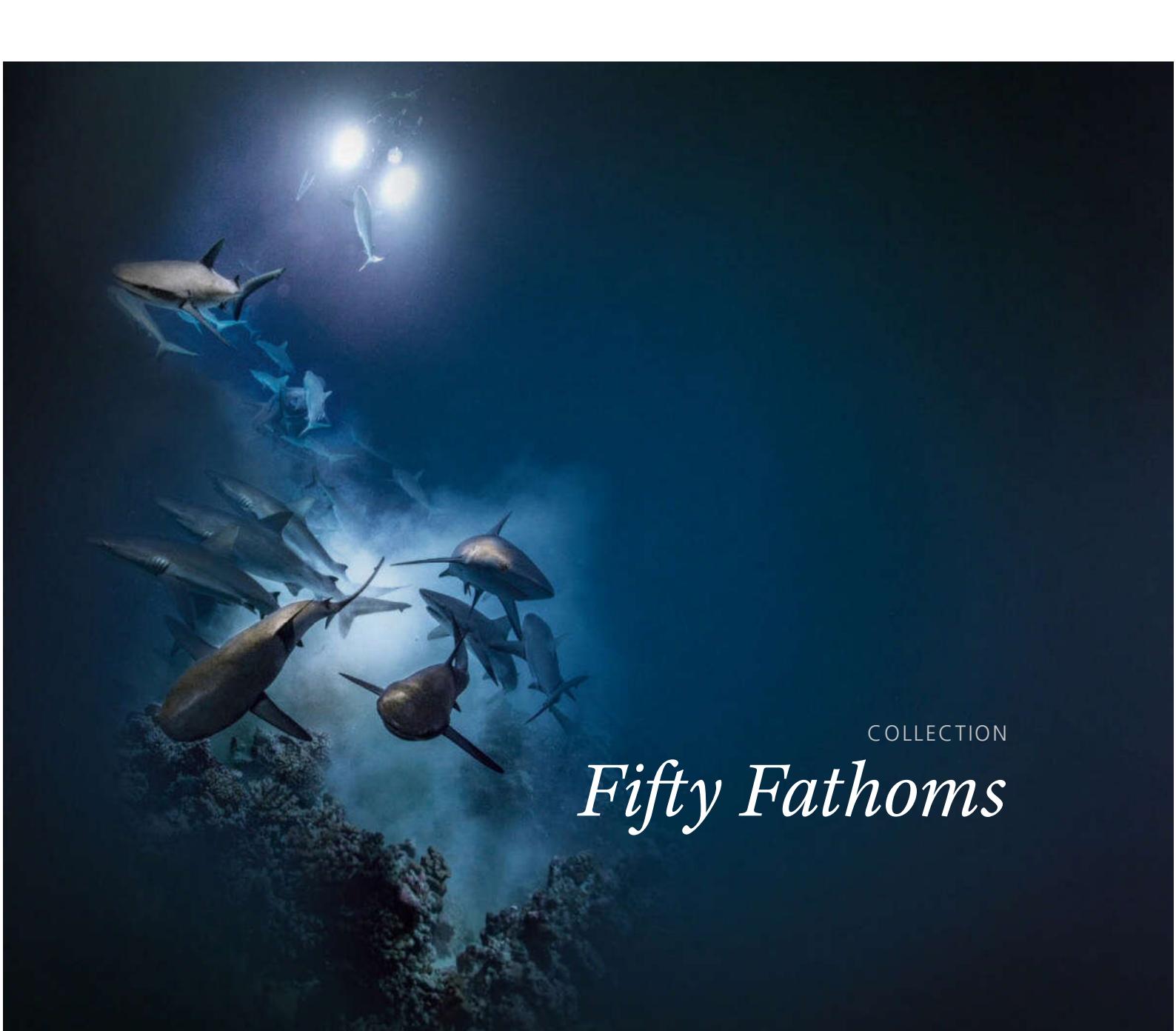


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War in Ukraine

When Vladimir Putin escalates, the world must meet him: leader, page 9. A tragedy and a catastrophe, page 15. The post-post-cold-war world, page 20. Europe discovers a capacity for action: Charlemagne, page 47. Donald Trump's party is returning to its senses on Russia: Lexington, page 29. China and Russia agree that big countries should run the world: Chaguan, page 39. Ukraine has changed how Taiwanese see themselves: Banyan, page 36

The economic weaponry
The West has used crushing sanctions on Russia. The implications are huge: leader, page 10, and analysis, page 17. Europe reconsiders its energy future, page 51. Abandoning Russia is easier for some firms than others, page 53. Europe's commodities traders: Schumpeter, page 56. War and sanctions mean inflation, but not necessarily higher interest rates, page 60. The chaos in Russian markets: Free exchange, page 64, and graphic detail, page 75

Our digital coverage
Analysis of the conflict and its repercussions is updated throughout each day. For our on-the-ground reportage, guest essays, data journalism, explainers and more, visit economist.com/ukraine-crisis

The world this week

- 7 A summary of political and business news

Leaders

9 The invasion of Ukraine

The horror ahead

10 The world economy

The new age of conflict

11 Inflation

War and price

11 France's election

Macron, and on

12 Climate change

Mind the gap

Letters

- 14 On Vladimir Putin, Canada, vaccines, roadkill, Wordle

Briefing

15 The war in Ukraine

Tragedy and catastrophe

17 The sanctions regime

The double-edged sword

20 Geopolitics

Post-post-cold war



By Invitation Lithuania's prime minister, Ingrida Simonyte, argues that the West was too greedy for Russian money and too delusional in its negotiations with a pathological liar, economist.com/by-invitation



United States

- 23 State of the presidency

- 24 The fuel-tax debate

- 26 The Ukrainian diaspora

- 27 Carbon trackers

- 27 Climate controls

- 28 Trans rights in Texas

- 29 Lexington Republicans and Russia



The Americas

- 30 South America's rust belt

- 31 Venezuela's "ecosocialism"

- 31 Contraband cars



Asia

- 33 Watching China

- 34 Gay rights in Singapore

- 35 South Korea's election

- 35 Forced labour in Uzbekistan

- 36 Banyan Ukraine's lesson for Taiwan



China

- 37 China bullies Lithuania

- 38 A diplomat's detention

- 39 Chaguan China learns to love imperialism



Middle East & Africa

- 40 A parallel state for rich and poor South Africans

- 41 School fees in Africa

- 41 Terrorism in the Sahel

- 42 Gentrifying Egypt

- 43 Israel's cable diplomacy



Europe

- 44** Ukraine's exodus
45 Macron's moment
46 Holland's ancient invaders
46 A new mayor in Rome
47 Charlemagne Europe's watershed

**Britain**

- 48** Scottish nationalism
49 Welcoming refugees
50 Bagehot Londongrad

**Business**

- 51** Europe's energy trilemma
53 Business leaves Russia
54 Armsmakers' advance
54 Tesla v German unions
55 Bartleby Company or cult?
56 Schumpeter War and commodities

**Finance & economics**

- 57** China's property crisis
60 War and global inflation
61 Emerging markets
61 The cost to Western banks
62 South Korea japanifies
63 Buttonwood Pricing military risk
64 Free exchange Fortress Russia crumbles

**Science & technology**

- 65** The IPCC's latest report
67 Russia's science partners
67 Powering atolls
68 Covid-19's origins

**Culture**

- 69** A history of the Democrats
70 Flights of the bald eagle
71 Ukraine's glorious cuisine
71 Tales of Afghan women
72 Back Story Shakespeare on war

**Economic & financial indicators**

- 74** Statistics on 42 economies

Graphic detail

- 75** Western sanctions have rocked Russia's financial system

Obituary

- 76** Cristina Calderón, last of the Yaghan people



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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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Vladimir Putin's invasion of Ukraine did not go to plan in its first week. Russian vehicles ran out of fuel or broke down. The invaders, who had been told they were liberating Ukraine from a "Nazi" government, met stiff resistance and suffered heavy casualties. Ukrainian forces fought back ferociously. Crowds of civilians stood in the way of tanks. Mr Putin switched to more brutal tactics, raining shells on civilians in cities, a war crime. The International Criminal Court started to collect evidence. Russian troops captured Kherson, a port. Kyiv, the capital, prepared for a siege.

At least 1m refugees fled Ukraine, mostly to Poland but also to Hungary, Moldova, Romania and Slovakia. Women and children were evacuated on packed trains. The EU vowed to let them in. Ukraine ordered men under 60, who are subject to conscription, to stay behind.

America and the EU imposed unprecedented sanctions on Russia. Big Russian banks were expelled from the global-payments plumbing, and Western firms were banned from dealing with them, except in the energy trade. Russia's central bank was barred from tapping most of its \$630bn in foreign reserves. The rouble crashed, and the central bank doubled its main interest rate to 20%. Panicked queues formed at cash machines in Russia. Sanctions were also imposed on oligarchs close to Mr Putin.

NATO rejected calls for a no-fly zone over Ukraine, since enforcing it would mean shooting down Russian planes and

risking war with a nuclear power. However, Western countries promised to send arms to help Ukraine defend itself. Even Germany said it would, reversing a long-standing ban. Olaf Scholz, the German chancellor, said that Germany would rapidly boost defence spending to meet the NATO target of 2% of GDP.

Protesters took to the streets in Russia to decry the invasion of Ukraine. The Kremlin responded with arrests and repression, shutting down two of the last independent broadcasters in Russia and ordering all media to take their information about the war from official sources.

America, the EU and Britain announced new sanctions against officials in Belarus, the launch-pad for the Russian push towards Kyiv. Belarus held a phoney referendum on letting Russia station nuclear weapons on its soil.

In America Democrats and Republicans found rare agreement over Mr Putin's assault on the global order. Members of both parties gave the Ukrainian ambassador a standing ovation during President Joe Biden's **state-of-the-union speech** to Congress.

At the UN, 141 countries condemned Mr Putin's invasion. Besides Russia itself, only four voted against the motion: the dictatorships of Belarus, Eritrea, North Korea and Syria. Another 35 abstained, including China and India.

Ukraine asked China to use its tight relationship with Russia to help end the conflict. China's government said it respected "the territorial integrity of all countries", but refused to call Russia's invasion an invasion. It also opposed the sanctions placed on Russia by the West and its allies. However, it said it was "extremely concerned about the harm to civilians" in Ukraine.

An American delegation led by Mike Mullen, a former

chairman of the joint chiefs of staff, visited Taiwan. Mr Mullen met Tsai Ing-wen, Taiwan's president, and reassured her of America's support for the island's security. Taiwan, which China's Communist Party regards as a breakaway province to be reconquered, has been alarmed by the invasion of a smaller country by a bigger, more powerful neighbour.

The Intergovernmental Panel on Climate Change published an assessment of the effects of **global warming**. (Last August it released a review of the latest scientific research on the physics of climate change.) The new report confirmed that things are getting worse. Very high temperatures, torrential storms, droughts and wildfires are occurring far more often and causing shifts in the timing of seasons.

At least 13 people were killed in Australia when record rainfall caused flooding. Brisbane, the worst-affected city, recorded 790 millimetres of rain in a week. By contrast London gets 690 millimetres of rain in an average year.

Rumours of a lockdown led to panic buying of food and basic necessities in Hong Kong. Public hospitals have been overwhelmed with patients as the city struggles to replicate the mainland's "zero-covid" approach. Hong Kong's chief executive, Carrie Lam, said there would be no citywide lockdown.

The World Bank agreed to release more than \$1bn from the **Afghanistan Reconstruction Trust Fund**, which was frozen after the Taliban took power in August. The money will be used for humanitarian aid through the UN and other agencies, in the hope that this might keep it out of the Taliban's hands. More than 20m Afghans are at risk of acute hunger.

America's Supreme Court agreed to hear a case that could curtail the federal govern-

Coronavirus data

To 6am GMT March 3rd 2022

Weekly confirmed cases by area, m

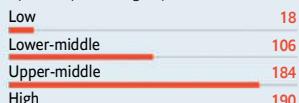


Estimated global excess deaths, m



Vaccine doses given per 100 people

By country-income group



Sources: Johns Hopkins University CSSE; Our World in Data; UN; World Bank; The Economist's excess-deaths model

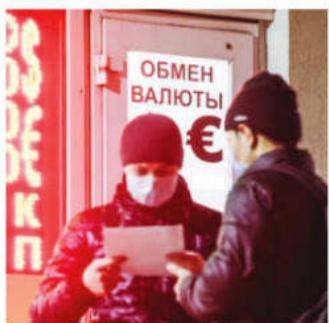
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ment's powers to reduce **greenhouse gases** from power plants. In an unusual move, the state of West Virginia is bringing the case against regulations that have never become law.

Joe Biden said one reason why he nominated **Ketanji Brown Jackson** to replace Stephen Breyer on America's Supreme Court is that the court "should look like the country". Ms Jackson will be the first black woman to don a justice's robe.

The junta that seized power earlier this year in Burkina Faso said there would be a three-year transition period before elections. Paul-Henri Sandogo Damiba, the coup leader installed as president, will not be allowed to run.

Valery Gergiev was sacked as conductor of the Munich Philharmonic after he refused to condemn Mr Putin's invasion of Ukraine. The Rotterdam Philharmonic also ended its long association with Mr Gergiev.



Russia's central bank ordered the Moscow stock exchange to close following the invasion of Ukraine. Trading was halted in certain **Russian companies** on the New York Stock Exchange and Nasdaq. The value of Russian stocks traded in London tumbled to become almost worthless. The London exchange later suspended dealings in dozens of firms. The Russian finance ministry is to use \$10bn from the sovereign-wealth fund to shore up shares in domestic companies. Sberbank, Russia's biggest, was forced to cease its operations in Europe permanently.

Western companies responded to the tough sanctions introduced by America and its allies by retrenching from Russia. After three decades in the country, BP is getting rid of its stake in Rosneft (BP could face a \$25bn write-down). Shell is ending its joint ventures with Gazprom. Exxon-Mobil said it would pull all its investments in Russian oil and gas. Total will not make any further investments. Outside energy, Maersk and MSC, the world's biggest shipping lines, suspended services to Russia. Apple said it would no longer sell iPhones there. Daimler Truck, Jaguar Land Rover and Volvo will not deliver cars to the country; Ford suspended its Russian operations. Dell halted its sales in Russia.

America and the EU banned **Russian airlines** from their air space. Sanctions also prohibit the sale or supply of aircraft to Russia, which includes planes that are leased to Russian airlines. Facebook, YouTube and TikTok blocked access to RT (Russia Today) and other Russian propaganda outlets.

The **sporting world** also stepped up to the plate. FIFA and UEFA banned Russian football clubs and the national team from participating in international tournaments; UEFA also terminated its lucrative sponsorship deal with Gazprom. Roman Abramovich, who was mentioned in the British Parliament as a possible target of sanctions, put **Chelsea** (disparagingly known as Chelski in London) up for sale. He has owned the Premier League side since 2003. After a U-turn, Russian and Belarusian athletes were banned from the Winter Paralympics.

Oil prices soared, despite a move by America, Europe and others to release a collective 60m barrels of oil from their reserves. That attempt to tame prices was offset by the decision of OPEC+, which includes Russia, to maintain modest production increases for April. America and other countries have pressed the cartel to ramp up output further. Brent crude reached roughly \$115 a barrel.

The **euro zone's** annual inflation rate hit 5.8% in February, a fourth consecutive record. Energy prices were 31.7% higher than a year earlier (the EU typically relies on Russia for 30-40% of its natural gas).

Jerome Powell said that the **Federal Reserve** still plans to raise its main interest rate this month, the first increase since late 2018, despite the economic turmoil caused by Russia's war in Ukraine. Annual consumer-price inflation is running at 7.5% in America, and will probably be driven higher by the post-invasion spike in energy prices.

Volkswagen had to suspend some work at its factories in Germany, which rely on car-parts supplies from Ukraine. Meanwhile, **Toyota** was forced to halt production at all its plants in Japan when a cyber-attack targeted one of its Japanese suppliers. It was not clear who was behind the attack.

The chief executive of **Toshiba** unexpectedly resigned, less than a year into the job. His predecessor stepped down in April last year, amid an investors' revolt over the future of the conglomerate. It says a revised plan to split in two will still be put to shareholders at a meeting later this month, but there is fresh speculation that Toshiba might be subject to another bid to take it private.

Zoom's quarterly earnings disappointed investors. The videoconference company is

dealing with a sharp slowdown in sales as more people abandon home-working and return to the office. Revenue grew by 21% in the three months to January 31st, year on year, compared with 191% last spring. Zoom's share price has lost over three-quarters of its value since its peak in 2020.

Waterstones, Britain's biggest bookseller, bought **Blackwell's**, an independent chain specialising in academic tomes, for an undisclosed sum. Its flagship store in Oxford has been serving the university since 1879. Last year 212m printed books were sold in Britain, the most in a decade, despite (or maybe because of) lockdowns.

We are watching you

A first-year undergraduate at the University of Central Florida who hit the headlines by tracking the movements of Elon Musk's private jet has turned his energies to the flight patterns of **Vladimir Putin and Russian oligarchs**. Jack Sweeney's new Twitter handle, @RUOligarchJets, so far tracks around 40 private jets registered to the tycoons or their companies. He said he didn't think Mr Putin would be leaving Russia any time soon.



The horror ahead

When Vladimir Putin escalates, the world must meet him

MARVEL AT THE heroism and resilience of Ukraine. In the first days of war, the armoured might of Vladimir Putin shrivelled before the courage of the nation he had attacked. In the face of Mr Putin's invasion, the Ukrainian people have discovered they are ready to die for the idea that they should choose their own destiny. To a cynical dictator that must be incomprehensible. To the rest of humanity it is an inspiration.

If only this week's bravery were enough to bring the fighting to an end. Alas, Russia's president will not withdraw so easily. From the start, Mr Putin has made clear that this is a war of escalation—a hygienic word for a dirty and potentially catastrophic reality. At its most brutal, escalation means that, whatever the world does, Mr Putin threatens to be more violent and more destructive even, he growls, if that means resorting to a nuclear weapon. And so he insists that the world back off while he sharpens his knife and sets about his slaughter.

Such a retreat must not happen. Not only because to abandon Ukraine to its fate would be wrong, but also because Mr Putin will not stop there. Escalation is a narcotic. If Mr Putin prevails today, his next fix will be in Georgia, Moldova or the Baltic states. He will not stop until he is stopped.

Escalation is at the heart of this war because it is how Mr Putin tries to turn defeat into victory. The first wave of his invasion proved as rotten as the cabal who planned it—just like his earlier efforts to suborn Ukraine. Mr Putin seems to have believed his own propaganda that the territory he has invaded is not a real country. The initial assault, which led with botched helicopter strikes and raids by lightly armed units, was conceived for an adversary that would implode. Instead, Ukrainian spirits have flourished under fire. The president, Volodymyr Zelensky, has been transformed into a war leader who embodies his people's courage and defiance.

