when his overthrow sparked jubilation in Damascus’s streets.) So most dictators want to appear to serve the public good.

Having run one of the world’s most effective human-rights groups for three decades, Mr Roth has sparred with more nasty regimes than most people could name. In “Righting Wrongs” he distils his hard-earned insights. With warlords carving up Sudan, Russia kidnapping Ukrainian children and America’s president musing about ethnic cleansing in Gaza, the book could hardly be more timely.

The key to shaming powerful wrongdoers, Mr Roth argues, is to avoid name-calling and “stigmatise with facts”. Researchers at HRW are told “that their top priority is accuracy”, and that it is better to come home empty-handed than to publish inaccurate information. They dig up the truth painstakingly, by interviewing victims and combing through tedious official documents. Even if their reporting achieves nothing in the short run, it can furnish evidence for future prosecutions.

Despots fear exposure. Otherwise they would not devote such vast resources to hiding their abuses, sometimes ineptly. When China blanked out its Uyghur pri-

son camps on online maps, it made it easier for researchers to find them—by looking for unexplained blank spots.

An activist must know which levers to pull. If a head of government is genuinely unaware of abuses, simply proving them may be enough, especially in a democracy. In 2011 Mr Roth sat down with Mexico’s president, Felipe Calderón, to discuss a report on “disappearances” and summary executions meted out by the Mexican army in its “war on drugs”. Previously Mr Calderón had insisted that his troops were innocent. But after Mr Roth went through the report with him paragraph by paragraph, the president admitted he was wrong and adopted some of Mr Roth’s suggested remedies, such as no longer interrogating suspects on military bases.

To shame nastier regimes, more skill is required. Rulers who feel no guilt about tearing out dissidents’ thumbnails may simultaneously crave international respectability. After America overthrew Saddam Hussein, another Arab dictator, Muammar Qaddafi, was eager to avoid the same fate. As well as publicly giving up a nuclear-weapons programme, his regime invited Mr Roth to visit Libya.

Mr Roth seized the chance and shared a list of 131 political prisoners, demanding their release. Mid-level officials exploded with rage and “seemed to think they could bludgeon us into not publishing [the find-

ings] at all”, Mr Roth recalls. He let them hyperventilate for a while, and then gave them a choice. HRW was going to hold a press conference in Egypt a few days later. When journalists asked about their meetings in Tripoli, they could say: “All they did was yell at us.” Or: “The conversations were productive, and they promised various reforms.” Which would it be? The next day the officials apologised, and soon all 131 political prisoners were freed.

Defending human rights is getting harder. Russia has gone completely rogue. The two most powerful democracies, India and the United States, have leaders who care little for human rights. And China under Xi Jinping has become what Mr Roth calls the greatest “threat to the global human-rights system”, constantly seeking to undermine it in international forums.

Meanwhile, some Western progressives have lost their common sense. Some embrace the ridiculous notion that for Westerners to criticise oppression in the global south is a form of imperialism. Others talk self-righteous guff. Mr Roth recalls an adviser urging HRW to campaign against “structural racism, patriarchy and classism embedded in the design of Western public-health systems”. Such rhetoric is likely to repel “the moveable middle”—the people campaigners need to win over. Far better to focus on things that more or less everyone agrees are wrong, such as torture.

The gripes of Roth

As the world polarises, human-rights campaigners must be seen to be impartial. This is hard. Nasty regimes often accuse them of being agents of foreign powers. Other abusive regimes try to change the subject: what about America’s crimes? Mr Roth’s response is to arrive with a stack of HRW reports on America and “place them with a good thump” on the whataboutery-spouting official’s desk.

After he retired from HRW in 2022, Mr Roth was cancelled. An invitation to take up a human-rights fellowship at Harvard was vetoed, allegedly because donors objected to his “anti-Israel” bias. The objection rang hollow: Mr Roth is Jewish, his family fled from the Nazis and he is a stern critic of brutality everywhere. After an outcry, Harvard backed down.