The optimism of the warmonger made Mr Putin lazy. He was so sure Ukraine would fall rapidly that he did not prepare his people for it. Some troops have been told they are on exercises, or that they will be welcomed as liberators. Citizens are not ready for a fratricidal conflict with their fellow Slavs. Having been assured that there would be no war, much of the elite feels humiliated. They are horrified at Mr Putin's recklessness.

And Russia's president believed that the decadent West would always accommodate him. In fact, Ukraine's example has inspired marches through the capital cities of Europe. Western governments, having listened, have imposed severe sanctions. Germany, which only a week ago drew the line at sending anything more lethal than helmets, is dispatching anti-tank and anti-aircraft weapons, overturning decades of policy based on taming Russia by engaging with it (see Charlemagne).

Faced with these reverses, Mr Putin is escalating. In Ukraine he is moving to besiege the main cities and calling up his heavy armour to wantonly kill their civilian inhabitants—a war crime. At home he is bringing Russians to heel by redoubling his lies and subjecting his people to the harshest state terror since Stalin. To the West he is issuing threats of nuclear war.

The world must stand up to him, and to be credible it must demonstrate that it is willing to bleed his regime of the resources that enable him to wage war and abuse his own people even if that imposes costs on Western economies. The sanctions devised after Mr Putin annexed Crimea in 2014 were riddled with loopholes and compromises. Instead of being deterred, the Kremlin concluded that it could act with impunity. By contrast, the latest sanctions, imposed on February 28th, have crumpled the rouble and promise to cripple Russia's financial system. They are effective because they are destructive.

The danger of escalation is that this can easily become a test of who is most willing and able to go to extremes. Recent wars have been asymmetric. Al-Qaeda and Islamic State would commit any atrocity, but their power was limited. America could destroy the planet, but against foes like the Taliban in Afghanistan, nobody imagined it was willing. The invasion of Ukraine is different, because Mr Putin can charge all the way to Armageddon and he wants the world to believe he is ready to do so.

The idea of Mr Putin using a battlefield nuclear weapon is surely unlikely, but not impossible. He has, after all, just invaded his neighbour. And so the world must deter him.

Some will say there is no point in saving Ukraine only to trigger a spiral that may destroy civilisation. But that is a false choice. Mr Putin says he wants to drive NATO out of the former Warsaw Pact countries and America out of Europe. If escalation serves him, the next confrontation will be even more dangerous because he will be less ready to believe that, for once, the West will stand its ground.

Others may conclude that Mr Putin is insane and deterrence is hopeless. True, his goals are abhorrent, as are his means of achieving them. Neither does he have Russia's true interests at heart. But he nonetheless has an understanding of power and how to keep it. No doubt he is alive to the language of threats.

By contrast, still others will want to short-circuit escalation, saying that Mr Putin must be stopped before it is too late. As images of suffering emerge from the ruins of Ukraine's cities, calls are going up for NATO to do something, such as to create a no-fly zone. However, enforcing one requires shooting down Russian aircraft and destroying Russian air-defences. Instead, NATO needs to preserve a clear line between attacking Russia and backing Ukraine, while leaving no doubt that it will defend its members. That is the best brake on escalation.

What, then, can it do to deter Mr Putin without courting devastation? Only Mr Zelensky and his people can decide how long to fight. But if Mr Putin causes a bloodbath, the West can tighten the screws. An oil-and-gas embargo would further ruin Russia's economy (see next leader). Ukraine's backers can send more and better arms. NATO can deploy more troops in its frontline states.

Diplomacy matters, too. At peace talks in Belarus this week Russia still made outrageous demands, but negotiations should continue because they could help avert a war of attrition. The European Union has done well to open its arms to Ukrainian refugees, who already exceed 1m (see Europe section). A haven can ➤



► strengthen the hand of the Ukrainian negotiators, as would a path to EU membership. China and India have so far refused to condemn Mr Putin. As he escalates, they may be sufficiently alarmed to be willing to try to talk him down.

And there is work to do in Russia. Military commanders should know they will be prosecuted for war crimes using the evidence generated by innumerable smartphones. So should Mr Putin's entourage. His enforcers signed up to line their pockets in a kleptocracy, not for a ticket to The Hague. The West can discreetly assure them that, if they remove Russia's president from

power, Russia will get a fresh start. However nauseating, the West should give Mr Putin a route into retirement and obscurity—just as it should give asylum to those fleeing his terror.

A palace coup may come to seem more plausible as the horror of what Mr Putin has done sinks in. The economy faces disaster. Russian military casualties are growing. Russians' Ukrainian kin are being massacred in a conflict unleashed to satisfy one man. Even now brave Russians are taking to the streets to protest against a crime that stains their country. In a deep sense, Mr Putin's needless war is one that neither he nor Russia can win. ■

The world economy

A new age of economic conflict

The West has imposed crushing sanctions on Russia. The implications are huge

RUSSIA'S INVASION of Ukraine could yet become the biggest military action in Europe since 1945. It also marks a new era of high-risk economic warfare that could further splinter the world economy. The measures the West has imposed on Russia are so potent that they have triggered chaos in its \$1.6trn economy and prompted the president, Vladimir Putin, to issue nuclear threats. The instant immiseration of a big economy is unprecedented and will cause alarm around the world, not least in China, which will recalculate the costs of a war over Taiwan. The West's priority must be to win the economic confrontation with Russia. Then it must create a doctrine to govern these weapons in order to prevent a broader shift towards autarky.

The fact that Russia did not take the threat of sanctions seriously at first is no surprise (see Briefing). For years they have been plentiful but ineffective. Reluctant to use hard power, America and Europe have reached for economic penalties instead. Some 10,000 people or firms are subject to American sanctions, affecting over 50 countries with 27% of world GDP, and covering everything from torture to cryptocurrencies. Often they make little difference. Autocrats can evade targeted measures. Full embargoes on Iran and Venezuela have been crippling but not toppled regimes. The deterrent effect has been weak, as malefactors have assumed that America would never apply "maximum pressure" on a big economy.

On February 26th that Rubicon was crossed, when sanctions were imposed on the world's 11th-biggest economy (see Free exchange). By making it illegal for Western firms to deal with big Russian banks, except in the energy trade, and expelling them from the global-payments plumbing, the flow of money across borders is seizing up. Action against Russia's central bank means it cannot gain access to much of its vast \$630bn pile of foreign reserves. Confidence has evaporated. The rouble has fallen by 28% this year as capital flees, threatening soaring inflation. Russian share prices have dropped by over 90% in offshore trading, and multinationals are leaving (see Schumpeter). From Moscow to Murmansk, Russians are queuing outside banks.

The shock could lead to a coup or a cash-crunch that impedes the war machine. But Mr Putin could retaliate with his own economic weapons including strangling the flow of gas (see Business section). After nuclear bombs were used in 1945, it took years to develop a doctrine to govern how to deal with retaliation.

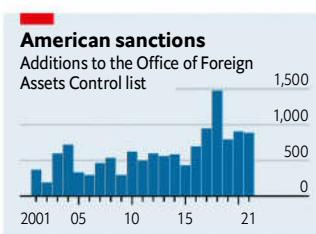
Now, amid the chaos, there is no time for an equivalent for sanctions. One principle is clear, though: any Russian economic retaliation must be met by a more damaging response by the West that makes that act of retaliation irrational. Through its ability to stymie tech services and oil exports (from which Russia earns four times more than gas) the West has the advantage.

If the West faces down Russia, and cements the new weapons' deterrent power, the long-run implications will be daunting. The more they are used, the more countries will seek to avoid relying on Western finance. That would make the threat of exclusion less powerful. It would also lead to a dangerous fragmentation of the world economy. In the 1930s a fear of trade embargoes was associated with a rush to autarky and economic spheres of influence.

Autocracies will be most nervous: they own half of the world's \$20trn pile of reserves and sovereign wealth assets. Although China can inflict huge economic costs on the West by

blocking supply chains, it is now clear that in the event of a war over Taiwan, the West could freeze China's \$3.3trn reserve pile. Even some democracies like India, which has avoided condemning Russia's invasion, may worry they are more vulnerable to Western pressure. Over the next decade technological changes could create new payments networks that bypass the Western banking system. China's digital-currency trial has 261m users. Today it is hard to park trillions of dollars outside Western markets, but in time more countries may seek to diversify their reserves by investing more elsewhere.

Some of this fragmentation has become inevitable. But by applying sanctions to ever more countries over the past two decades, and now also raising their potential severity, the West risks pushing more countries to delink from the Western-led financial system than is desirable. That is why after the crisis in Ukraine passes, the West should aim to make clear how sanctions will be controlled. The relentless proliferation of the low-level sort ought to be contained, although targeted measures against individuals and firms for human-rights abuses remain legitimate, even if they rarely work. And it should be made clear that economy-wide sanctions of the devastating kind being used against Russia are reserved for the worst acts of aggression and war. The West has deployed an economic weapon that was until recently unthinkable. It must be used wisely. ■



Inflation War and price

Central banks should ignore soaring energy prices and focus on home-grown inflation

WAR IN UKRAINE has caused European natural-gas prices almost to double and sent oil prices soaring to over \$115 a barrel. That has added to the inflation problem facing the world's central banks. And more pain is probably coming. Western energy giants are getting out of Russia, sanctions are wreaking havoc on Russian commodities exports (see Schumpeter) and the cancelling of the Nord Stream 2 gas pipeline from Russia to Germany will remove a potential source of relief. If Russian energy exports are cut off completely, the oil price could reach \$150, rapidly boosting global consumer prices by another 2% (see Finance & economics section).

According to orthodoxy, rich-world central bankers should all but ignore supply shocks such as dearer energy. That is because their direct effect on inflation is only temporary. When policymakers ignore this rule of thumb things usually go wrong. In 2008 and 2011 the European Central Bank (ECB) raised rates because of supply-side factors, and ended up worsening the Great Recession and its aftermath.

But today's shock comes as inflation is already too high. Central bankers are worried about prices taking on a momentum of their own. They may be reminded of the energy crisis in 1973, when the Yom Kippur war led to an oil embargo and a spike in prices that made a bad inflation problem worse.

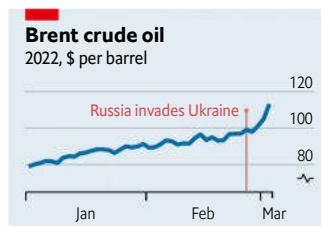
It is right to be alert to the danger of a repeat of the 1970s. But there is little central banks can do about expensive energy without unnecessarily crashing their economies. Thankfully, although the public's expectations for inflation over the next year are up strongly, long-term expectations remain pretty stable, suggesting that it should be possible to follow the standard approach to this supply shock by overlooking energy prices.

At the same time, policymakers must be wary of the opposite

mistake. Pricier energy will cause slower growth, especially in the parts of Europe that rely on Russian gas. It may therefore be tempting to keep policy very loose. Yet both the experience of America during the pandemic and the history of the 1970s show the folly of creating too much stimulus when supplies are disrupted: it causes overheating.

The right approach is to maintain a laser-like focus on price pressures at home. Wage growth and core inflation, which excludes energy and food prices, are the indicators to watch. In America, where wages are 5.7% higher than a year ago and core inflation is 5.2%, the Federal Reserve should raise interest rates sharply in 2022. (The energy shock might also benefit the economy by boosting investment in shale oil and gas.) In the euro zone, although core inflation, at 2.7%, is too high, the arguments are more balanced because of the absence of fast wage growth. Unless the job market weakens, it would be right to raise rates in 2022 at the pace that had been expected before the war. The same goes for the Bank of England.

Though central bankers should not yet rewrite their plans for managing interest rates, they may need to pare back their ambitions to shrink their balance-sheets. That is because, as sanctions take effect, the global financial system may need support. There have been signs of stress in offshore dollar-funding markets, meaning foreign central banks may ask the Federal Reserve for dollars. In Europe worries about the sustainability of countries' debts could resurface as growth is squeezed by high energy prices—Italy is vulnerable on both counts. During the pandemic the euro zone benefited from financial solidarity created in part by the ECB's implicit mutualisation of government debt. The central bank may need to stand behind vulnerable countries in an energy crisis, too. ■



France's presidential election

Macron, and on

The country needs a proper debate ahead of the vote, but time is running out

FIVE YEARS ago a little-known former economy minister won the French presidency in his first bid for elected office. Emmanuel Macron, then 39, became the country's youngest leader since Napoleon Bonaparte. On April 10th and 24th France will hold its next two-round presidential election. Mr Macron hopes to defy precedent again by securing a second term. This would be quite a feat. For the past 20 years no French president has been re-elected. Only two, François Mitterrand and Jacques Chirac, have won a second term since Charles de Gaulle in 1965.

Mr Macron is nonetheless the strong favourite. Our model gives him an 88% probability of re-election, even though he has yet to hold a rally or take to the campaign trail. Mr Macron has had a lot on, softening the impact (successfully) of a surge in co-

vid-19 cases in January and then (unsuccessfully) trying to talk Vladimir Putin out of going to war. But this is making for an odd campaign (see Europe section), as his rivals criss-cross France and take part in endless TV debates without the one candidate they all denounce. Assuming he declares by the legal deadline on March 4th, Mr Macron has just five weeks to lay out what he wants to do with a second term, and how he plans to do it.

On Mr Macron's watch the French economy has become more business-friendly, enterprising and job-creating, and less heavily taxed. Having promised to spend "whatever it costs" during the pandemic, he has kept people in jobs and firms in business. The rich have gained from his tax cuts and other policies, but so has everyone else: average net household incomes have in- ►

creased across every income decile. Gay and single women can now get free IVF treatment; 300,000 school pupils, free breakfasts. Abroad, Mr Macron's cherished idea of fostering European "strategic sovereignty" may get some impetus from Germany's recent decision to increase spending dramatically on defence.

Yet the record is far from faultless. Mr Macron's diplomatic efforts have been energetic, but the results mixed. He failed to coax Mr Putin to behave better, or to stop France's counter-terrorism operation in Mali from unravelling. At home, the president's haughty governing style has not united France: nearly half of voters plan to back a candidate from one or other political extreme, just as they did in 2017. Above all, there is unfinished business. France needs to reform pensions to persuade people to keep working for longer. It also needs to get public finances under control without harming the economy or denting incomes. It is one of the more indebted countries in the euro zone.

Such measures will require plenty of hard choices and unpopular decisions. A second-term president, forbidden constitutionally from running again immediately, could afford to be unpopular. But Mr Macron, even if he is re-elected, may lose his

parliamentary majority at legislative elections in June. Moreover there is precious little time for voters to engage in a serious debate about these choices. So far the campaign has been mediocre, framed by the identity politics and toxic diatribes against immigration of the candidates on the nationalist hard right, Eric Zemmour and Marine Le Pen. If Mr Macron faces either in the run-off, his probable victory would owe as much to those who want to keep them out as those who want him in.

The horrifying spectacle of war on Europe's eastern flank will draw attention away from the vote. Yet, as the euro zone's second-biggest economy and the EU's only serious military power, France matters more than most. An upset cannot be ruled out. Mr Macron, of all people, knows the value of transparency and clarity before an election. In 2017 he broke with tradition and told the French before they voted that he would swiftly pass decrees to loosen the labour market—measures that helped encourage the private-sector job-creation now benefiting the economy. Unless he embraces a proper debate in the short time left before the vote, he will find it a whole lot harder, if he is re-elected, to finish what he has begun. ■

Climate change Mind the gap

Climate change must be adapted to as well as opposed

IN NORMAL CIRCUMSTANCES the Intergovernmental Panel on Climate Change (IPCC) can take media attention for granted. Its infrequent and authoritative analyses of how much climate change human activity is causing, and will cause, and its weighty warnings about the consequent rising seas, deepening droughts, failing crops and so forth lead front pages and news bulletins alike. This week, though, circumstances are anything but normal, and the panel found that getting the world to pay attention to a 3,600-page document describing in great detail the current and future impacts of climate change was hard.

To add to the sidelining, the fact that the Russian invasion of Ukraine is likely to bring about a profound shift in European energy policies makes the war particularly fascinating to the sort of climate wonks who are normally fixated on the utterances of the IPCC (see Business section). And to pile on yet more distraction, the biggest climate story of the week could end up being the attitude which America's Supreme Court takes to the federal government's powers over greenhouse-gas emissions (see United States section).

But if the report's launch has been overshadowed, it is important that its messages should not be—all the more so because it shows that "usual conditions" of all sorts are a thing of the past. It provides a fuller documentation than any of the IPCC's previous studies of the profound shifts which the climate is undergoing. This is not because its authors are more diligent than their predecessors, but rather because there is more going on. Previous reports on impacts, vulnerabilities and adaptation relied on prediction. In this one the authors need only to look around them to catalogue increased flooding, more heatwaves, stressed ecosystems and millions of lives that have become harder to live (see Science section).

The "emissions gap" that dogs climate policy is well known. Though the reductions in emissions that the world's countries have pledged themselves to make are steeper than they used to be, they still fall well short of those needed to give the world a good chance of keeping the rise in average temperature relative to pre-industrial levels well below 2°C. The new report highlights a parallel adaptation gap. Though efforts to reduce the impact of climate change on lives and ecosystems are greater than they once were, the extent to which they fall short of what circumstances require is increasing, as impacts pile up apace.

There are success stories, though. The use of sand dams in Kenya increases groundwater storage and thus permits the weathering of droughts. In many cities better warning of heatwaves has reduced the number of deaths they bring. Well-thought-through urban planning and building codes can be a protection against heat and flood alike.

Being overshadowed is not a new experience for those who identify the people most vulnerable to climate change and work out ways to help them—and ways to help them help themselves. The fact that the underlying driver of climate change is the total amount of carbon dioxide emitted means that reducing net emissions will always have a logical pride of place that translates into the lion's share of attention. Without mitigation, adaptation will run out of road. As a result, adaptation gets short shrift and too little investment.

The disparity is less obvious now than it was in past decades. But for as long as it persists, the adaptation gap will widen. The good news from the IPCC is that successful adaptation is still possible, for now, and it makes real improvements to people's lives. The more this is understood, the more spending on adaptation should grow. ■





The Office of the United Nations High Commissioner for Refugees (UNHCR) in Geneva, Switzerland, is seeking applications to fill one vacant position on its Independent Audit and Oversight Committee (IAOC).

Established in 1950, UNHCR (www.unhcr.org) is mandated to lead and coordinate international action to protect and assist refugees and other people of concern. The agency currently works in 132 countries to make a difference in the lives of 82.4 million forcibly displaced people worldwide.

The 5-member IAOC serves in an expert advisory capacity to assist both the High Commissioner and UNHCR's Executive Committee in exercising their oversight responsibilities.

IAOC members must have recent and relevant senior-level experience in finance, audit, and oversight. Preferred experience includes governance, assurance, and risk management; evaluation, ethics, and fraud prevention; knowledge of UNHCR's mandate; experience in managing organisations of a similar size; and an understanding of the organisation and UN system operating context and accountability structure. Excellent knowledge of English is required.