The world needs more watchdogs like Mr Roth: principled yet worldly, insanely hard-working and resolutely non-tribal. It probably helps that he never took an academic course on human rights. Rather than nitpicking about the minutiae of international law, he tells human stories, like that of the Syrian anaesthetist, that shock the listener into fury. It is stories, more than theories, that help humans comprehend tyranny. And as the mighty fill the world’s small screens with falsehoods, someone needs to tell true tales. ■



Despot to dust

Economic & financial indicators

	Gross domestic product				Consumer prices			Unemployment		Current-account		Budget		Interest rates		Currency units		
	% change on year ago				% change on year ago			rate		balance		balance		10-yr gov't bonds		change on		
	latest	quarter*	2024†		latest	2024†		%		% of GDP, 2024†		% of GDP, 2024†		latest, %	year ago, bp		per \$	% change
																	Mar 12th	on year ago
United States	2.5	Q4	2.3	2.8	2.8	Feb	2.9	4.1	Feb	-3.4	-6.6	4.3	16.0	-				
China	5.4	Q4	6.6	5.0	-0.7	Feb	0.2	5.2	Jan*§	2.1	-5.0	1.7	55	-58.0	7.24	-1.0		
Japan	1.1	Q4	2.2	0.1	4.0	Jan	2.7	2.5	Jan	4.8	-2.3	1.5	74.0	148	-0.4			
Britain	1.4	Q4	0.4	0.8	3.0	Jan	3.3	4.4	Nov††	-2.8	-4.5	4.6	60.0	0.77	1.3			
Canada	2.4	Q4	2.6	1.3	1.9	Jan	2.4	6.6	Feb	-0.3	-2.3	3.1	-33.0	1.44	-6.2			
Euro area	1.2	Q4	0.9	0.7	2.4	Feb	2.4	6.2	Jan	3.2	-3.2	2.9	55.0	0.92	nil			
Austria	-0.5	Q4	-1.5‡	-1.0	3.5	Feb	2.9	5.5	Jan	2.3	-3.7	3.2	40.0	0.92	nil			
Belgium	1.1	Q4	0.7	1.0	4.4	Feb	4.3	5.8	Jan	-0.3	-4.5	3.4	61.0	0.92	nil			
France	0.6	Q4	-0.4	1.1	0.9	Feb	2.3	7.3	Jan	-0.4	-6.1	3.6	78.0	0.92	nil			
Germany	-0.2	Q4	-0.8	-0.2	2.8	Feb	2.5	3.5	Jan	5.5	-2.8	2.9	55.0	0.92	nil			
Greece	2.7	Q4	3.7	2.2	3.0	Feb	3.0	8.7	Jan	-6.7	-1.4	3.8	53.0	0.92	nil			
Italy	0.6	Q4	0.5	0.6	1.7	Feb	1.1	6.3	Jan	1.3	-4.2	4.0	34.0	0.92	nil			
Netherlands	1.8	Q4	1.6	0.9	3.5	Feb	3.2	3.8	Jan	9.5	-0.7	3.0	45.0	0.92	nil			
Spain	3.5	Q4	3.1	3.2	2.9	Feb	2.9	10.4	Jan	3.0	-3.2	3.5	40.0	0.92	nil			
Czech Republic	1.8	Q4	2.7	1.0	2.7	Feb	2.4	2.7	Jan§	1.6	-2.4	4.3	55.0	22.9	1.0			
Denmark	3.6	Q4	6.5	3.6	2.0	Feb	1.4	2.9	Jan	12.5	1.9	2.6	21.0	6.83	nil			
Norway	-0.3	Q4	-2.5	1.7	3.6	Feb	2.2	3.9	Dec**	17.3	12.5	4.0	48.0	10.6	-0.9			
Poland	3.2	Q4	5.3	2.9	5.3	Jan	3.8	5.5	Feb§	0.1	-5.7	6.0	59.0	3.84	2.1			
Russia	3.1	Q3	2.7	3.8	10.1	Feb	8.4	2.4	Jan§	2.6	-1.8	14.8	207	87.2	5.4			
Sweden	2.3	Q4	3.1	0.5	1.3	Feb	1.9	10.4	Jan§	6.6	-1.2	2.6	36.0	10.1	1.9			
Switzerland	1.5	Q4	0.8	1.3	0.3	Feb	1.1	2.7	Feb	5.2	0.7	0.8	5.0	0.88	nil			
Turkey	3.0	Q4	6.9	3.1	39.1	Feb	58.5	9.0	Jan§	-1.1	-4.8	26.0	68.0	36.6	-12.4			
Australia	1.3	Q4	2.4	1.0	2.4	Q4	3.2	4.1	Jan	-1.9	-2.2	4.4	27.0	1.59	-4.4			
Hong Kong	2.4	Q4	3.2	2.6	2.0	Jan	1.7	3.1	Jan**	12.0	-3.2	3.5	-15.0	7.77	0.6			
India	6.2	Q4	9.3	6.3	3.6	Feb	5.0	8.4	Feb	-0.5	-4.8	6.7	-34.0	87.2	-5.1			
Indonesia	5.0	Q4	5.5	5.0	-0.1	Feb	2.3	4.9	Aug§	-0.2	-2.5	6.9	28.0	16,445	-5.2			
Malaysia	5.0	Q4	2.2	5.1	1.7	Jan	1.8	3.1	Jan§	1.6	-4.3	3.8	-7.0	4.43	5.6			
Pakistan	3.2	2024**	na	3.2	1.5	Feb	12.6	6.3	2021	0.2	-6.8	12.4	-179	280	-0.3			
Philippines	5.2	Q4	7.4	5.6	2.1	Feb	3.2	4.3	Q1§	-2.4	-5.6	6.2	-3.0	57.4	-3.6			
Singapore	5.0	Q4	2.0	4.4	1.2	Jan	2.4	1.9	Q4	17.5	0.3	2.6	-36.0	1.33	nil			
South Korea	1.2	Q4	0.3	2.1	2.0	Feb	2.3	3.2	Feb§	5.5	-1.8	2.8	-58.0	1,451	-9.6			
Taiwan	2.9	Q4	6.6	4.3	1.6	Feb	2.2	3.4	Jan	14.1	0.5	1.7	42.0	32.9	-4.6			
Thailand	3.2	Q4	1.5	2.5	1.1	Feb	0.4	0.9	Jan§	2.3	-5.7	2.1	-35.0	33.9	5.0			
Argentina	-2.1	Q3	16.4	-2.4	84.5	Jan	219.9	6.9	Q3§	0.4	0.3	na	na	1,066	-20.4			
Brazil	3.6	Q4	0.7	3.4	5.1	Feb	4.4	6.5	Jan§††	-2.6	-7.5	14.8	413	5.82	-14.4			
Chile	2.3	Q3	2.7	2.3	4.7	Feb	3.9	8.0	Jan§††	-2.6	-2.9	5.8	7.0	933	3.2			
Colombia	2.4	Q4	2.5	1.7	5.3	Feb	6.6	11.6	Jan§	-2.8	-6.6	11.3	138	4,105	-4.5			
Mexico	0.5	Q4	-2.5	1.5	3.8	Feb	4.7	2.6	Jan	-1.1	-4.9	9.6	39.0	20.2	-16.6			
Peru	4.2	Q4	2.0	3.3	1.5	Feb	2.4	7.8	Jan§	2.2	-3.8	6.5	-42.0	3.66	0.8			
Egypt	3.5	Q3	38.0	2.4	12.8	Feb	28.3	6.4	Q4§	-6.2	-3.7	na	na	50.7	-3.7			
Israel	7.0	Q4	2.0	0.1	3.8	Jan	3.1	2.6	Jan	4.8	-6.8	4.4	17.0	3.64	0.6			
Saudi Arabia	1.3	2024	na	1.3	2.0	Jan	1.7	3.7	Q3	-0.5	-2.8	na	na	3.75	nil			
South Africa	0.9	Q4	2.3	0.8	3.1	Jan	4.4	31.9	Q4§	-2.1	-5.3	10.5	33.0	18.3	1.7			