To maintain independence, members do not receive a fee for services rendered. They do, however, receive allowances and reimbursements for expenses incurred to attend 2-3 sessions annually, with each lasting approximately 4 days.

For more information on the IAOC please refer to:
<https://www.unhcr.org/5c7ff2894.pdf>

Interested candidates should please send curriculum vitae and letter of interest by **13 March 2022 midnight (CET) time** to
hqcarrer@unhcr.org

UNHCR values inclusiveness, diversity, and gender equity.

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EUROPEAN CENTRAL BANK

EUROSYSTEM



Call for research proposals Wim Duisenberg Research Fellowship Programme

Fellowship position

The European Central Bank (ECB) is seeking applications from leading researchers for the Wim Duisenberg Research Fellowship. Fellowships are awarded annually. Successful candidates will conduct economic research in the ECB's Directorate General Research (DG/R) for a period of two to twelve months during 2023. The aim of the Wim Duisenberg Research Fellowship Programme, which was established in 2006, is threefold:

- promote policy-relevant research that meets the highest academic standards;
- expose ECB research staff to recent advances in economic research;
- give scholars the opportunity to gain an insight into the policy-making environment of the ECB.

Further information can be retrieved at: <http://www.ecb.europa.eu/pub/economic-research/programmes/duisenberg/html/index.en.html>.

Service to provide

Due to the evolving pandemic the Research fellows will conduct their activities in a combination of remote and onsite working at the ECB in Frankfurt and will be encouraged to interact with ECB staff members from both DG/R and other business areas. While at the ECB, research fellows will be expected to complete a research paper for presentation at internal seminars and for publication in the ECB's Working Paper Series. Successful candidates will be offered a monthly allowance in line with the seniority of the described profile.

Qualifications and experience

Selected candidates shall hold a PhD from a leading university and have an outstanding publication record in top academic journals.

Application

Applications should include:

- a detailed curriculum vitae including publication record;
- a one-page research proposal;
- preferred time period.

Applications should be submitted by e-mail to WDFP@ecb.europa.eu.

Deadline for applications: 31 May 2022

Dealing with tyrants

Yuval Noah Harari's essay explored how the vast majority of humanity today has chosen not to make war but follow a peaceful co-existence with their fellow beings (By invitation, February 9th). The big problem, highlighted by Ukraine, is how do these peaceful people get rid of the minority who choose violence to further their ends? How do you control someone who is pointing a gun in your face?

Protests don't work. Tyrants just send in the security forces, such as in Belarus, or tanks, as in Tiananmen Square. Speaking the truth about the regime gets you branded a terrorist and thrown in prison, which silences you and deters others. Feminism can go only so far in exerting soft power over dominant and determined men. The internet, once seen as an enabler of resistance for the oppressed that would help co-ordinate their fight, is now monitored and blocked by those in power. Sanctions are a long game and could hurt the peaceful majority of people. Vladimir Putin will continue to live in isolation, luxury and delusion; I doubt he cares that Russia will be worse off economically for invading Ukraine. As long as his army obeys him, nothing can stop him.

The uncomfortable truth is that we can stop dictators only through an internal coup, which may just replace one despot with another, or by meeting violence with violence: war. Modern democracy was born from the English civil war, American war of independence and French revolution.

No, if the free world really wants to stop Mr Putin it will have to treat Ukraine as if it is already a member of NATO. The destiny of humanity is in all our hands. The question is how to act?

TREVOR PREW
Sheffield

As your briefing made clear, Mr Putin is riding a very dangerous tiger by threatening Ukraine ("A grim look out",

February 19th). John F. Kennedy once wrote: "Those who foolishly sought power by riding the back of the tiger ended up inside." Attacking his smaller neighbour might keep Mr Putin on the outside of the tiger for a time, but what he must fear most, and ultimately cannot avoid, is the dismount.

MARTIN BIRT
Uxbridge, Canada

Following the Soviet invasion of Czechoslovakia W.H. Auden published this poem, "August 1968". If nothing else, it reminds us that very little has changed in Russia's attitude towards its neighbours.

The ogre does what ogres can,
Deeds quite impossible for man,
But one prize is beyond his reach: The ogre
cannot master speech.
Across a subjugated plain,
Among its desperate and slain,
The ogre strolls with hands on hips,
While drivel gushes from his lips.

PAUL D'EATH
Toronto

The blockades in Canada

Regarding your leader on the demonstrations across Canada ("No, Canada", February 19th), the illegal blockades and occupations were not a normal "peaceful" protest. They were well-organised, well-funded attempts to damage Canada's economy, undermine Canadian democracy and reverse the result of a free election, and take away the freedoms of other Canadians by harassing them in their neighbourhoods and workplaces.

The leaders of the blockades and occupations have links to ideologically motivated violent extremists. A significant portion of their funding came from outside Canada. They helped push out terabytes of disinformation, a large amount of which came from beyond Canada's borders. Their explicit goal was to replace our government.

Implementing the Emergencies Act did not curtail anyone's right to free speech. It was applied, reluctantly, to

provide law enforcement with the necessary tools to end the illegal behaviour. It allowed the free movement of goods and access to critical infrastructure to resume. It meant people in Ottawa could walk the streets without being harassed and businesses could re-open after being forced to close for three weeks.

We promised Canadians we would limit the use of the emergency powers and revoke them as soon as possible. We kept that promise, ending the emergency declaration after just ten days once law enforcement had restored order.

DAVID LAMETTI
Minister of justice and attorney-general of Canada
MARCO MENDICINO
Minister of public safety
Ottawa

Vaccines in Africa

Your leader on building a vaccine industry in Africa placed the burden for resolving this problem on African countries ("An injection of reality", February 19th). There is indeed a need for a functional market that provides stability and demand; the EU and the Bill and Melinda Gates Foundation have announced new support for the African Medicines Agency and more is needed to scale up regulatory capacity. Gavi and other multilateral funds and donors could commit to purchasing more of their supply from African manufacturers to stimulate demand. But your piece assumes that a business-as-usual approach is appropriate during a global pandemic.

Other regions took extraordinary measures to ensure supply because they had the power to do so. A global agreement on a temporary intellectual-property waiver is one such crisis response. It should not indicate an uncertain investment climate in one region but rather an extraordinary measure to respond to an extraordinary crisis.

GAYLE SMITH
Chief executive and president
ONE Campaign
Washington, DC

Grub's up

"Street food" (February 12th) praised the benefits of eating roadkill. I also don't think we should waste food, but there are some disadvantages to roadkill. There is no professional meat inspection, risking the spread of infection from possibly sick animals. The decomposition process could have started. Bacterial growth and contamination from the carcass's stomach contents or other body fluids make it a questionable delicacy. Good reasons to be a vegetarian.

DIETMAR MEHLHORN
FALK ZURHEIDE
Heidelberg, Germany

If you accidentally kill a moose in Alaska you report it to the Department of Fish and Game. They have a list of people who want the carcass. The family at the top of the list goes out to the kill site, dresses the carcass, takes it home and butchers it. If they can't do it the moose goes to the next family.

ANDREW WARFORD
Coupeville, Washington

Your report on finger-licking roadkill reminded me of the catchy slogan I read on the menu of the Roadkill Cafe in Seligman, Arizona, on Route 66: "You kill it, we grill it." The breakfast was delicious.

LEOPOLD STOLLWITZER
Vienna

Readers swear by it

For those readers who might want to find the right "four-letter words" to express their disgust at the possibility of the *New York Times* charging for Wordle, may I suggest Lewdle (The world this week, February 5th)? It is similar to Wordle, except you get to guess only crude and vulgar words.

HELEN THOMAS
London

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 are available at: Economist.com/letters



A tragedy and a catastrophe

KYIV, LVIV AND MOSCOW

Vladimir Putin's invasion of Ukraine is wrecking two countries

TO THOSE WITH long memories, Moscow currently feels oddly similar to the way it did during the attempted coup of August 1991. Admittedly, there are no tanks on the streets this time—they are occupied elsewhere. But the security forces of the FSB have a far firmer grip on the city, and the country, than their predecessors in the KGB had during their last-ditch effort to rescue the Soviet Union 30 years ago—an effort which precipitated its final collapse.

There seems no scope today for resistance like that which back then made Boris Yeltsin, the Russian Federation's president, into a Russian hero. But in a country fast turning totalitarian, one where a law which allows a 15-year-jail sentence for "spreading fake news about the actions of the Russian armed forces" will soon be rubber-stamped by parliament, there is plenty of room for bravery. More than 1m people have signed a petition against the war. On March 2nd, in St Petersburg, President Vladimir Putin's hometown, the police detained Liudmila Vasilieva, a survi-

vor of the 872-day siege the city suffered during the second world war, for protesting against the invasion of Ukraine—one of 7,000 such detentions to have taken place. A video posted on Twitter of her being led away by two policemen instantly became an icon of defiance.

"If there is anything in Russia you can be proud of right now, it is those people who have been detained," Alexei Navalny, Russia's jailed opposition leader, wrote in a statement his lawyer posted on Instagram. "Let's at least not become a nation of frightened silent people. Or of cowards who pretend not to notice the aggressive war against Ukraine unleashed by our obviously insane Tsar."

There is doubtless some such pretence. Mostly, though, there is shock. "I feel like

I'm going mad," says a banker. "I take part in conference calls where people talk about financial plans and discuss analytical reports about companies' results, as if nothing is happening."

Most Russians had no idea that their country was going to war until just before it did so, in part because the idea made no sense, in part because they were lied to. For months the Kremlin's official line was that the troops at the Ukrainian border were simply exercising. Plans for the "special military operation", as Mr Putin has branded his war, were even kept from the army itself. (Tellingly, "special operation" is a KGB term, not a military one.) The operation was supposed to be over before anyone realised it had taken place.

It wasn't. Russia's generals opted to begin their assault with a series of baffling and fruitless raids and failed at the vital task of suppressing their enemy's air defences. Though Russian forces were quick to advance out of Crimea in the south, their progress towards Kyiv and various cities in the east was slower than expected.

This could, in part, have been due to a desire to limit civilian casualties. The invaders may have made sparing use of artillery—surprisingly sparing, given that it has always been the backbone of the Tsarist, Soviet and now Russian ground forces—because it is a hard form of firepower to use discriminately in built-up areas. The same impulse might explain their limited ➤

→ Also in this section

17 Sanctions, a double-edged sword

20 The post-post-cold-war world

▶ use of air power, though the persistence of some Ukrainian air defences could also be part of that story.

But the Russians were also poorly prepared for the amount of resistance they encountered. Anti-tank missiles sent to Ukraine by the thousand in recent months have worked well, says one European defence official. The absence of air superiority allowed Ukraine's Turkish-made drones to get to their targets.

The fact that the war is taking place on Ukrainian soil, and that Ukrainians have proved adept at getting their message out, means that outsiders are undoubtedly getting a somewhat skewed picture: few people are uploading photos of burnt-out Ukrainian tanks. Nevertheless, Russia's early performance was "worse [than] in Georgia in 2008," Konrad Muzyka, a defence analyst, observed on February 27th.

The Georgian war, in which Russian forces performed poorly, was said to have led to sweeping reforms. They were evidently not sweeping enough. Mr Putin has spent over a decade pouring money and technology into his armed forces, but in the words of one Western defence official he only has a "Potemkin army" to show for it. In some cases, its tactics have verged on the suicidal. A video reportedly taken in Bucha, north-west of Kyiv, shows a Russian armoured vehicle using its loudspeakers to tell civilians to remain calm. A man wielding a rocket-propelled grenade strolls up to the vehicle and calmly destroys it.

Such almost nonchalant effectiveness

typifies what has appeared inspiring about Ukraine's resistance. Andriy Kurkov, a Ukrainian novelist, has written of a "democratic anarchy matrix" which grew up in the country after it abandoned feudalism and rejected monarchy, mixing individualism and common cause in such a way that they reinforce, rather than contradict, each other. Since the tanks came over the borders it has been easy to spot.

Ukrainians are trusting strangers as they never have before. Armies of civilian volunteers work to import military kit from other parts of Europe; others help organise evacuations for those trying to leave the country. Tweets from the defence ministry tell citizens which parts of a tank are most vulnerable to Molotov cocktails. Ordinary people risk their lives by standing in front of armoured vehicles. Confronting Russian troops—many of whom are conscripts still grappling with the fact that they are in a real war—with such solidarity has remarkable effects. Video footage shows at least one Russian tank column hurriedly reversing after being confronted by unarmed civilians.

The lady with the dog

At the centre of this has been Volodymyr Zelensky, the country's unlikely president. Having spent months playing down the threat of war he has made an astonishingly rapid transformation from hapless political outsider to wartime hero and global icon of decency. His charisma and acting background have suited him perfectly to a

war immersed in social media.

As Mr Putin harangues subordinates in gilded halls, Mr Zelensky posts selfies with his team in which he explains the thinking behind their conduct of the war and urges his fellow citizens to be strong. He wants to make use of global goodwill with an International Legion which will integrate foreign soldiers into Ukrainian forces. Ukrainian embassies worldwide report numerous requests to join.

Any such new troops are likely to find the going getting tougher. Russian tactics are changing; artillery is back in its accustomed role as the army's mainstay. On February 28th the city of Kharkiv was bombarded with shells, rockets and cluster munitions which release bomblets over a wide area. There were heavy civilian casualties.

The first major city to fall was Kherson, on the Black Sea. On the day that it fell, March 2nd, the mayor of Mariupol, on the Sea of Azov, said his own city was being "pounded" with shells, rockets and air strikes. Russia is on the verge of completing a land bridge from the Donbas region to the Dnieper river along the Black Sea coastline. A thrust north into the centre of the country, towards the city of Dnipro, looks likely to cut off Ukrainian forces in the east. Kyiv looks likely to be encircled and then presumably besieged. Petrol is close to running out, says the boss of a company in the city; food shortages are coming.

There is a widespread fear that Kyiv could share the fate of Grozny, the capital of Chechnya, much of which was left in ru-

The first week of war: February 24th

Feb 24th 2022 at 16.00 GMT
 ▲ Reported border crossings
 ★ Reported incidents
 Sources: Liveuamap; Rochan Consulting; The Economist

February 25th

- The invasion starts
- Missile attacks on targets across Ukraine
- Volodymyr Zelensky, Ukraine's president, declares martial law
- First American, British and EU sanctions on Russia announced

- Vladimir Putin, Russia's president, describes Ukrainian leadership as "drug-addicts and neo-Nazis"
- Ukrainian men aged 18-60 are forbidden to leave the country
- Number of refugees who have crossed the Polish border reaches 50,000

▶ins after an artillery pounding ordered by Yeltsin in 1994 left 20,000 civilians dead. It is a memory which should frighten the Russians, too. Even after a second battering pounded the ruins into rubble, victory required that ground forces fought their way in to take the city. And Kyiv, a much larger city than Grozny, offers Ukraine the “perfect terrain to defend”, according to Anthony King, author of “Urban Warfare in the Twenty-First Century”. It is large, dense, bisected by a river, criss-crossed with roads and railway lines and has an extensive metro and sewer system that could be used by defenders.

Watching a prolonged and bloody siege of Kyiv would further enrage public opinion in large parts of the world, and could thus lead to even harsher sanctions on Russia. Though the measures that came into force on February 28th (see following story) have definitely been noticed—roubles to the tune of \$15bn have been withdrawn from banks, adding 10% to the amount of cash in circulation—their full effect will not be seen for “two to three weeks,” according to a respected economist. That is when stocks of consumer goods will run down, new supplies will fail to arrive, and spending all those roubles will get a lot harder. For all Russia’s talk of a “fortress economy”, since 2014 the share of non-food consumption that is spent on imports has fallen by only four percentage points, from 44% to 40%.

Some Russian importers are already laying off staff. More will do so soon, as

will restaurants running out of imported fish and meat. Russia, one economist says, is sliding back into the post-Soviet 1990s, the dismal period which Mr Putin says was forced on it by the West before he liberated it. Inflation could be anywhere between 40% and 80% if imports are frozen. The middle class looks likely to be shredded. Meanwhile the free media is gagged. On March 3rd Echo Moskvy, a liberal radio station on the air since 1991, was shut down.

Kirill Rogov, a political analyst critical of Mr Putin, calls what is happening in Uk-

raine a tragedy; what is happening in Russia, he says, is a catastrophe. Many are unwilling to stay and participate in it. A visit to a veterinary clinic on March 2nd found people queuing up to be able to take their animals with them as they fled their country. Some came carrying suitcases, ready to dash to catch a train or a flight as soon as they left. “What if Turkey closes the border, how will you come back?” a middle-aged lady with a dog asked a younger woman leaving Russia for the first time. “I have no plans to return,” came the answer. ■

Sanctions

The economic weapon

Sanctions on Russia are like none the world has seen. Will they work?

“**B**AN RU\$IA FROM SWIFT”. “Rusia Fue Bra de SWIFT”. The placards on display at demonstrations across Europe during the last weekend in February were signs of the times. In place of the straightforward demands of yesteryear, like “Arm the South African workers” and, perennially, “Ban the bomb”, many of the messages focused on access to the digital-messaging system used by financial institutions for cross-border payments.

Economic measures to cut Russia off

from the world’s financial arteries are the most powerful implements a West unwilling to meet a nuclear adversary on the battlefield has dared wield in response to the invasion of Ukraine. But it has wielded them savagely. No major economy in the modern world has ever been hit so hard by such weapons.

The use of sanctions—which Nicholas Mulder, a historian, calls “one of liberal internationalism’s most enduring innovations” in his new book on the subject, “The ►►

February 26th



February 27th



- Half of Russia’s invasion force has entered Ukraine
- Kyiv goes into 36-hour curfew
- Further sanctions announced on Russian banks, including the central bank
- Germany promises to send Ukraine 1,000 new anti-tank weapons

- Russian attack on Kharkiv repelled
- Mr Putin puts his country’s nuclear weapons on alert
- Germany announces €100bn (\$111bn) in defence spending
- The EU backs arms shipments to Ukraine

► Economic Weapon"—has boomed over the past few decades. Since 2000 the number of individuals and entities on America's sanctions list has risen more than tenfold to 10,000. Ever more governments, keen to punish military aggression or human-rights abuses but reluctant to go to war over them, have embraced the tactic. As with other weapons, a number of innovations have been developed to target them more precisely. Governments have also, on occasion, deployed sanctions with what was intended to be overwhelming force. The decision to do so against Vladimir Putin's regime will show both what they can achieve—and, possibly, how big their unintended costs can be.

The race goes not to the SWIFT

Though Western sanctions started off a bit feebly (Italy insisted on a carve-out for luxury goods in the EU's, lest well-heeled Muscovites go without their Gucci) public opinion and Ukraine's inspirational resistance quickly saw them toughened up. After debating whether to make it much harder for Russian banks to process international payments by shutting them out of SWIFT—some European countries feared it would hurt their own banks, too—Western allies agreed to try targeting seven of them, though it has steered clear of Sberbank, Russia's largest by assets, which plays a big role in processing energy payments. America has gone further, cutting off Sberbank and VTB, Russia's second-largest lender, from its financial system.

The most potent financial sanctions, though, have been aimed not at Russia's commercial banks but at its central bank. In the eight years since annexing Crimea made Russia the target of a first wave of sanctions, Mr Putin's regime has built up reserves (they now total \$630bn) and shifted their composition away from dollars to help insulate the economy from further punishment. But reserves become moot, whatever the currency in which they are held, if they cannot be used.

America, acting with Europe, has banned a range of parties from transactions with Russia's central bank, on pain of enormous fines. That will cripple Russia's ability to defend its currency. The West has also frozen most of the bank's assets outside Russia. This surprised financial professionals, including, apparently, in Moscow. According to one European central banker, the way the Russian central bank had been accumulating and distributing reserves suggested it did not believe the West would take such draconian measures.

Within hours of the sanctions taking effect, the central bank raised its main interest rate from 9.5% to 20% in an attempt to shore up the currency. It ordered companies with foreign-currency revenues to convert most of them into roubles, and told Russian banks to reject instructions by foreign clients to liquidate Russian securities. Mr Putin later banned anyone from taking more than \$10,000 in foreign currency out of the country.

This financial barrage was accompa-

nied by slower-burning sanctions. Export controls will limit the components Russia can buy for its military and high-tech sectors, denying it goodies ranging from cutting-edge machinery to microchips. The measures apply not just to goods made in America, but to those containing American technology that are made in and shipped from third countries, such as China. President Joe Biden said these controls could cut off more than half of Russia's high-tech imports.

For now, consumer goods dear to ordinary Russians like smartphones and home appliances are exempted from such measures, presumably to allow room for escalation. But Apple is no longer selling iPhones or other kit in Russia. It is one of a fast-growing number of Western companies getting out (see Business section). BP, Equinor and Shell, three oil majors, announced plans to extricate themselves from their Russian ventures. Maersk's ships will no longer visit Russian ports. Nike is stopping online sales.

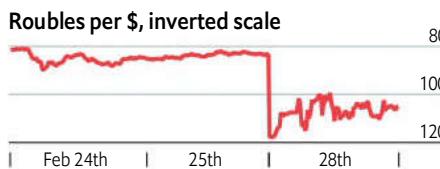
Failure to staunch

The most significant of these moves is by BP, which would give up a 20% stake in Rosneft, an oil company run by a close ally of Mr Putin's. Russia responded to its plans and those of others seeking to divest themselves of such encumbrances by announcing a "temporary" ban on foreign firms selling Russian assets, to ensure they were guided by economics not "political pressure". Selling its stake in Rosneft could ►►

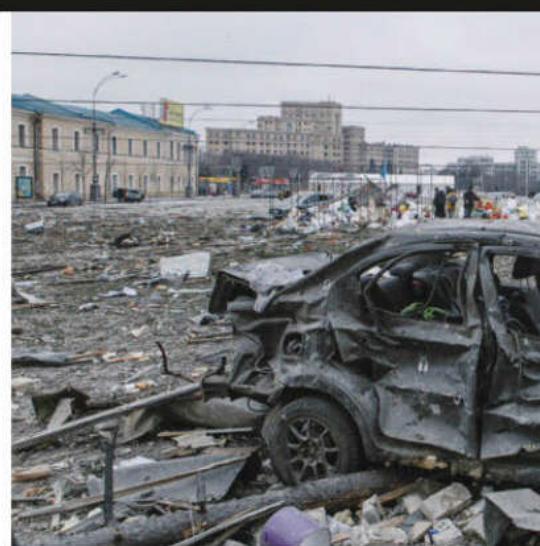
February 28th



- The rouble falls to an all-time low
- Three-quarters of Russia's invasion force has entered Ukraine
- Peace talks convened in Belarus
- Number of refugees who have crossed the Polish border reaches 500,000



March 1st



- Russian missile launches exceed 400 since beginning of invasion
- Attack on TV tower near Babyn Yar
- Attack on Kharkiv's Freedom Square
- Russia occupies Berdyansk and Melitopol

▶ land BP with a write-down of up to \$25bn.

Nobody thinks sanctions alone can force Mr Putin to sound the retreat. The governments that have imposed them nevertheless hope the punishment and isolation they inflict, and the possible deterrent effects (on others at least), justify them.

Measuring sanctions' success is hard, not least because of the difficulty of disentangling their effects from other economic, and on occasion military, forces, but there have been few outright successes. Perhaps the quickest, though some time ago, was America's threat to dump sterling bonds and block Britain's access to IMF credit during the Suez crisis in 1956: the Anglo-French invasion of Egypt was abandoned weeks later. A more recent success was the squeeze on Libya by America and allies in the 1990s and early 2000s. A mix of sanctions and financial inducements persuaded Muammar Qaddafi to end his WMD programme and stop funding terrorism.

The apparent failures of sanctions are many. Sometimes this is because they are fundamentally symbolic, or weakened by interest groups in the countries imposing them. Though the point of sanctions is to exploit asymmetries, doing much more harm to the adversary than to yourself, there are always burdens to be borne by some. There is also a loss to the economy as a whole. The cost of compliance with sanctions for banks and companies has rocketed over the past decade. Financial institutions alone spent over \$50bn worldwide in 2020 on screening clients for sanctions

risks, according to LexisNexis, a data firm.

But severe sanctions have failed, too. Though strong sanctions brought Iran to the nuclear negotiating table in 2015, even stronger "maximum-pressure" sanctions later imposed by America have neither dislodged the mullahs who run the country nor stopped its meddling in the region. American-led sanctions against Venezuela (for years) and Cuba (for decades) have failed to change their regimes, or even force them to change their ways.

One thing which weakens sanctions is leakiness. Despite America's maximum-pressure measures, the Islamic Republic manages to export an estimated 1m barrels of oil per day as middlemen find ways to disguise the origin of shipments.

Self-sullying lollipops

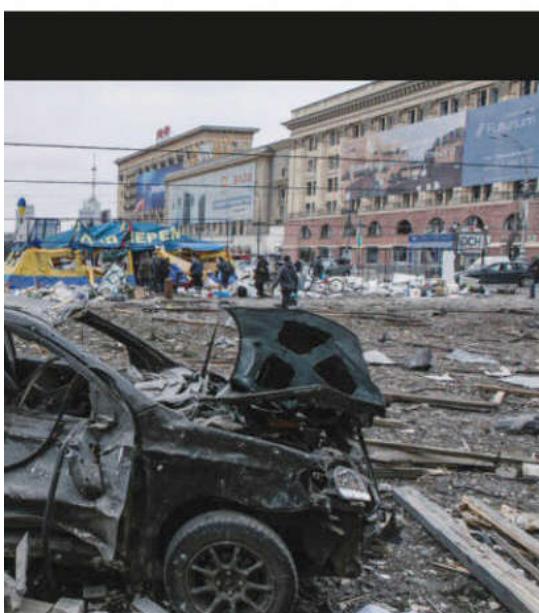
And the more powerful sanctions are, the greater the risk of collateral damage, particularly when targeted regimes are indifferent to the suffering of citizens. Indeed, increasing the harm done can work at least in part in the government's favour. In Venezuela, a significant number of those opposed to President Nicolas Maduro and his henchmen also oppose the American sanctions putatively aimed at dislodging them. And widespread suffering can erode support for sanctions in the countries imposing them.

Sanctions can also push countries they target into each other's arms. Russia and China—hit with American sanctions over its mistreatment of Uyghurs as well as its

suspected tech-spionage—are enjoying their friendliest relations for decades. Russia was already by far the biggest beneficiary of Chinese overseas lending and assistance between 2000 and 2017, receiving up to \$151bn, according to AidData, a research group. China could supply Russia with semiconductors and hardware for telecoms networks and data centres as Western suppliers pull away (though China cannot yet produce the most advanced chips).

That highlights one of the ways the sanctions sword is double-edged: it encourages those who fear them to develop alternative financial and technological infrastructures. This is not easily done, as the continuing vulnerability of Russia's central bank and the weakness of its tech sector show. China is pushing hard in that direction. As well as trying to boost its chip-making, it is creating its own version of SWIFT, called CIPS, which simplifies cross-border payments in yuan, and developing a digital currency. The sight of Russia's central bank being hit so hard by sanctions no one expected will doubtless increase its efforts to establish the yuan as a reserve currency. It will also seek ways to protect its \$3.3trn of reserves by trying to move them beyond America's financial reach.

It has a long way to go. Though usage of the yuan as a currency for international payments is at an all-time high, at just over 3% of the total it still pales beside the dollar, at 40%. Even so, potential moves towards independence from the American-dominated system still pose a dilemma for ➤



536

The estimated number of Ukrainian civilian casualties as of March 1st. Source: OHCHR

March 2nd



- 80% of Russian invasion force in Ukraine
- Russia admits 498 soldiers killed in action (Ukraine claims over 7,000)
- Kherson falls to Russia, becoming the first major city to do so
- Attack on Kharkiv's military academy

875,000

The estimated number of civilians who had fled Ukraine by March 2nd. Source: UNHCR

► the West. If wielding the economic weapon prompts possible targets to accelerate measures aimed at protecting themselves, the weapon's potency will weaken over time. Not wielding it, though, means you might as well not have it.

That said, forbearance might have a systemic benefit. Mr Mulder's book argues that, when world trade is stagnating, aggressive sanctions can do serious damage to it. The measures used between the first two world wars, he argues, ended up undermining the already precarious political foundations of that era's international trade. The same could happen again. "As the world economy reels from financial crises, nationalism, trade wars and a global pandemic, sanctions are aggravating existing tensions within globalisation. That sanctions are intended to promote international stability is, unfortunately, no defence against this risk."

The more immediate question facing America and its allies is how much further to go, and when. The EU could broaden its SWIFT ban; all banks with operations in America or Europe, regardless of where they are based, could be forced to cease transactions with Russian financial institutions. The West could also step up efforts to follow the offshore money trails linked to Mr Putin and his circle. America, the EU and Britain said this week that they will set up a taskforce to improve transatlantic cooperation on identifying and seizing Kremlin-linked assets, though such efforts typically take years.

The most obvious way to inflict more economic pain would be to target the oil and gas exports that are Russia's biggest source of foreign currency. The scale of the costs that would impose on Europe, though, make such a measure a true double-edged sword: if Russia calculates that the cost on Europe is too high for it to bear it might shut off the exports itself. And pushing up the price of petrol in an election year, as such measures would, would be a brave move on the part of the Biden administration. Brent crude has jumped above \$110 a barrel, over 20% higher than just before the invasion.

When used in earnest, sanctions can inflict heavy economic costs on both sides on top of the deprivation inflicted in targeted countries. Even then, they do not always work. There is perhaps only one constituency which can be relied on to do well out of them. The head of the sanctions team at a large American law firm says it "has moved to a 24/7 operation" over the past week to allow it to "parse new, often unprecedented regulations and advise companies in every sector imaginable". It seems entirely possible that, as the world of sanctions continues its evolution, the hard-grafting lawyers will have yet more salad days to come. ■

A new geopolitics

The post-post-cold-war world

WASHINGTON, DC

Old truths of international relations are receiving fresh scrutiny

THIS MORNING we are defending our country alone," declared Volodymyr Zelensky, Ukraine's president, on Friday February 25th, the day after Russia's invasion began. It was "the beginning of the war against Europe". Yet Europe's only forces in the field were those of Ukraine.

The rest of Europe was shamed. Over the weekend, appalled by the baselessness of Mr Putin's invasion, inspired by the bravery of Ukraine's soldiers, pushed by demonstrators on its streets and moved by Mr Zelensky's words and actions, the continent took steps which days earlier had seemed unthinkable.

The EU, born from the idea that economic integration could stop war, promised to pay for arms sent to Ukraine. Neutral Switzerland promised sanctions aimed at entities of the sort it holds most dear: banks. In Germany the newish coalition of social democrats, greens and liberals threw off the country's pacifist robes: having once offered Ukraine only helmets, it is now rushing to send anti-tank and anti-aircraft weapons, and it has announced a massive boost in defence spending. Having earlier suspended Nord Stream 2, the pipeline which was to have tied Germany ever more tightly and exclusively to Russian gas supplies, the government even indicated it could imagine keeping the country's remaining nuclear power plants on line if doing so proved crucial to reducing its dependence on Russian gas.

At the other end of Eurasia, Japan, Singapore, South Korea and Taiwan joined in

sanctions against Russia, as did Australia. The change of mood in Japan has been particularly striking. Over the past decades it has tirelessly wooed Russia, in part to counterbalance China but also in the hope of settling the problem of four northern islands seized by the Soviet Union. Abe Shinzo, the former prime minister, met Mr Putin 27 times, including a trip to an *onsen* bathhouse. Now, under Kishida Fumio, Japan has frozen the share of Russia's central bank reserves held in the country and is urging fence-sitters to take a clearer stance against its former pal.

The end of the cold war was never going to usher in perpetual peace. But the Ukraine crisis is giving new form to the possibilities for future conflict and ways in which it may be averted. It is raising the previously *outré* possibility of territory being stripped from a developed country by force. By bringing Russia and China closer together, it is putting a new burden on the system of American alliances that partially encircles them. It has started consolidating Europe's belief in itself and its ideals, and may increase its willingness to fight for them; it may also be seeing Germany and Japan, a lifetime after their defeat in the second world war, taking on new martial roles. And it is posing afresh old questions about the role of nuclear weapons.

Nobody yet has a name for this new post-post-cold-war era. In the search for parallels, though, the ghosts of Nazism keep returning. Mr Putin evokes the horrors of the second world war when he per-



Not everything has changed

versely accuses Mr Zelensky, who is Jewish, of running a “Nazi” state. Yet, for what it’s worth, it is Mr Putin’s violent irredentism—the war in Georgia in 2008, the one in eastern Ukraine in 2014, the effective annexation of Belarus—that is more reminiscent of Hitler. The resemblance led Mr Zelensky and others to talk of wishy-washy Western attitudes to him as appeasement.

“We never thought we would be waking up in 1939,” said one senior White House official on the first day of the invasion. But some parallels of similar vintage point ominously towards 1945: American officials worry about the state of mind of a Russian leader who is isolated, out of touch and has proved prone to miscalculation; the use of nuclear weapons has become conceivable.

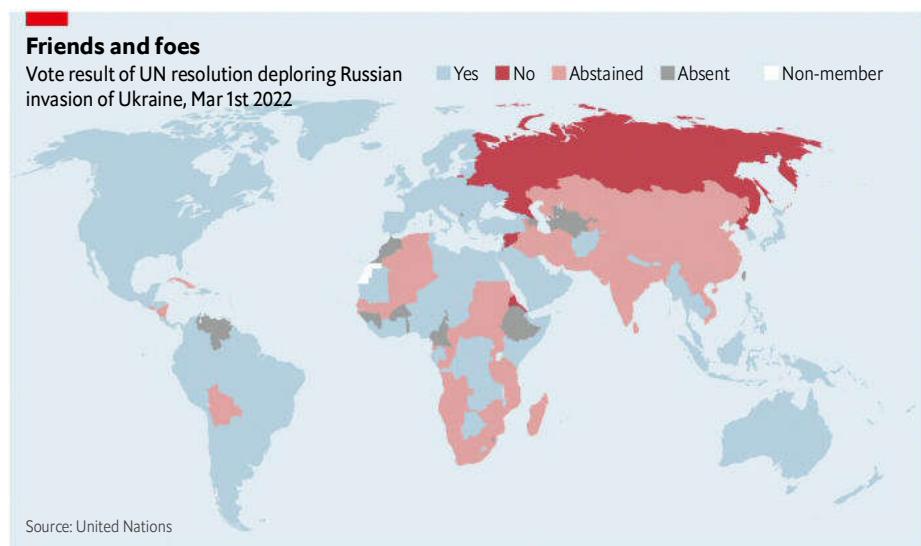
Seeing things through a second-world-war prism makes the idea of an axis seem natural—and perhaps more useful than calling each other names. President Joe Biden’s view of a global contest that pits democracies against autocracies casts Russia and China in the role. The two countries have undoubtedly been moving closer together both strategically and, as Mr Putin pushes Russia deeper into dictatorship, politically. He and Xi Jinping, China’s president, share a desire to undercut America as a global leader as well as a horror at what happened to the Soviet Union in 1991.

Jude Blanchette of the Centre for Strategic and International Studies (csis), a think-tank, says that though the two leaders are not formal allies they are militarily useful to each other. Their relationship is encouraged by geography; standing “back-to-back” means neither has to worry about their common border as each projects power outward. Russia’s movement of large numbers of troops from its far east to Ukraine would have been much dicier had it been worried about China’s intentions.

The original pivot

Trying to make sense of this new axis, some find themselves turning to strategists of old, and in particular those who set more store by the abiding facts of geography than the contingencies of history. The obvious starting place, for this question and for the modern history of geopolitics more generally, is the idea of the “Heartland” put forward by Halford Mackinder in 1904. Mackinder argued that whoever controlled the core of Eurasia, roughly between the Arctic Sea and the Himalayas, could command the world. On that analysis, Russia and China united in common cause represent a big problem.

One response to Mackinder is to concentrate not on the continent but on the oceans, drawing inspiration from his contemporary, Alfred Thayer Mahan, who saw control of commercial sea lanes as the key to global power. Another is to follow Nicholas Spykman, a political scientist who ar-



gued in 1942 that it was not the heart of Eurasia which mattered, but its rim. He held that a maritime strip stretching through the Mediterranean, south of the Himalayas and across South-East Asia to Japan was the key. “Who controls the Rimland rules Eurasia;” he wrote. “Who rules Eurasia controls the destinies of the world.”

Michael Green, also of csis, is one of those seeing lessons from Spykman in the modern world. American officials think the rapprochement between Russia and China will allow them to fuse their alliances in Europe and Asia into a stronger whole. But many in the rimlands—from Turkey to Israel, the oil monarchies of the Gulf and several countries in South-East Asia—are wavering on account of links to Russia, an admiration for Mr Putin or something more. Syria, unsurprisingly, is cheering Mr Putin on.

The heftiest fence-sitter is India, which on March 2nd abstained from a UN General Assembly motion condemning Russia’s invasion. It is trying to balance its old friendship with Russia, which provides most of its military equipment, with a flourishing partnership with America. Indian diplomats say that such is their concern about China—the two countries fought a border war in 1962 and have skirmished intermittently since 2020—that they cannot forsake Russia. “India is walking a tightrope but with a serious risk of falling off,” says Manjari Chatterjee Miller of the Council on Foreign Relations, a think-tank.