*% change on previous quarter, annual rate. [†]The Economist Intelligence Unit estimate/forecast. [§]Not seasonally adjusted. [‡]New series. ^{**}Year ending June. ^{††}Latest 3 months. ^{‡‡}3-month moving average. ^{§§}5-year yield. ^{†††}Dollar-denominated bonds. Source: Haver Analytics Note: Euro area consumer prices are harmonised.

Markets

In local currency	Index	% change on:	
		one	Dec 31st
	Mar 12th	week	2024
United States S&P 500	5,599.3	-4.2	-4.8
United States NAS Comp	17,648.5	-4.9	-8.6
China Shanghai Comp	3,371.9	0.9	0.6
China Shenzhen Comp	2,090.4	1.8	6.8
Japan Nikkei 225	36,819.1	-1.6	-7.7
Japan Topix	2,694.9	-0.9	-3.2
Britain FTSE 100	8,541.0	-2.5	4.5
Canada S&P TSX	24,423.3	-1.8	-1.2
Euro area EURO STOXX 50	5,359.4	-2.4	9.5
France CAC 40	7,989.0	-2.3	8.2
Germany DAX*	22,676.4	-1.8	13.9
Italy FTSE/MIB	38,307.1	-0.6	12.1
Netherlands AEX	899.2	-1.1	2.3
Spain IBEX 35	12,804.0	-3.1	10.4
Poland WIG	93,428.4	1.5	17.4
Russia RTS, \$ terms	1,158.0	1.1	29.6
Switzerland SMI	12,868.4	-1.9	10.9
Turkey BIST	10,580.3	3.8	7.6
Australia All Ord.	8,002.6	-4.3	-5.0
Hong Kong Hang Seng	23,600.3	nil	17.6
India BSE	74,029.8	0.4	-5.3
Indonesia IDX	6,665.0	2.0	-5.9
Malaysia KLSE	1,484.8	-5.1	-9.6

	Index	% change on:	
		one	Dec 31st
	Mar 12th	week	2024
Pakistan KSE	114,084.6	1.6	-0.9
Singapore STI	3,833.1	-1.7	1.2
South Korea KOSPI	2,574.8	0.7	7.3
Taiwan TWI	22,278.4	-2.6	-3.3
Thailand SET	1,160.1	-3.9	-17.2
Argentina MERV	2,272,937.0	-0.7	-10.3
Brazil BVSP*	123,863.5	0.7	3.0
Mexico IPC	52,041.0	-1.3	5.1
Egypt EGX 30	31,049.0	0.6	4.4
Israel TA-125	2,554.8	0.8	5.3
Saudi Arabia Tadawul	11,704.9	-1.6	-2.8
South Africa JSE AS	86,853.8	-1.0	3.3
World, dev'd MSCI	3,643.0	-3.6	-1.7
Emerging markets MSCI	1,111.1	-0.4	3.3

US corporate bonds, spread over Treasuries

Dec 31st

Basis points	latest	2024
Investment grade	108	95
High-yield	366	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

The Economist commodity-price index				% change on
2020=100	Mar 4th	Mar 11th*	month	year
Dollar Index				
All items	137.6	139.3	-1.5	10.3
Food	153.1	155.0	-3.8	15.0
Industrials				
All	124.8	126.4	0.9	6.0
Non-food agriculturals	141.1	140.7	4.8	3.9
Metals	120.6	122.7	-0.2	6.6
Sterling Index				
All items	139.0	138.3	-5.6	8.9
Euro Index				
All items	149.4	145.7	-6.8	10.2
Gold				
\$ per oz	2,909.6	2,916.2	0.4	34.8
Brent				
\$ per barrel	71.5	69.8	-9.9	-15.5