The most obvious wobbling point concerns its purchase of S-400 air-defence missiles from Russia over heated American objections. If, as expected, the missiles are soon deployed, America may impose sanctions under a law known as CAATSA. Some in Congress are urging Mr Biden to waive the penalties to keep India sweet. But at a time when America is orchestrating a global campaign to isolate Russia, a waiver for a waverer may be hard to justify.

The alternative to reinforcing the rim is breaking up the heartland. Russia and China fell out in the 1960s, a rift President Richard Nixon exploited almost exactly 50 years ago with a historic visit to China in early 1972. But dividing them would be a tall order. A member of the administration says America is only now grasping the depth of the friendship between Messrs Putin and Xi. “The Chinese and Russians spend an enormous amount of time talking to each other about the need to resist the United States’s efforts to split them,” he says. “It’s almost like an Alcoholics Anonymous meeting.”

This land is not your land

With China already under economic pressure from America, Mr Xi is doubtless displeased with the chaos Mr Putin is causing in Europe, one of his country’s main export markets. But he faces a dilemma. Though he does not want Mr Putin to fail, helping him means being spattered by his carnage.

Mr Xi must also be considering what this means for his plans with respect to Taiwan, a country over which China has asserted historical dominion to a more thoroughgoing degree than Russia has over Ukraine. “If Putin has his way, Xi will do the same,” says Kanehara Nobukatsu, once Japan’s deputy national security adviser. But it may not be as simple as that.

The military difficulties the Russians are having may lead China to rethink the feasibility of an invasion across the Taiwan strait. American officials hope the opprobrium being heaped on Russia, and the truly punishing sanctions imposed on it, will add yet more to the case against. They are also trying to make sure that China and their Asian allies know that America is still looking to Asia as well as Europe. Days before the outbreak of war in Ukraine, the Biden administration published its new Indo-Pacific strategy. To mark the occasion Antony Blinken, the secretary of state, had ➤

► meetings with the foreign ministers of Australia, India, Japan and South Korea.

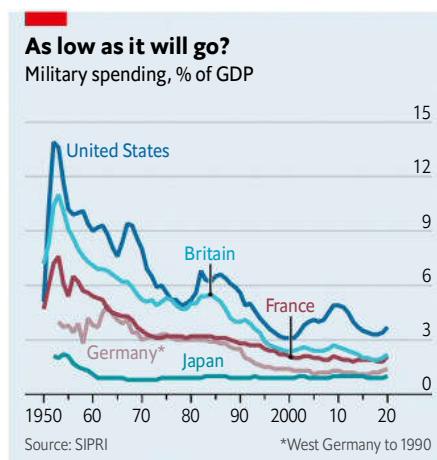
As America rallies its allies, China may choose to bide its time. Mr Putin must have felt time was against him when it came to Ukraine: the smaller country's links to the West and taste for democracy were strengthening even as Russia's capabilities and economy stagnated. Mr Xi's calculations look tougher. China's military power is growing; but so is the Taiwanese sense of a separate national identity.

The possibility that Russia may hold on to bits of Ukraine, or that China could feel emboldened with respect to Taiwan, might suggest the new era will place less weight on territorial integrity. That is not necessarily so. Most countries continue to hold the principle dear; an overwhelming majority in the General Assembly denounced Russia. As Martin Kimani, Kenya's representative at the UN, pointed out in a Security Council debate, many countries, including his own, were created from collapsed empires in borders not of their choosing. Yet they seek to live "in a way that does not plunge us back into new forms of domination and oppression."

As much as the war's reverberations are felt around the world, though, they sound most strongly in Europe. The invasion has upended the idea of a continent "whole, free and at peace". Kyiv, once ignorably distant, feels terribly close.

Olaf Scholz, Germany's newish chancellor, has seized the moment more firmly than anyone, reversing both his country's reluctance to pay for strong armed forces and its belief that buying Russian gas could create a special sort of bond between the countries. "Germany had outsourced its security to the United States, its energy needs to Russia and its export-led growth to China," says Constanze Stelzenmüller of the Brookings Institution, a think-tank. That Mr Scholz is from the party which, in the 1970s, pioneered *Ostpolitik*, a more gentle approach to the Soviet Union, makes his "astounding volte-face" even more remarkable—yet also, oddly, more plausible. "Only a social democrat could have done this," says Ms Stelzenmüller. "It is Scholz's Nixon-to-China moment."

Germany's renewed commitment will be welcomed by the rest of NATO. If Ukraine were to fall and Russian forces to remain in Belarus indefinitely, NATO's eastern flank would become much more exposed. Of particular concern would be the "Suwalki Gap", a narrow passage which is the only land route between the three Baltic states once occupied by the Soviet Union, Lithuania, Estonia and Latvia, and the rest of NATO. To the west of the gap lies Kaliningrad, a Russian enclave on the Baltic coast; to the east lies Belarus. Were Russia to take on NATO by occupying the land between the two territories, defending the Baltic states



would become a lot harder.

In 2016 NATO started deploying small multinational "tripwire" forces in the Baltic states and Poland so that a Russian attack would be an attack on NATO as a whole not just in principle, but in practice. Those units have now been strengthened, and may need to be strengthened further. That said, Russia's initially slow progress in Ukraine is also prompting NATO to reassess its adversary's capabilities.

The darker worry, though, is that the Russia's conventional military power may not be the key point. As recently as January the permanent ("P5") members of the Security Council, Russia among them, signed a declaration that nuclear weapons "should serve defensive purposes, deter aggression, and prevent war". Since then, though, Mr Putin has rattled his nuclear sabre three times in as many weeks: before the invasion he oversaw a nuclear exercise; on the day of the attack he said anyone who intervened would suffer "consequences that you have never encountered in your history"; three days later he said he was placing his nuclear forces on higher alert. It seems pretty likely he will behave in a similar way

→ By Invitation

Online we are publishing a range of commentaries on the Ukraine crisis by authors ranging from Jens Stoltenberg to Yuval Noah Harari

"For a dictator, no human sacrifice is too great a barrier to ambition"
Ingrida Simonyte



"Force is the only argument that Vladimir Putin understands"
Anatoliy Grytsenko



www.economist.com/by-invitation

in conflicts and stand-offs to come. "This is the first test of what happens if a p5 leader is a crazy old rogue with nuclear weapons," says Mr Kanehara.

According to one senior American defence source, "The [nuclear] rhetoric is over-cracked relative to what we're actually seeing in the field." But the rhetoric is a problem in itself. If the West seems cowed by it, it will be used again. If the West does something aggressive enough to make clear that it has not been cowed by it, the stakes will have been raised.

Mr Biden has been keen on arms control since he first ran for the Senate, the same year that Nixon went to China. Last year he extended the New START treaty, which limits American and Russian deployments of strategic nuclear warheads to 1,550 each. He has also tried to entice China into arms-control talks. And he has argued that America should shift to a doctrine declaring that the "sole purpose" of nuclear weapons is to deter nuclear attack.

Such a change now looks unlikely. China is fast building up its nuclear warheads. The Pentagon reckons a total in the "low-2000s" in 2020 might reach 1,000 or more by 2030. America's allies have lobbied hard for America to preserve "extended deterrence", which leaves open resorting to nuclear weapons against superior conventional forces. Russia's threats supply a powerful new argument. Mr Abe says Japan should think of hosting American nuclear weapons, as Germany does. This would be a big shift from Japan's long-standing "three non-nuclear principles": not making nukes, not possessing nukes, and not allowing nukes to be stationed in the country.

Like much of the new geopolitics, the effect on nuclear strategy around the world will depend to some extent on what transpires in Ukraine. "If Putin's threat is seen to be successful, it could spur further proliferation," says James Acton of the Carnegie Endowment for International Peace, a think-tank. "If the threat ends up being seen as bluster because nuclear weapons are not usable, then it might end up actually reducing proliferation pressures."

But some worries apply however the war ends. A wounded but victorious Russia may feel emboldened to further threaten NATO; a Russia bogged down by a Ukrainian insurgency may want to lash out at those equipping Ukrainian fighters; a Russia which tries to topple its leader will be unstable. The early years of the cold war, notes Thomas Wright of Brookings, were filled with danger—from the Soviet Union's blockade of West Berlin in 1948-49 to the Cuban missile crisis of 1962—before detente eventually brought greater predictability. As Mr Wright points out, "We are at the beginning of a new era, and beginnings can be dangerous." ■

**Political pageantry**

State of the presidency

WASHINGTON, DC

Ukraine aside, a gaffe-laden state-of-the-union address does nothing to turn Democrats' problems around

EVERY WOULD-BE president daydreams of the moment: the very first state-of-the-union address to Congress, the chance to be at the centre of the annual American pageant. After 50 years in Washington, and having attended a fair few of the spectacles himself, President Joe Biden will have fantasised about his turn at speechmaking more than most. The reality, however, was hardly triumphant.

After a little more than one year in office, Mr Biden is in a slump. Setback has piled atop setback. After months of agonising negotiations, the signature legislative agenda of the administration—a gargantuan safety-net and climate-change spending package called Build Back Better—is in effect dead. High inflation, exacerbated by the large fiscal stimulus that Mr Biden signed, has wrecked his standing as an economic steward. Having promised to manage the pandemic better than his predecessor, Mr Biden has found himself at the mercy of covid-19 variants. And even

his supposed core competence in foreign policy has looked in doubt since the chaotic withdrawal of American forces from Afghanistan (though his handling of the crisis in Ukraine has so far been more adroit).

Voters are unimpressed, and ready to punish his Democratic Party in the midterm elections to be held in November. Mr Biden's net approval rating is minus 11 percentage points. That makes him precisely as unpopular as Donald Trump had become at this point in his presidency.

→ **Also in this section**

24 The fuel-tax debate

26 The Ukrainian diaspora

27 Lessons from carbon trackers

27 Climate controls

28 Trans rights in Texas

29 Lexington: Republicans and Russia

The importance of the state-of-the-union address is questionable, despite all the attention it gets. Examine the swing in presidential-approval ratings taken by Gallup, a polling outfit, before and after the spectacles over the past four decades, and you will find an average change of zero points. The recitation of the president's wish-list, which these speeches routinely descend into, has only an indirect relationship with actual policy. A careful study by a trio of political scientists—John Lovett, Shaun Bevan and Frank Baumgartner—found that popular presidents can successfully use the occasion to hector Congress into examining their agenda. “On the other hand, any powers of the president to influence the congressional agenda disappear completely when presidents lose their popular lustre,” they write.

It is hard to imagine any speech capable of overcoming these realities, not to mention difficulties of partisan animus and gridlock, no matter how well-crafted or excellently delivered. Unfortunately for Mr Biden, his effort on March 1st was neither.

The answers to America's domestic ailments were unsatisfying. Mr Biden seems to have lost faith in his ability to legislate—not daring to mention even once the name Build Back Better. The president was reduced to suggesting that components of this sweeping legislation could still pass, in an uninspiringly half-hearted manner. ►

Once central, climate change was relegated to occasional mentions. The recommendation that Congress reconsider already proposed legislation that stands no chance of passage, such as a pro-unionisation bill and Democrats' preferred antidote to voter suppression, will prove to be lifeless. Mr Biden unveiled no major new pieces of domestic policy.

The president's proposed solution to the problem of inflation was autarky and populism. "More goods moving faster and cheaper in America. More jobs where you can earn a good living in America. And instead of relying on foreign supply chains, let's make it in America," he said, to boisterous chants of "USA!" from Democrats. He also pledged a "crackdown on these companies overcharging American businesses and consumers".

Much sotu about nothing

Although never regarded as a gifted orator, Mr Biden was in especially poor form, at times stumbling through both his scripted lines and ad libs. He spoke of the "Iranian people" when he meant Ukrainians and confused the word "vaccine" for "virus". After the perfunctory closing line "May God protect our troops", the president felt compelled to shout a mystifying postscript into his microphone: "Go get him!" (or perhaps, as some transcribed it, "Go get 'em!").

The president was strongest at the start of his speech, denouncing Vladimir Putin's war in stark terms and leading the assembly in a standing ovation for the Ukrainian ambassador. "When dictators do not pay a price for their aggression they cause more chaos," he said. There was chest-thumping over the success of the severe economic sanctions that America and its allies have imposed on Russia over its aggression, warmly received by members of both parties. "He has no idea what's coming," Mr Biden said of Mr Putin. The president also stressed that America and its allies would defend "every single inch" of NATO territory.

But he reiterated that he would not risk direct confrontation over Ukraine with Mr Putin's nuclear-armed state.

Unusually for any big political question, Americans of all partisan stripes are in broad agreement with the president's strategy. Surveys taken by YouGov for *The Economist* after Mr Putin launched his invasion show that sizeable majorities of Democrats, Republicans and independents support imposing economic sanctions and dispatching weapons to Ukraine (see chart). And there is similar agreement that sending American soldiers into combat—or even conducting air strikes on Russian soil—would be a terrible idea.

The bipartisanship goes only so far. Despite broadly agreeing with his policy decisions (and the bipartisan ovations on Ukraine on Tuesday), Republicans are unwilling to laud the president for his handling of the crisis. Just 21% say they approve of his leadership on Ukraine. The hope that a foreign crisis might rally Americans around their president, as happened for George W. Bush after the attacks on September 11th 2001, looks misplaced.

There were signs of cooling relations between the Democratic Party's progressive and moderate factions. Having added progressive phraseology like "equity" and "environmental justice" to his administrative and personal lexicon, Mr Biden is now pointedly distancing himself from his party's leftist flank. "The answer is not to defund the police," he said, lambasting a slogan that has now become a liability for Democrats running for office. "The answer is to fund the police," he declared, scoring a rare standing ovation from Republicans. (He also drew their applause when he argued that: "If we are to advance liberty and justice, we need to secure the border.")

Rashida Tlaib, one of the members of the "Squad", a group of progressive House Democrats, delivered her own response to Mr Biden's speech, an act more often associated with the opposition. She blasted

"just enough corporate-backed Democratic obstructionists" for stymying the president's agenda over the past year. The actual Republican response, delivered by Kim Reynolds, the governor of Iowa, said Mr Biden had "sent us back in time—to the late '70s and early '80s" when inflation and crime were high and Russian troops were running amok.

For much of the first year of his presidency, Democrats have been hobbled by internecine squabbles. Conservative Democratic senators like Joe Manchin and Kyrsten Sinema have played spoiler to the president's agenda, to the increasingly evident irritation of progressives. If Republicans were to capture one of the chambers in Congress at the end of the year, this acrimonious debate would be rendered academic. The current polling suggests this to be the likeliest outcome. Over his hour-long speech, Mr Biden managed to give no new reason to think otherwise. ■

Fuel tax

Pumping up the votes

WASHINGTON, DC

The shaky economics of a gas-tax pause versus the shiny politics

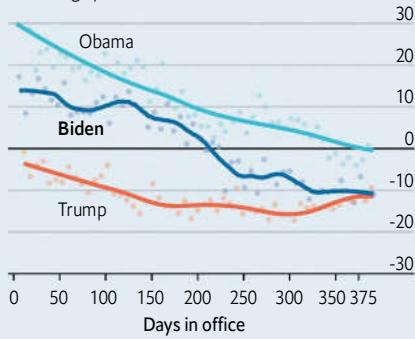
"I WILL DO everything in my power to limit the pain the American people are feeling at the gas pump. This is critical to me." So declared Joe Biden when announcing the first round of sanctions against Russia on February 24th. That petrol prices are critical to President Biden is beyond doubt. High inflation is already weighing on his popularity. Soaring oil prices, a consequence of the sanctions, will only add to the pressures. How can he limit the pain? The structure of the sanctions, ensuring that Russian oil can still reach global markets, is part of the answer. Another part may be a proposal that has sparked debate among economists in America: a reprieve from petrol taxes for the rest of this year.

This idea was already circulating in Washington in the weeks before Russian troops flooded into Ukraine. With little interruption over the past year and a half, petrol prices have climbed and climbed. Drivers now pay, on average, \$3.50 per gallon, the highest since 2014, a reflection of constrained supply and strong demand. On February 9th Mark Kelly and Maggie Hassan, two Democratic senators, introduced a bill, the "Gas Prices Relief Act", which would suspend the federal tax at the pumps for the remainder of the year. With the tax set at 18.4 cents per gallon, the temporary halt would amount to a price cut for drivers of roughly 5%. ■

Home and away

US presidential net approval

Percentage points



Source: YouGov/The Economist

American opinions on Ukraine, 2022*

% approving



*February 26th-March 1st



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► That may sound like a decent discount. Yet it would merely return petrol prices to their level in late January, when consumers were already grumbling about them. And many economists fret that these meagre savings would come at a high cost.

There are three main concerns. First, just because the government cuts taxes does not mean that drivers would reap all the benefits. A study of a petrol-tax moratorium in Indiana and Illinois in 2000 concluded that consumers saw prices decline by only about 60% of the tax cut, because a resulting increase in demand increased the pre-tax price of petrol.

Second, it would lead to a fiscal drain. The revenues raised from the petrol tax go to the Highway Trust Fund, which helps pay for road construction and mass transit. The trust fund is already running low, and the tax holiday would deprive it of about \$20bn, a big blow, according to the Committee for a Responsible Federal Budget, a watchdog group.

Lastly, the incentives would be perverse for anyone concerned about climate change. Justin Wolfers, an economist at the University of Michigan, wryly proposed a reframing of the tax-holiday proposal: "Would it be a good idea for the government to give cheques to people in proportion to how much they drive and how fuel-inefficient their car is?"

Nevertheless, during the past fortnight two notable economists have offered partial defences of a petrol-tax holiday: both view it as short-term relief for inflation-weary consumers. Paul Krugman, a *New York Times* columnist, argued that, with refineries well shy of full capacity, American producers could meet additional demand without increasing prices. Soaring global crude prices would, however, still swamp any discount. Olivier Blanchard, a former chief economist at the International Monetary Fund, said that governments could offer tax breaks or subsidies based on past fuel consumption, thereby providing a discount but constraining demand—a clever, if perhaps impractical, idea.

In any case the economics debate may miss the point. The average American household spends about 3% of their annual income on petrol. A small tax saving would barely move the needle on inflation. Yet prices at the pump stare down at drivers in big bold numbers on the petrol-station signs that they pass just about every day, making them one of the most concrete manifestations of inflationary pressures. It is no coincidence that many of the Democratic politicians pushing for a tax holiday, including Mr Kelly and Ms Hassan, are in tight election races this year. They want to show voters that they are doing something—anything—to rein in inflation. Never let a questionable policy get in the way of good politics. ■



Little Odessa and Ukraine Village

Togetherness

BRIGHTON BEACH, BROOKLYN, AND WEST TOWN, CHICAGO
The Ukrainian diaspora in America shows its colours

THE MANNEQUINS in the window of Executive, a boutique in Brooklyn's Brighton Beach, are dressed in the blue and yellow of Ukraine's flag. Inside, Khystyna, who moved to America ten years ago, can think only of home and her family. "It's impossible to function, to sleep," she says. Brighton Beach, known as Little Odessa, is the largest Ukrainian enclave in New York. Brooklyn has 44,000 immigrants from Ukraine, more than 13,000 of them in Brighton Beach. Firouza Ruzenaji, originally from Uzbekistan, works all night sewing Ukrainian flags to keep up with demand.