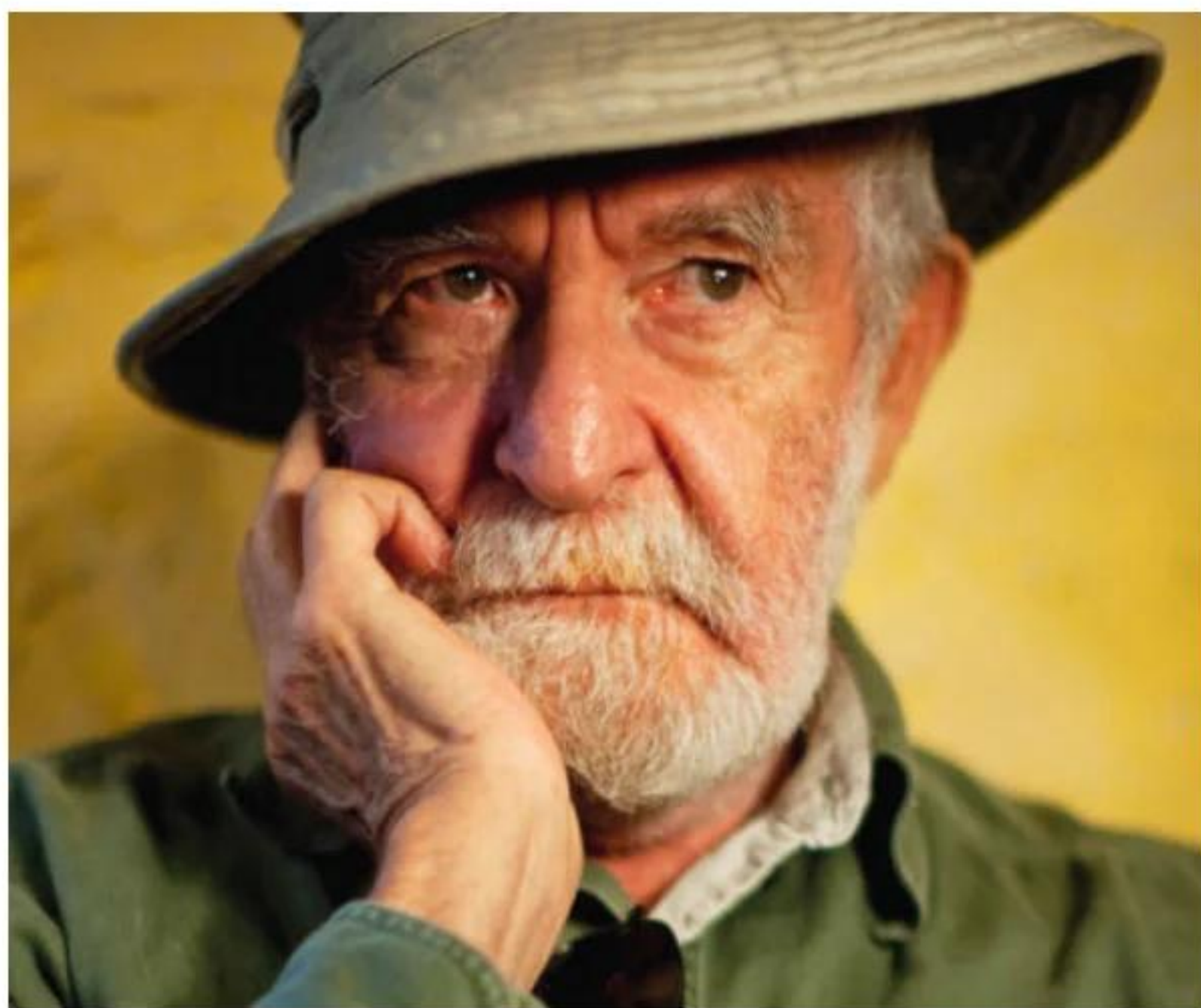
Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ. *Provisional.

For historical indicators data, visit [economist.com/economic-and-financial-indicators](https://www.economist.com/economic-and-financial-indicators)

OBITUARY

Athol Fugard

South Africa's greatest playwright of the apartheid era died on March 8th, aged 92



HE COULD NEVER explain exactly why he did it. He was only ten or eleven at the time, an ordinary white brat. There had been an argument between him and Sam, one of the two black “boys”, though they were men, who helped in his mother’s tea room in Port Elizabeth. Both of them were in a truculent mood as he closed up the tea room earlier than usual. Sam set off on foot for New Brighton, the main black township in Port Elizabeth. A few minutes later Athol Fugard followed on his bicycle. As he drew level with Sam, making him break his stride, he spat in his face.

Ten seconds later he regretted it. Fifty, sixty, seventy years later, he still regretted it. With slightly changed details, this scene became the climax of “Master Harold...and the Boys” (1982), one of his most successful plays. It could even be argued that his whole career, with 36 plays over 70 years, was an attempt to expiate that moment. When he tried to sum up the general aim of his plays, it was to tease out how human beings dealt with each other. “Blood Knot” (1961), the first piece that brought him fame, was based on a moment of sudden sympathy with the suffering of his own brother. By turning it into a tale of two Coloured siblings, one near-black and one (himself) passing for white, he extended a personal story into the larger traumas of his country.