In all, more than 125,000 people of Ukrainian descent call New York City home. They came to America in four waves. Up to a half a million arrived between 1890 and the first world war. A smaller second wave came after that war. A large third wave came after 1945. Lydia Zaininger, of the Ukrainian Institute of America, a cultural centre, says footage of Ukrainians fleeing with children echoes her own history. Her widowed grandmother fled Ukraine with three children in the late 1940s.

The fourth wave—mostly Jewish—arrived in the 1980s and 1990s. Victoria Neznansky came to America in 1989 as a refugee. She had begun to hope things had improved for Ukraine, with its young Jewish president. "There's no forgiveness for what Putin is doing," she says.

Although few Ukrainians still live

there, Little Ukraine, a pocket of Manhattan's East Village, is still the community's spiritual and cultural hub, notes Alexander Motyl, a political scientist. New Yorkers have flocked to the area to show support. They queue around the block to dine at Veselka and Ukrainian East Village, for varenyky (dumplings) and borscht. Hundreds of non-Ukrainian New Yorkers are visiting The Ukrainian Museum. "They are learning that the Ukrainians have always been resilient," says Maria Shust, its director.

Chicago has the second-largest Ukrainian population: some 26,000. Among those descended from Ukrainian immigrants is J.B. Pritzker, the governor of Illinois, who appeared at a rally on February 27th at the St Volodymyr and Olha Ukrainian Catholic Church in Chicago's Ukrainian Village. At Tryzub Ukrainian Kitchen, a sign told diners that the restaurant is now fully booked for days.

Volunteers at Razom, a non-profit organisation, have raised \$5m to help Ukraine and its refugees. Its volunteers are mostly young professional Ukrainians working in New York. Mariya Soroka, a co-founder of Razom (which means together), notes that almost for the first time the various generations of Ukrainians are coming together. Her colleague Mariia Khorun, a lawyer, is co-ordinating infrastructure for refugee resettlement. She predicts, "There's going to be another wave."

Carbon emissions

Seeing footprints in the air

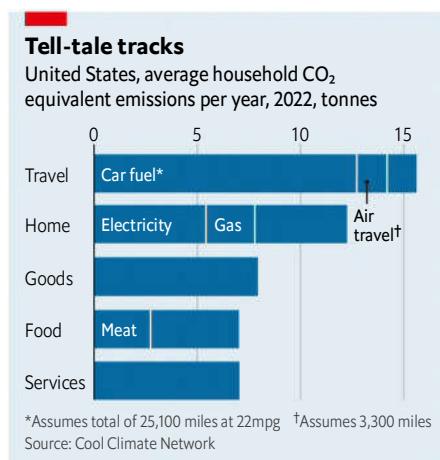
The neglected Cinderellas of climate measurement deserve more attention

CHRIS JONES of the University of California, Berkeley, was on a river in the Amazon rainforest when he put the finishing touches on the world's first online household carbon calculator. That was in 2005. He hoped that, if he could show people how much greenhouse gas was associated with daily activities—driving the car, heating the house—they might change their behaviour and contribute in some small measure to saving the Amazon. Seventeen years and a proliferation of rival calculators later, trackers are providing a wealth of often-neglected information about the carbon emissions of everyday life. They provide local and micro data which usefully supplement the global findings of the Intergovernmental Panel on Climate Change (see Science & technology section).

Trackers work by asking users to answer questions such as: how many miles a year do you drive; how much is your annual household electricity bill; how often do you eat meat? They then calculate a personal or household estimate of emissions of carbon-dioxide equivalent (CO_2e) per year. Alex Beale, a climate blogger in Atlanta who has studied them, reckons there are dozens of household carbon trackers and hundreds of specialist ones, including those which calculate emissions from food or other industries, such as a new one from the Stockholm Environment Institute (SEI) to track emissions from shipping. For individuals, reckons Mr Beale, the most comprehensive are the Cool Climate tracker run by Dr Jones at Berkeley and the calculator set up by the World Wildlife Fund (WWF) and SEI. What do they tell us?

Dr Jones describes the main household polluting activities as “cars, coal, cows and consumption, roughly in that order”. By far the largest single source of emissions is the family vehicle. One car of average fuel efficiency driven 14,000 miles (22,500km) spews out 7 tonnes of carbon, according to Dr Jones's tracker. Swapping it for an electric vehicle would save over 6 tonnes, or an eighth of the average American household's yearly emissions.

No other change would generate that much saving, though electricity in the home is responsible for over 5 tonnes of carbon emissions a year, so generating it with solar panels would come close (see chart). Like electric vehicles, a roof full of solar panels is not cheap. Changing diets costs less, and American households con-



sume meat worth 2.7 tonnes of CO_2e a year, far more than most people. If Americans miraculously went vegetarian, that would be like half an average solar roof.

These household averages, however, disguise what may be the most important thing carbon trackers reveal: that apparently similar households produce very different emissions. By combining their tracker's results with postal code data, the University of California team worked out average emissions by area. Places with high emissions—mostly suburbs—produce four or five times as much carbon as inner cities or rural areas, a much larger multiple than might have been expected. Chicago's households produce 37 tonnes of CO_2e a year; suburban Eola's, some 35 miles (56km) from the Windy City, emit 96 tonnes. This is not only because of commuting. Trips to and from work account for less than a fifth of miles driven; the rest are to shops, schools and so on.

Even more striking is the difference air travel makes. The average household contribution from flying is 1.5 tonnes, less than a car. But half of Americans never fly. According to Cool Climate, flying 100,000 miles a year (as some frequent flyers do) produces a stunning 43 extra tonnes of CO_2 . If jet-set households were to cut their travel sharply, they would have a disproportionate effect on emissions. They might even do something for the Amazon.

Over the next 30 years, many countries are promising to move to net-zero carbon, implying that household emissions will have to be cut to close to nothing. Stephanie Roe, WWF's lead climate scientist, reckons that, at best, half the reduction might be achieved through demand-side measures, such as behavioural changes by individuals and households. And even that would require companies and governments to provide more incentives to change through supply-side investments to make low-carbon options cheaper and more widely available. Trackers, it seems, have daunting lessons for public bodies and private households alike. ■

Climate control

Inside outside leave me alone

NEW YORK

The Supreme Court seems inclined to restrain the power of the EPA

ON FEBRUARY 28TH a report by a United Nations panel of experts warned of “irreversible impacts for people and ecosystems” from the continued emission of greenhouse gases. That same day America's Supreme Court considered how robust a role the Environmental Protection Agency (EPA) has in reducing carbon emissions under the Clean Air Act, a landmark pollution-control law passed in 1963.

The justices spent little time taking stock of the future of the planet. Instead, the discussion in *West Virginia v EPA* was narrow and technical. The case asks whether the EPA may reduce emissions only by regulating techniques and technologies inside power plants—as the Trump administration believed—or if it may take a broader approach, including policies to shift to cleaner energy sources.

The more expansive vision for the EPA fuelled Barack Obama's Clean Power Plan (CPP), which the Supreme Court put on hold when the plan faced a sheaf of lawsuits in 2016. Donald Trump then replaced Mr Obama's regime with a significantly watered-down plan that met judicial resistance of its own. The court of appeals for the District of Columbia circuit unwound Mr Trump's cancellation of the CPP in January 2021, throwing the controls to Joe Biden, who wants to slash emissions by 2030. But the new administration decided not to revive the CPP, as its benchmarks had already been met. According to Elizabeth Prelogar, Mr Biden's solicitor-general, the EPA plans to have a new proposed set of rules ready by the end of 2022.

In the meantime power plants chug along—representing about a third of America's carbon footprint—with no regulations in place. That lacuna lent this week's proceedings an air of surrealism, as the court typically hears challenges only to current or impending policies. Ms Prelogar argued that West Virginia and other Republican states, along with their coal-company allies, lacked standing to sue. The parties “aren't harmed by the status quo”, she said, and are just trying to “constrain EPA's authority” in the future. Few justices seemed receptive to this claim. Chief Justice John Roberts said the plaintiffs liked Mr Trump's regulatory scheme and “now they don't have it”. That's reason enough, he said, for the case to be “fully justiciable”.

The bulk of the hearing was devoted to parsing the Clean Air Act to determine ►►

► what Congress empowered the EPA to do. When the law refers to the “best system of emission reduction”, Justice Stephen Breyer asked, isn’t that an invitation to a more systemic approach than just plant-by-plant regulation? Justice Elena Kagan questioned the logic of distinguishing between inside and outside power plants. A rule focused on the plant itself could be “catastrophic”, she said, as costly technological fixes could “drive the entire coal industry out of business”.

But Lindsay See and Jacob Roth, the lawyers arguing against the EPA, insisted that the term “standards of performance” in the act limited the EPA to site-specific rules. And letting the EPA tackle “an issue as massive as climate change”, Ms See said, could reshape energy policy. Construing the Clean Air Act that way, “it’s hard to see what costs wouldn’t be justified.”

Justice Samuel Alito voiced the same concern, with a hint of dubiousness about the threat of climate change. Some people, he said, believe the climate crisis “is a matter of civilisational survival”. Should the EPA be charged with balancing that threat

with the costs of regulation and job-market effects? Such a query, several conservative justices suggested, may trigger the court’s “major questions doctrine”, according to which matters of great political or economic significance do not belong with unelected bureaucrats unless Congress has explicitly given them such authority.

Concerns about federal agencies growing too big for their statutory britches have animated several recent Supreme Court judgments on policies prompted by the pandemic. Last August a 6-3 majority ended Mr Biden’s home-eviction moratorium, finding little connection between the mission of the Centres for Disease Control and Prevention and the rental market. In January the same six justices rejected the Occupational Safety and Health Administration’s rule requiring large firms to demand vaccination or testing of their employees.

The Biden administration seems headed for another defeat when a ruling comes this spring. The question is how sweeping the Supreme Court will constrain agencies—and whether the EPA will retain tools to reduce America’s toll on the climate. ■

and their families, says she has spoken to a lot of anxious parents. “Their reactions range from, ‘if this happens we need to move out of Texas’, to those who worry less [that their children would be taken from them] because they know cases would have to go court.” A more immediate fear, she says, is that the order will lead to more discrimination against trans people, especially bullying in school.

There are mounting worries about the use of puberty-blockers, which may be given to trans-identifying children from about the age of nine, and the cross-sex hormones that in most cases follow. Blockers have not undergone a clinical trial for this purpose. They prevent bones from developing properly and may affect brain development. When combined with cross-sex hormones they can lead to infertility and inability to have an orgasm. Several countries are curtailing their use.

On February 22nd Sweden said the risks of these drugs outweighed the possible benefits and the drugs should no longer be available outside research except as a last resort. In America, by contrast, where doctors take their guidance from the World Professional Association for Transgender Health (WPATH), most medical associations have endorsed the use of such drugs for children. Some doctors say they prescribe them on a first consultation.

Erica Anderson, a clinical psychologist and a former president of the American chapter of WPATH, herself a trans woman, is one of the few practitioners in America to have expressed concern that some doctors are too quick to prescribe blockers and cross-sex hormones. However she is “just appalled”, she says, “that politicians are making these draconian efforts to curb what they see as a wrong approach. Using child-abuse statutes to prosecute largely well-meaning people is immoral.”

Dr Anderson accepts that it is hard to make comparisons between Sweden, with its national health system and long tradition of affirming trans rights, and America, where there is little oversight of mushrooming gender clinics and the issue has become polarised. Still, she hails Sweden’s curbs on the use of such drugs as “brave”. “We should re-examine what we are doing,” she says. But, “I care about what is best for children and what is best for children is that some of them have the option.”

Others disagree, believing that all such irreversible interventions for minors are wrong. That is unlikely to be the chief reason Texas is trying to stop them, however. This month both Mr Abbott and Mr Paxton faced primary challenges; their rivals accused them of being insufficiently conservative. The absence in America of any discussion about the way trans-identifying children are treated makes such political opportunism easier. ■

Puberty blockers

Don't mess with sex in Texas

WASHINGTON, DC

Is treating trans children a form of child abuse?

REPUBLICANS IN TEXAS seem to have developed a penchant for promoting vigilantism. In September the state deputised citizens to sue anyone involved in an abortion after about six weeks of pregnancy. And on February 22nd Texas’s Republican governor, Greg Abbott, said treatment with puberty blockers and surgeries of minors who identify themselves as transgender should be investigated as “child abuse”. Doctors, nurses, teachers and “the general public” should report it, he said. Failure to do so could result in “criminal penalties”.

Though the new order is not, like the abortion ban, a law, it is in some respects harsher. It uses a criminal mechanism (rather than a civil one) and requires any person to report alleged lawbreaking. This came after a legal opinion from Ken Paxton, the state’s attorney-general, which concluded that such treatments can constitute child abuse under Texas law.

It is unclear what this might mean in practice. Some district attorneys have said they will not enforce the order, in which case the state attorney-general’s office could do so. Either way, children would not be removed from their parents without a court order, according to the Texas chapter

of the American Civil Liberties Union, an advocacy group for individuals’ rights.

Jo Ivester, the Austin, Texas-based author of “Once a Girl, Always a Boy” (about her trans son, now an adult) and a volunteer for Stand with Trans, a nationwide group that works with trans youngsters



Don't play politics with them

Lexington | The end of the delusion

Donald Trump's party is returning to its senses on Russia



IF VLADIMIR PUTIN'S invasion of Ukraine rests on a grand delusion, it is one he might have learned watching Fox News and other outlets of the American right. Ever since Donald Trump rose to the top of the Republican primaries in 2016, conservative talking-heads have praised the Russian leader's vigour and acuity and denigrated his Ukrainian, European and NATO adversaries as corrupt, weak and gutless. As recently as last week, Tucker Carlson, America's most popular cable host, suggested that, if forced to choose between Russia and Ukraine, he would pick Russia. Only a warmongering liberal obsessive would fuss over Mr Putin's prosecution of the faraway conflict, he added: "Is he making fentanyl? Is he trying to snuff out Christianity? Does he eat dogs?"

The subsequent reality of Ukraine's bombed towns, dead children and heroic resistance has not entirely pierced this delusion. Fox is still airing pro-Putin commentary. Mr Trump still praises the Russian leader. Speaking at the Conservative Political Action Conference (CPAC) on February 26th, he condemned the war but snuck in that Mr Putin was "smart" and "playing [Joe] Biden like a drum". Even so, the war has caused the most dramatic rethink among Republicans since Mr Trump took over their party.

Republican voters, who felt warmly towards Mr Putin under Mr Trump, have swung hard towards Ukraine. So have Republican politicians, with a fervour—illustrated by the blue-and-yellow flags many wore to the state-of-the-union address this week—that would recently have been unimaginable. Two years ago they dismissed Mr Trump's guns-for-political-favours shakedown of Volodymyr Zelensky as a nothing burger. Now they demand that Mr Biden do even more to support the Ukrainian leader than he is.

The right's Putin fandom was always more about posturing than substance. Its cheer-leaders were the ultranationalist, isolationist fringe that Mr Trump elevated. Members of that relatively small group admire Mr Putin as an authoritarian challenger of the liberal order. Diehards such as Steve Bannon also consider him the leader of white Christian repulse to godless China, which seems more debatable. Yet most Republican voters expressed more mildly positive feeling towards the Russian leader, mainly because Mr Trump kept praising him. And that was enough to deter many Republican politicians from speaking on the issue.

Even now, some of the most ambitious Republicans only do so delicately. Few of those who spoke at CPAC—the right's annual beauty pageant—dared mention Ukraine. Mike Pompeo, who as secretary of state may have done more to embolden Mr Putin than anyone except Mr Trump, broached the subject only in order to blame the crisis on Mr Biden. "No matter where you stand on this Ukraine-Russia situation," said Senator Marco Rubio gingerly, "one thing I think everyone can agree upon is that the people of Ukraine are inspiring to the world." Yet the changing mood among Republican voters is encouraging Republican lawmakers to be more forthright by the day. Though few suggest American troops should be deployed to Ukraine, most are no longer ambivalent about where America stands in the fight.

Americans have in the past witnessed many periods of introspection and self-doubt—only to relaunch themselves, re-emboldened, into global affairs. According to the scholar Walter Russell Mead, such action tends to be triggered by isolationists (whom he terms "Jacksonian") apprehending a frightening new global threat. That may be happening now; polls suggest Mr Trump's supporters increasingly consider Mr Putin to be dangerous as well as malign. Alternatively, suggests Kori Schake of the American Enterprise Institute, it may be that Americans can always be rallied by a compelling struggle between good and evil: "People being worth defending is what motivates Americans." In any event, two things seem clear. After a prolonged isolationist funk, Republicans have rejoined the internationalist mainstream on this issue. And in doing so they have turned from Mr Trump.

The crisis underlines how positive that is. Had Mr Trump won a second term, he might have tried to remove America from NATO by now. His administration would certainly have been incapable of the Biden team's patient diplomacy. Yet there are probably limits to how far the normalisation of Republican foreign policy will go.

Previous foreign-policy schisms—over Germany in the 1940s, for example, and Korea in the 1950s—gave way to a sense of common purpose. By contrast, in their latest gratuitous criticisms of Mr Biden, Republicans seem determined to punish him for being right. Perhaps they wish to distract from their own former apologetism for Mr Putin. Mainly, though, their carping illustrates the extent to which conservatism has become more about reflexive opposition to the left than the specifics of any issue.

This makes the Republicans bad-faith actors on Ukraine, barely capable of providing the constructive criticism that the Biden administration needs. Senator Mitt Romney, who has justly criticised both parties' history with Mr Putin and praised Mr Biden's recent diplomacy, is one of the few Republicans with credibility on the issue. Not coincidentally, he was also the only Republican senator to vote to impeach Mr Trump for coercing Mr Zelensky.

Better dead than Dem

In their disloyal opposition, Republican politicians are again channelling their supporters. They rate Mr Biden's performance as badly on Ukraine as they do generally, even though most Republican voters, whether they know it or not, support his policy. Were the president an abler politician, he might turn that around. As it is, the Republicans look on course to make one of his biggest successes look like yet another failure. This raises the odds that Mr Biden's party will take a beating in November. In turn, that would probably improve Mr Trump's chances of coming back for a second term. In which case, his party's heartening foreign-policy refresh might well prove to be irrelevant. ■



Brazil

South America's rust belt

SÃO BERNARDO DO CAMPO

Why industrial decline has been so stark in Brazil

THE PEOPLE of São Bernardo do Campo, a city near São Paulo, are called *batateiros*, or potato farmers. Yet they are better known for manufacturing. Almost a century ago they made furniture. In the 1950s they started turning out cars. Soon the area that includes the city, known as ABC after its largest towns' initials, became the biggest industrial zone in Latin America. One worker there, Luiz Inácio Lula da Silva, rose to the top of the metalworkers' union and, eventually, to the top of Brazilian politics.