His was a standard white upbringing, quite hard on occasions. He had an Irish-English father who was musical, disabled and alcoholic, and an Afrikaner mother; he was brought up in Afrikaans but schooled in English, a bastardised identity. English was the supreme poetic instrument for a writer, Afrikaans the tongue of cruelty. His mother, though, was the more liberal and moral of his parents. Good was not all on one side, nor bad on the other.

From his first attempts at writing, his focus was the poor. That meant the black townships of apartheid South Africa: first Sophiatown in Johannesburg (soon demolished for white housing) and then, in Sam’s footsteps, New Brighton. Under apartheid, the law since 1948, blacks and whites could not fraternise. But with his first wife Sheila he roamed among the corrugated-iron *pondokkies* and shebeens, soaking up the urgency and vibrancy of slum life. He observed the dealings of racketeers and prostitutes, the dandies in their Stetson hats, the fortitude of mothers among their

pots and washing lines, and the pathetic “blanket-boys” who came in from the country. In plays like “No-Good Friday” and “Nongogo” he absorbed the rhythms and idioms of township talk, striving to find perfect pitch. Then he set them down for the stage.

For six dark months, too, he was a clerk in a Native Commissioner’s Court, dealing with black workers who had strayed from the areas specified in their passbooks. Each hearing lasted about two minutes; fierce canings followed. He pondered how to help these people. Of course he could throw stones and petrol bombs at the armoured cars. But he had a much better weapon, words, which could get inside policemen’s heads.

This did not necessarily make him a political playwright. He was a storyteller. In “Sizwe Bansi is Dead” (1972), Sizwe tried to resist assuming the identity of a dead man whose passbook, providentially, would allow him to get a better job. It was a sharp satire on a ridiculous system, but mostly played as comedy. Much of the banter in the plays was about oppression, but done lightly: “Just [say] yes baas, no baas, please baas, thank you baas, even when you kick me on the backside.” Oppression as part of life.

His critics wondered how he, a white liberal, could claim to get under black skin. He found it no harder than any other writerly leap of imagination. He had also met actors in the townships, who soon came to illegally collaborate with him. They would act out their stories, and those he shaped into experimental plays. His first troupe was called the Serpent Players, because they met in an untenanted snake pit at the Port Elizabeth zoo. With two hugely talented actors, John Kani and Winston Ntshona, he co-wrote both “Sizwe” and “The Island”, a piece based on Robben Island where Nelson Mandela was interned. The actors became prisoners, cramped on one blanket in their tiny cell, sparring and taunting each other, but also tenderly comparing their injuries after a beating. The climax of the play was a two-man performance of Sophocles’s “Antigone” for the other prisoners. Antigone had defied the law of the land, for which the penalty was to be walled up alive. Winston did the same, suddenly overcoming his reluctance to play a woman. “I go now to my living death”, he cried, “because I have honoured those things to which honour belongs.”

The South African state tried to frustrate Mr Fugard as much as possible. Performances had to take place in theatres with covered windows. Police raided his house, and his phone was tapped. The authorities did not arrest him, because he gradually became too famous both at home and abroad; they just took away his passport for four years. But he did not want to leave South Africa anyway. In the late 1950s he went to London for a spell, but the Sharpeville massacre of 1960 brought him back again. There was nowhere else he knew where right and wrong so energised him and desperation was so existential. Samuel Beckett influenced him strongly. In “Boesman and Lena” a black couple, forced to move from their area, tried to work out in Godot-like fashion how they came to be walking on mudflats under a scorching sun with no idea how they had got there, or where to go.

When apartheid ended in 1994, people wondered what he, too, would do. But the poor remained poor and the country unstable. There were still multiple stories, black and white, to tell. There was still no end of the “pigsties” people made for themselves, whether with drugs, or alcohol (as he had done at one point), or greed for money. But if their spirit was unbroken, they could get themselves out again. Even from an evil regime; even from the burning shame of spitting in a black man’s face. ■



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Comment from Takashi Yamanishi, EVP CSSO (Chief Sustainability & Supply Chain Officer), Fujitsu Limited

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