But when Urban Systems, a consultancy, named the city as the best place in Brazil to do business in industry last year, many people were surprised. In 2013 ABC had 190,000 formal jobs in industry (which includes both manufacturing and processing). By 2019 it had 140,000, or nearly a third fewer. Dusty "for sale" signs mark some of the 127 idle industrial areas that Gisele Yamauchi, a local researcher, has counted in São Bernardo. In 2019 Ford, an American carmaker, said it was leaving São Bernardo after nearly a century in Brazil. In 2021 the city's formal industrial sector held steady, with roughly as many jobs created

as lost. But the shift to services is clear.

Indeed São Bernardo is part of a broader trend in the country. In the 1980s manufacturing peaked at 34% of Brazil's GDP. In 2020 it was just 11% (see chart).

In other countries, too, the relative importance of manufacturing has declined. As factories grow more efficient, it takes fewer people to make each widget, and

manufacturing employment tends to fall even as output rises. But what is notable about Brazil is that output growth has been mediocre, too. Between 1980 and 2017, manufacturing value added in Brazil in real terms grew by only 24%, compared with 69% in neighbouring Argentina and 204% worldwide.

Brazil's science-based industries have also lost their share of GDP faster than expected. In the 1980s Brazil produced 55% of the pharmaceutical ingredients it used. By 2020 this had dropped to 5%. When the covid-19 pandemic created a huge demand for vaccines, Brazil was caught short. A lack of materials delayed its vaccine roll-out.

As global trade liberalised after 1990, Brazil opened up what had been a ferociously protected economy. But only somewhat. It has continued to shield much of its domestic industry from foreign competition, says Fabiano Colbano of the World Bank. Successive governments focused on stoking domestic demand, rather than raising productivity. Firms have failed to integrate much into global supply chains. Tariffs were kept high and regulations hasslesome.

São Bernardo's mayor has tried to make the city an easier place to do business. During the pandemic he has snipped red tape, lowered taxes and built more roads. He secured pledges of investment in logistics and other aspects of manufacturing, worth \$1.75bn for 2021 and 2022 (the city budget for 2022 is \$1.2bn). But elsewhere in Brazil, covid-19 has accelerated industry's slide. ➤

→ Also in this section

31 Mining in Venezuela's forests

31 Contraband cars in Bolivia

— Bello is away



The commodities boom has helped to create a record trade surplus for Brazil. But this has masked a deficit of \$53bn (or 3.3% of GDP) in manufactured goods. Indeed a reliance on commodities, exports of which in Brazil are equivalent to 8% of GDP, typically tends to speed up the decline in manufacturing by strengthening the local currency, which makes imports cheaper. China has long preferred to buy raw commodities and process them at home. In 2009 China imported primary food products from Brazil worth \$7bn, compared with processed food products worth almost \$600m. In 2019 the figures were \$23bn and \$5bn, respectively.

Brazil does not necessarily need a huge industrial sector to thrive. In São Bernardo factory floors have been transformed into shopping malls and many locals have found jobs as telemarketers. Some economists argue that the decline of manufacturing has given Brazil an opportunity to play to its strengths in agriculture and oil.

Yet others feel this optimism is misplaced. "Brazil is the worst example of premature deindustrialisation in the world," argues Rafael Cagnin of IEDI, an industry association. Workers have moved into low-skilled service jobs, rather than high-tech, skilled ones. On average, their productivity and income have fallen, he says. In São Bernardo, the highest salaries for all workers in formal employment remain in car manufacturing. Real median wages in São Bernardo have decreased every year since 2017, including in 2017.

An economic crisis between 2014 and 2016 gave Brazil such a shock that any attempt to separate out the effects of industrial policy is hard. Even before covid-19, unemployment was at its highest level in 50 years, according to the World Bank.

Industrial decline can have political consequences. In the United States the loss of Midwestern manufacturing jobs may have pushed some voters to plump for Donald Trump in 2016. In Brazil the elections of 2018 were dominated by corruption and the fallout of the recession, but one study by two Brazilian researchers found that the areas most affected by trade liberalisation in the 1990s were the most likely to vote for Jair Bolsonaro, the populist president. He even won in Lula's old stomping ground of São Bernardo.

The next presidential election, in October, could be pivotal for manufacturing. Mr Bolsonaro has not made boosting industry a priority, although at the end of February he pledged a tax cut for industrial products. Lula, who looks likely to run against him, has said that although commodities are important, Brazil needs "to be strong in industry, in science and technology". The next few months are likely to involve a scramble to win the hearts and votes of places like São Bernardo. ■

Venezuela

Parks and wrecking

CANAIMA

Nicolás Maduro lets miners plunder his country's forests

AS THE TWICE-WEEKLY flight from Caracas descends towards the Canaima national park, cabin staff urge passengers to look out of the portside windows for the best view. It is good advice. Massive flat-topped mountains, at least 500m years old, emerge from the mist like ancient gateways to another world. Everything appears pristine, untouched by humanity.

But glance out of the other side of the plane and a sadder image appears. There in the valley, the forest is scarred with bare patches of mud and sand, evidence of the

destruction wrought by illegal gold mining. And Venezuela's government, far from trying to stop such environmental plunder, is encouraging it.

Venezuela was once renowned for its greenery. In 1977 it became the first Latin American country to set up a ministry of the environment. Vast tracts of land were designated national parks. Wildlife conservation laws were enacted. Canaima, which had been a protected park since the 1960s, became the brightest blossom in a floral crown. In those days PDVSA, the state

Bolivia

Honk for impunity

CHALLAPATA

A country awash with contraband cars

SIX DAYS a week not much happens in Challapata, but every Sunday the town's main square fills with Japanese cars. Few, if any, have licence plates. They are *chutos*, or contraband cars. Most have been shipped from Japan to Chile, and then smuggled in.

Perhaps 25,000 *chutos* enter Bolivia a year; around 60,000 cars are imported legally. The business took off in 2008, when the government banned imports of cars of more than five years old. The old bangers continued to clatter in, illegally.

The fair in Challapata is the biggest in the country. The *chuteros* make little attempt to hide themselves. Mechanics fix suspension wrecked by the drive over the mountains from Chile; others move steering wheels from right to left. *Chutos* are advertised on Facebook, along with fake licence plates. Younger *chuteros* post videos of themselves on TikTok, a video-sharing app, racing over the salt flats, set to their own music genre, *chutocumbia*, in which singers croon about the hardship they endure to feed their families.

The government has tried to beef up controls along the border with Chile. But Bolivia is poor and the border is long; the flow of *chutos* has not abated. Smugglers say they pay \$100 a car for border guards to look away. Police who catch a *chuto* inside Bolivia can be bribed, too.

A *chuto* costs around half or even a third as much as a legally imported car. Buyers avoid not only import tariffs, but



All legally for sale

also an annual road tax. The government is wary of cracking down, mostly because of the sheer number of people who would be affected.

Instead in 2011 the government allowed owners of *chutos* to register their cars, provided they could prove the vehicle had not been stolen in another country. Those doing so had to start paying road tax, but would no longer risk extortion if caught by the police. Ruben Ferrufino, a spokesperson for a group of *chuto* owners, is pushing for another amnesty. If not, his group is threatening to impose road blocks—another common sight in Bolivia.

► oil firm, was well-run and provided successive governments with so much cash that they saw little need to chop down the nation's forests.

Under Nicolás Maduro, Venezuela's Putin-pandering socialist dictator, a different plan is afoot. His regime is cash-strapped and corrupt. Thanks to mismanagement and sanctions, PDVSA is in tatters, so Mr Maduro is desperate for new sources of revenue. From the Amazon to the Caribbean, he has allowed an unrestrained scramble for minerals to take place.

That scramble began in earnest in 2016, when oil prices were painfully low. Mr Maduro announced that a crescent-shaped territory almost three times the size of Switzerland in southern Venezuela was open for miners to dig up. He called it the *Arco Minero*, or the mining arc. The stated aim was to attract investment for the extraction of gold, iron, cobalt, bauxite, tantalite, diamonds and other minerals.

In 2019, after Mr Maduro stole an election, the United States imposed sanctions on PDVSA. Venezuela's economy was already tanking, and the regime became even more desperate for cash. "We had to learn quickly to depend less on black gold, and look for gold gold," says a business executive in Caracas.

When in a hole, start digging

Some legitimate deals were signed—including with Chinese, Canadian and Congolese mining firms. But none led to significant projects. Long-term investments in a country with such a predatory government are not for the faint-hearted. Instead, a free-for-all began in the *Arco Minero*, a gold rush overseen by a murky alliance of drug-traffickers, generals, gangs and Colombian guerrillas, with the regime sucking up a big share of the proceeds.

In 2016 Global Initiative, an NGO, estimated that a whopping 91% of Venezuelan gold was illegally produced. Since Mr Maduro created the mining arc, that proportion is likely to have increased even further. An investigation in January by *Armando Info*, an independent news site, with *El País*, a Spanish newspaper, revealed that the two main mining states of Bolívar and Amazonas have at least 42 concealed airstrips for gold-smugglers.

Illegal mining is attractive for many Venezuelans, because the alternatives are so dire. Under Mr Maduro wages have collapsed. Government workers make less than \$10 a month. Tens of thousands of people, mostly men, have moved to Canaima to try their luck as freelance diggers. Many locals have joined in. With tourists now afraid to come to Venezuela, the park's indigenous Pemon guides, who once escorted hikers, have little to do but dig.

Trees have been torn down to make way for pits. According to data from Global For-

est Watch, an environmental group, between 2002 and 2020 Venezuela lost 533,000 hectares of humid primary forest, or around 1.4% of the total humid forest area. "Mining has gone amok," says Alejandro Álvarez Iragorry, an environmentalist. Venezuela is now the leading illegal miner in the Amazon. In 2019 RAISG, a watchdog, counted 1,899 mining sites in the Venezuelan part of the Amazon basin. The Brazilian Amazon, a territory more than ten times the size, had only 321.

Miners are polluting the local water. They use mercury to separate gold from ore; the waste then leaches invisibly into streams and rivers. Dangerously high levels of mercury have been found in hair samples taken from indigenous people who bathe in and drink from local streams. More than a third of the Pemon people tested in Canaima last year had levels above what is deemed safe by the World Health Organisation, according to SOS Orinoco, an environmental group. Mercury poisoning increases the likelihood that mothers will give birth to infants with brain damage.

The state oil firm is environmentally reckless, too. Under Mr Maduro's predecessor and mentor, Hugo Chávez, thousands of staff were sacked for opposing the regime and replaced with lackeys. Since then the firm has become less competent. Skills have been lost, infrastructure has rusted. Venezuela averages 5.8 oil spills a month, according to the Ecological Policy Observatory, a watchdog.

In Lake Maracaibo, where the first big oil discoveries were made in the 1920s, locals say spills have become constant since 2015. Sewage and agricultural pollution have only worsened matters; much of the vast lake is now covered with a putrid carpet of algae. The government accuses environmentalists of exaggerating the problem, and impedes their work. After a spill in 2020 in the Morrocoy national park in the country's north-west, scientists com-

plained that they were unable to measure damage to the seabed because PDVSA had closed off access to the area.

In 2011 the government stopped publishing environmental statistics. So the true scale of water pollution and deforestation can only be estimated. Weather stations installed at a steep cost in the 1970s on the peaks of the Canaima mountains lie abandoned. In 2014 the Ministry of the Environment was renamed the Ministry of Ecosocialism. "The government here is rightly proud of the beauty of this country, but there seems little sense of the duty to protect it," says a diplomat.

Last October Mr Maduro announced plans to build a "communal" city in the Ávila national park, a glorious mountain which overlooks Caracas and has been protected from construction since 1958. The purpose of the project is not clear. One theory is that Mr Maduro, who has expressed interest in Indian mysticism, might be hoping to build something like Auroville, a town in India built in the 1960s by followers of a guru "to realise human unity". Since Mr Maduro seldom follows through on his grandiose announcements, Venezuelans may never know.

But in another once-unspoilt part of the country, the bulldozers are already at work. On Gran Roque, the largest island of the Los Roques archipelago, close to a unique coral reef, a series of concrete mansions and a hotel are being erected. This appears to violate government decrees from 2004 banning construction. Experts fear the project will upset the delicate environmental balance of an area famed for its wildlife, including an endangered species of turtle.

The investors in the buildings are not known, but locals say a high-ranking government official appears to be the owner of one of the largest homes. Bulldozing nature to build mansions is an odd definition of ecosocialism, but it's a mad, mad, mad, Maduro world in Venezuela. ■



Goodbye greenery



China-watching

Offshore Beijing

SEOUL AND SINGAPORE

An exodus of academics, diplomats and journalists from China is good news for Asia's regional hubs

IN THE HERMIT days of Mao Zedong's China, few foreign observers of the country lived there or could even visit. China-watchers—whether they were academics, journalists, diplomats or spooks—were scattered across Asia and beyond, or perched on China's edge in the listening post of British-run Hong Kong. Analysis of the Chinese economy and, especially, of the Communist Party's secretive politics was often just finger-in-the-wind speculation—and frequently wrong.

That all changed when China opened to the world in the late 1970s and normalised relations with America. Western embassies were opened or expanded; foreign journalists moved to Beijing and Shanghai and businessfolk opened branches and factories. The new arrivals, many of them fluent Chinese-speakers, seeded a new ecosystem of foreign China-watchers. The quality of economic, political and social analysis about China leapt in bounds.

The flow has now gone into reverse. The pandemic is the main reason. Even as much of the world reopens for business,

China remains closed under a draconian regime of lockdowns, travel restrictions and strict quarantines. But a worsening political climate has also made life difficult for businesses, academics, diplomats, NGOs and journalists, something that predates and is likely to outlast the pandemic (see China section). A growing exodus over the past couple of years suggests that, for the first time in decades, more China hands may soon sit outside the country than in it, with other Asian capitals as the chief receiving stations.

New clusters of China-watchers have formed in various Asian cities. The *New York Times* and the *Washington Post* have opened or expanded bureaus in Seoul,

South Korea's capital, in part to accommodate journalists expelled from China. They are attracted by relatively cheap commercial rents, a good airport in normal times and a democratic government chuffed to host the international press. But Seoul lacks a well-developed international China-watching scene, and most of the new arrivals do not speak Korean.

Taipei, the capital of Taiwan, offers many of Seoul's benefits. But it also uses the same official language as China, Mandarin, and has no end of China-watchers of its own. Indeed, in Taiwan, parsing China is an existential matter, given that the Communist Party considers the island to belong to China and threatens to take it back at gunpoint (see Banyan). At the same time, commercial and economic ties across the Taiwan Strait bring with them a nuanced understanding of the business environment—a further argument for moving to Taipei. Reporters and editors, including from the *Wall Street Journal*, have thus headed to the city, as have correspondents who have waited months or years for Chinese visas before giving up. Some newspapers now have more staff on the island than in China. The Taiwan Foreign Correspondents' Club has grown by half, to 60 members, in three years.

Academic and cultural institutions are also shifting to Taiwan. Harvard's Chinese-language programme, one of the world's best, moved to the island after losing support from its Chinese host institution, ►►

→ Also in this section

34 Singapore's anti-gay legislation

35 South Korea's presidential election

35 An Uzbek success story

36 Banyan: A wake-up call for Taiwan

► Beijing Language and Culture University.

Yet Taiwan's focus on China tends to be narrowly confined to the cross-strait dimension and is prone to parochialism. Moreover, the country makes it difficult for mainland Chinese nationals to work as journalists or news researchers, on whose help most international news organisations rely to report on stories about China. William Yang, president of the Taiwan Foreign Correspondents' Club, says he doubts that Taipei will become the pre-eminent regional news hub.

For that, Singapore has better prospects. Some China-based journalists wound up in the city-state by chance—the *Financial Times*'s Beijing bureau chief happened to be in Singapore with his family as China locked down and has stayed. Others are drifting in as China remains all but closed, including from Hong Kong.

Crucially, it is not only journalists who are coming to Singapore. The Carnegie-Tsinghua Centre for Global Policy in Beijing is a joint venture between an American think-tank and one of China's most prestigious universities. It aims to encourage dialogue and collaboration between scholars in China and the West. Its American head, Paul Haenle, a former White House official, now resides in Singapore. Some Western countries have spread staff who were formerly based in Beijing to other embassies around the region, including missions in Singapore. Such arrivals jokingly refer to their new home in the city-state as "Beijing South".

Few say they will never return to China if or when it reopens—but nor do they openly commit to doing so. Meanwhile, a trickle of expat business executives moving to Singapore from Hong Kong is turning into a steady stream. The country's attractions are undeniable. Its people are refreshingly direct. English is universally spoken, which is not the case in Hong Kong. Clean, green, prosperous and safe, it is, as one of its officials jokes, "Asia-lite"—easy for many Westerners to adjust to, but with plenty of exotic brushstrokes.

For China-watchers, much is lost from not being on the ground, having conversations with Chinese from the top of the hierarchy to the bottom, and simply observing with their own eyes. But much has changed since the 1970s and analysis has adapted, for instance through creative use of a wide variety of open-source information. Collaboration is aided by listservs and Zoom calls. And more than in Seoul and Taipei, many arriving China-watchers plug naturally into Singapore's own geopolitical priorities. The tiny state of 5.7m was born at a time of turmoil in South-East Asia. Its position on the narrow Malacca Strait, through which much of the world's shipping and energy passes, gives it a precarious sense of being a nut that could be

smashed in a fight between great powers. Regional rivalry between China and America has grown sharply.

"We have always invested a lot of time and resources trying to understand the environment we live in," says one Singaporean policymaker. The country's diplomatic corps, for its size, is one of the savviest in the world, and by far the most effective among the ten-member Association of South-East Asian Nations. A plethora of academic institutes, all with ties to the state, specialise in covering the region.

Much in Singapore's domestic political, cultural and social discourse remains officially out of bounds for public debate. But policymakers insist that little is taboo when it comes to foreign-policy priorities.

On the contrary, they say, it is crucial to get those right. Singapore is increasingly the first port of call for American and European officials visiting the region. Some see it as a Vienna for the 21st century—the natural place for antagonists in Asia's growing Great Game to meet. It already hosts the region's pre-eminent security talkfest, the annual Shangri-La Dialogue organised by the International Institute for Strategic Studies, a think-tank based in London.

The city-state's informal motto is to avoid dangers, seize opportunities and maximise the space for manoeuvre. One diplomat sums up this mantra more earthly: "Either get out of harm's way or hitch a ride." The China-watching refugees help Singapore do both. ■

Homosexuality in Singapore

Crime and no punishment

BANGKOK

An anti-gay law is allowed to stay—so long as it is not enforced

IN A REGION where governments often disregard or contort their own laws, Singapore stands out for punctilious observance. That is why a recent judgment from its high court raised eyebrows. On February 28th the Court of Appeal dismissed a challenge brought by three gay-rights activists against a law, dating from the colonial era, that criminalises sex between men. The legislation will remain on the books—yet the court has in effect told the government it can carry on pretending it does not exist.

Section 377A of the Penal Code, which punishes acts of "gross indecency" between men with up to two years in jail, is a "lightning rod for polarisation", as the justices put it. They have done their best not to get electrocuted. The court side-

stepped the question of the law's constitutionality by arguing that the judges had to take into account the government's stance. When parliament debated 377A in 2007, Lee Hsien Loong, the prime minister, declared that it would remain but would not be "proactively enforced".

Mr Lee argued that it was necessary to strike a balance between accepting gay men and respecting society's "traditional" mores. The court said that this "political compromise" took on legal weight in 2018 when the attorney-general said that it was not in the public interest to prosecute consenting men who engage in sexual acts in private. The law cannot violate the plaintiffs' constitutional rights, the court argued, if the authorities are not enforcing it.

"This is really a live-and-let-live approach," says Eugene Tan, a law professor at Singapore Management University. Yet it has satisfied no one. Though the ruling seems a blow to gay Singaporeans, it is in fact "a partial but significant victory" for them, said one of the plaintiffs, because the court gave legal weight to the attorney-general's position.

That will displease Singapore's many conservatives. But gay activists are also unhappy. As the court acknowledged, there is nothing to stop the government from deciding to start enforcing the law once again. Legislation should "provide clarity on how citizens conduct their lives", says Remy Choo Zheng Xi, a lawyer for one of the plaintiffs. The judgment has instead muddied the waters. Keeping the law on the books, he says, makes "a mockery of what the rule of law is supposed to be".



At least you can still get a drink

South Korea's presidential election

Unedifying

GANGNEUNG

Voters are split between two equally unpopular candidates

KISSING BABIES, playing up local connections and framing elections in existential terms are familiar tactics of politicians everywhere. Yoon Seok-youl, the main opposition candidate for the presidency of South Korea, deployed all three during a recent rally in Gangneung, a city of some 200,000 people on the country's north-eastern coast. Once he was done posing for the obligatory picture with a bemused toddler, Mr Yoon reminisced about childhood holidays spent in the city. Then he adopted a more solemn tone: the presidential election on March 9th, he said, was not a matter of party allegiance but about whether South Korea would "live or die".

The crowd, mostly middle-aged and elderly supporters of Mr Yoon's conservative People Power Party, gave an approving roar. But nearby, few non-participants in the rally seemed to share their enthusiasm. A woman selling dried fish in a market complained about traffic jams caused by the event; another cast doubt on the accuracy of Mr Yoon's recollection of his early-life holidays. Passers-by sidestepped a campaign aide trying to convince them to go on stage to shake the candidate's hand.

Gangneung's indifference is representative of the national mood. South Koreans do not share Mr Yoon's view that the election is a matter of life and death. Neither he nor Lee Jae-myung, the nominee of the ruling Minjoo party, had managed to establish a firm lead by the time pre-election polls were released on March 2nd.

With little to distinguish their proposed policies on high housing costs or the economic fallout from the pandemic—the public's main concerns—the presidential hopefuls have spent the campaign slinging mud at each other while becoming mired in personal scandals themselves. Partly as a result, they are the least popular pair of contenders for the presidency since the country democratised in 1987.

It is fitting, therefore, that the election will probably not turn on either candidate's appeal. Instead, a last-minute decision on March 3rd by Ahn Cheol-soo, a minor conservative candidate, to abandon his candidacy and merge his campaign with Mr Yoon's, may prove more important. Before the merger, polls suggested Mr Ahn had the support of about 10% of voters, compared with roughly 40% who backed Messrs Lee and Yoon respectively. Even if only some of Mr Ahn's supporters hold

their noses and switch allegiance to Mr Yoon, that may be enough to tip the scales.

The last-ditch dealmaking in the conservative camp will do little to dispel voters' disillusion with the presidential campaign. Before Mr Ahn's endorsement, Mr Yoon had failed for weeks to benefit from a prevailing mood of anti-incumbency. Instead he has suffered from his lack of political experience. Mr Yoon is a former chief prosecutor who helped bring down Park Geun-hye, a former president. He entered politics only in June after falling out with Moon Jae-in, the current president, over attempts to introduce reforms in the prosecutor's office.

Since then, conservatives have been embarrassed by Mr Yoon's association with prominent shamans and his apparent belief in superstitious practices. He has pandered to conspiracy theories about alleged irregularities in legislative elections in 2020, for which there is no evidence; threatened to prosecute the outgoing president for corruption if elected; and railed against foreigners and feminists.

Mr Lee, meanwhile, has faced questions about his possible role in a land speculation scandal in Seongnam, a middle-class suburb of Seoul, which occurred while he was its mayor. More recently he has come under fire for blaming Russia's invasion of Ukraine on the inexperience of Volodymyr Zelensky, the Ukrainian president—an apparent dig at Mr Yoon's status as a political novice. He later apologised.

At a press conference announcing the merger of their campaigns, Messrs Yoon and Ahn promised to create a "successful government of national unity" and usher in an "era of grand transformation for change and innovation". Were Mr Yoon to win, voters can only hope that this newfound presidential demeanour outlasts election day. ■



Baby I need your loving

Cotton-picking

Liberty bale

BUKHARA

Uzbekistan has succeeded in abolishing forced labour

STANDING THROUGH a cotton field in Uzbekistan one sunny morning in October, Shukhrat Ganiyev recalled how just a few years ago he would have had to sneak around to speak to cotton-pickers about whether they were there voluntarily. A lot of them were not. But during last year's harvest Mr Ganiyev, a human-rights campaigner, was openly leading a fact-finding mission a short drive away from the silk-road city of Bukhara. The group had been sent by the International Labour Organisation (ILO), a UN body. This time there were few instances of coercion to be found. On March 1st the ILO reported that forced labour was now "so insignificant that it was exacting to detect and measure" even with 11,000 interviews. What is more, wages were usually paid in full and on time.

It is remarkable progress for a country that as recently as 2017 required adults—and before that many children, too—to help with the harvest. Under Islam Karimov, the country's strongman president until his death in 2016, Uzbekistan had one of the world's largest state-orchestrated forced-labour systems. The government had a monopoly on cotton and set production quotas that encouraged local officials to frogmarch citizens into the fields. ILO monitoring of the harvest in 2015 found that 14% of the 2m-odd Uzbeks involved in picking cotton had been press-ganged. By 2020 that number had declined to 4%, falling further in 2021. Other monitors reported similar findings: the Uzbek Forum for Human Rights (UFHR), an NGO, documented no "systemic or government-imposed forced labour" for the first time in 11 years of tracking the harvest.

This is good news for Shavkat Mirziyoyev, the current president, who made a surprise pledge to abolish forced labour soon after coming to power in 2016. He stiffened penalties on local officials for pushing unwilling workers into fields while raising state-set wages for pickers. Pay has risen by around 170% since 2017, though labourers must still collect around ten kilos of cotton (under an hour's work for a skilled picker) to earn a dollar. Two years ago he scrapped quotas and ended the state's monopoly on the industry, which had been in place for a century.

Cotton production is now organised around privately owned "clusters", so called because they both grow and process the cotton. One such cluster, called Silver-►

leaf, is in the Jizzakh region of central Uzbekistan where Mr Mirziyoyev once had to meet cotton quotas when he served as governor. There Dan Patterson, a cotton-grower from Mississippi, shows off his picking machines and a fancy control centre, promising “transparency and traceability of the supply chain”. The idea is to prove to foreign buyers that no forced labour has been used.

Yet perceptions have been slower to change than Uzbekistan's practices. More than 300 big brands—including behemoths like Inditex, H&M, Nike and Wal-

mart—have signed a pledge established in 2011 by the Responsible Sourcing Network (RSN), an American NGO, to boycott Uzbek cotton. The government is urging campaigners to end the embargo now that the ILO says systematic forced labour is a thing of the past. Selling to global brands would boost demand and create more jobs as Uzbekistan tries to move from exporting raw cotton to the more lucrative business of producing finished garments.

Campaigners are wary of rewarding Mr Mirziyoyev too soon. Although civil society has more freedom than under Karimov,

the government still keeps it on a short leash. Non-governmental groups that the authorities do not like are denied the permits needed to operate. According to Umid Niyazova of the UFHR, the country still needs “political reforms, independent trade unions, civil-society groups and real mechanisms that can hold power to account”. Still, campaigners are not ruling out a change of position on the boycott. The environment is far from “risk-free”, said Patricia Jurewicz of the RSN, but “there is an opening to be able to source responsibly from Uzbekistan”. ■

Banyan Mood change

Ukraine has changed how Taiwanese see themselves

NO DATE in the Taiwanese calendar is more poignant than February 28th. Starting on that day in 1947, and continuing over the weeks that followed, China's Kuomintang (KMT, or Nationalist) government, which had taken over Taiwan on Japan's surrender two years previously, put down an uprising by islanders sick of the KMT's harsh and corrupt administration. It did so with utter ruthlessness. By the time the revolt was over, tens of thousands of civilians had been gunned down or executed, including much of the island's intelligentsia.

The “February 28th incident” ushered in nearly four decades of martial rule, known as the White Terror. But since then Taiwan has undergone a dramatic political and social transformation. The KMT long ago formally apologised for the slaughter, even though debates continue about whether justice has been seen to be fully done. Meanwhile, the party has morphed into merely one constituent of Taiwan's peaceable, if fractious, democratic politics. The threat to Taiwanese is no longer the KMT but its Communist vanquishers on the mainland.

As Taiwanese marked the 75th anniversary of the massacre this week, they were reminded of that threat by events towards the other end of the Eurasian landmass. More than the people of any other country in Asia, they are stirred by the plight of Ukraine, as its people bravely resist a gargantuan invader. Bridges and skyscrapers across the island blaze in the blue-and-yellow of Ukraine's flag.

That should not be surprising. A slogan coursing through Taiwanese social media is “Ukraine today, Taiwan tomorrow!” Even more emphatically than Vladimir Putin claims Ukraine, China's rulers insist that Taiwan is part of the motherland and reserve the right to

use force to compel its return. To Taiwanese, the parallels between what Mr Putin is doing to Ukraine and what Xi Jinping might do to Taiwan are glaring, all the more so since Mr Xi and Mr Putin say that theirs is a relationship with “no limits”.

Viral videos of defiant Ukrainians have changed how many Taiwanese see their future selves. One protester outside the gates of Russia's de facto embassy in Taipei, Carey Chang, a 25-year-old working at an education startup, says that if ordinary Ukrainians, even when left to fight alone, can still manage to resist a much larger power, “then why can't Taiwanese too?”

Lai I-chung, a security specialist close to the ruling Democratic Progressive Party at Taiwan Thinktank, a policy outfit, describes a new direction in the national conversation. Ukrainian heroics, he says, are a strong morale-booster. His institution and others are getting calls from ordinary people inquiring about how to get onto military training courses so as to be ready to fight if China tries to invade Taiwan. A new debate about national conscription (currently just four months,

with plenty of ways to avoid it) has erupted. The example of Ukraine, says Eric Huang, a millennial high-flyer in the opposition KMT, “has made everyone think more about self-reliance”.

That will be music to American ears. The United States is committed to Taiwan's security (though not if Taiwan is rash enough to provoke China by declaring formal independence). To emphasise the point in the context of the war in Ukraine, in late February it sent a naval destroyer through the Taiwan Strait to show its “commitment to a free and open Indo-Pacific”, a move that China condemned as provocative. And on March 1st a delegation of American former security officials, sent by President Joe Biden and led by Mike Mullen, a former chairman of the joint chiefs of staff, arrived in Taipei. Part of the mission was to reassure President Tsai Ing-wen and her administration of America's support.

Still, American security types have long grumbled that Taiwanese, especially the young, seem too uninterested to fight to defend their land. They will take comfort from the mood change. A more substantive concern has been Taiwan's sloth in reforming its defence capabilities and strengthening its deterrence.

It takes imagination to conjure Ms Tsai, with her low-key persona, effortlessly channelling Ukraine's passionate president, Volodymyr Zelensky, who has united his nation in the past weeks. But she seems ready to appear more often in public, including in front of the troops. As she laid a wreath in honour of the victims of 75 years ago, she said that, as president, she had “responsibility to bring Taiwan together and safeguard our democracy”. That message is finding a more receptive audience than it did even just over a week ago.





China and Lithuania

Bullying a Balt

VILNIUS

A tiny European democracy is threatened by two big, authoritarian powers

“CHINA SHOULDN’T get riled by Lithuania at all,” one of China’s best-known nationalist commentators, Hu Xijin, opined on his social-media account. “It’s a snotty little country—just not worth it.” The Chinese government is paying no heed. As Russia invades one European democracy, China is boycotting another. Ukraine’s offence was to be an independent country. Lithuania’s was to give Taiwan an opportunity to hint that it is.

Since late last year, Lithuania has become the target of the most sweeping sanctions that any country has faced for upsetting China’s Communist Party. Lithuanian officials play it down: only about 1% of Lithuania’s exports are to China, and China has little investment in Lithuania. But Lithuania’s foreign minister, Gabrielius Landsbergis, calls China’s actions a “dangerous precedent” that could “really disturb, politically and economically, the way that global trade works”.

In the past, when chastising countries that offend them, China’s rulers have been more selective, curbing or blocking only

certain imports. In Lithuania’s case, not only are exports to China being stopped, but also some products containing Lithuanian parts. Supplies of Chinese raw materials to Lithuania are being disrupted, too. Ausrine Armonaitė, Lithuania’s economics minister, says China’s retaliation against her country has been “unconventional”. “Today it’s Lithuania, right? Tomorrow it might be any other country.”

In the past two years Lithuania’s relationship with China has changed dramatically. China once regarded the country as a potential hub of its business operations in central and eastern Europe. Its ambassador to Lithuania predicted in 2020 that the “cake” of Sino-Lithuanian co-operation would “become bigger and bigger”.

Now there is no Chinese ambassador in Vilnius, and no Lithuanian embassy in

Beijing. Lithuania withdrew its remaining diplomats in December, a few months after China recalled its envoy and forced Lithuania to do likewise. The proximate cause for the spat was Lithuania’s decision to allow Taiwan to open an outpost in Vilnius and call it the Taiwanese Representative Office. Other Western countries have bowed to China’s wishes by requiring the democratic island to attach the name Taipei to such missions. Using the word Taiwan or Taiwanese, China argues, could give the impression that Taiwan is a country—and that would never do.

Lithuania and China are hardly evenly matched. The population of Lithuania is not much more than twice that of an average Beijing district. Yet the dispute is being watched by Western governments, not least Lithuania’s fellow members of the European Union. In January the EU filed a suit against China at the World Trade Organisation over the sanctions. America, Australia, Britain and Japan are backing it.

China may have expected that a small country such as Lithuania would quickly capitulate and rename the Taiwanese office. Some foreign firms worry about being snared by the sanctions, raising the pressure on Lithuania. But backing down now would risk looking “a little bit stupid”, says Vidmantas Janulevicius, president of the Lithuanian Confederation of Industrialists. In recent years attitudes in Lithuania towards China have been hardening. China’s refusal to condemn Russia for invading

→ Also in this section

38 Parsing a diplomat’s detention

39 Chaguan: China’s view of Russia

Ukraine has further soured the atmosphere. Lithuania borders on Russia as well as on Belarus, which Russia is using as a staging post for its attack on Ukraine. Like its Baltic neighbours, Estonia and Latvia, Lithuania was once an unwilling part of the Soviet Union. Although the Baltic states are now members of NATO, they worry that the invasion of Ukraine may be just the start of an attempt by Vladimir Putin to reconquer other former Soviet territories. China's friendliness to the Kremlin thus creates an especially bad impression.

When explaining Lithuania's transition from belt-and-road cheerleader to profound China sceptic, analysts in Vilnius mention China's security ties with Russia, too. These have not only been evident in Asia, where the countries have staged several joint manoeuvres. In 2017, for the first time, China took part in a naval exercise with Russia in the Baltic Sea. The Chinese vessels included a Luyang-class guided-missile destroyer, an advanced new type. They berthed in Kaliningrad, an enclave of Russia that is home to its Baltic fleet and adjacent to Lithuania. "Increasingly, we do not see the China file and the Russia file as separate from one another," says Konstantinas Andrijauskas of Vilnius University.

Politics has played an important role, as well. An escalation of human-rights abuses in China, including the sending of 1m or more ethnic Uyghurs and other Muslims in the Xinjiang region to camps for "deradicalisation", and the imposition of a draconian national-security law on Hong Kong, have soured attitudes towards China in Lithuania as elsewhere in the West. The horrors Stalin inflicted on Lithuania still make its people understandably neuralgic about communists and gulags. An election in 2020 brought to power a centre-right coalition led by critics of China. It soon took steps that enraged the Chinese government: barring Huawei, a Chinese firm, from Lithuania's 5G wireless network; shunning China's offers to develop Lithuania's main port; withdrawing from China's "17 plus one" dialogue with central and eastern European countries; and, last November, allowing the Taiwanese office to open with that offending name.

Some Lithuanian politicians question the wisdom of that move. In January the country's president, Gitanas Nausėda, who has no party affiliation, called it a "mistake". But there appears little immediate prospect of a climbdown. Lithuania's next parliamentary election is in 2024. Opposition politicians who are keen to reduce tensions with China may find it difficult to do so even if they win. Dovile Sakaliene, an

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Diplomacy in China

Going rogue

BEIJING

Foreign embassies in Beijing puzzle over a diplomat's detention

FEAR IS A potent tool, but not always a precise one. In the foreign embassies of Beijing, there is no doubt that China's secret police wished to send a chilling message when they detained a Japanese diplomat for some hours on February 21st, trampling the legal principle of diplomatic immunity. Envoy debate whether the operation was an attack on Japan, overreach by aggressive spooks or a calculated warning to foreign missions that even routine meetings with Chinese contacts are out of bounds, as national-security rules tighten further.

Some details of the case are shockingly clear-cut. Japan's diplomat was accosted after lunch with a Chinese citizen at a hotel restaurant in Beijing. The envoy was taken to a room at the hotel and surrounded by ten or so men. A diplomatic identity card was shown, and ignored by the captors, as were the diplomat's demands to call the Japanese embassy. Identifying themselves as



Leave at your own risk

state-security officers, they proceeded with a two-hour interrogation about the lunch. Yet the Vienna Convention on Diplomatic Relations, the treaty that protects diplomats, is unambiguous, stating: "The person of a diplomatic agent shall be inviolable. He shall not be liable to any form of arrest or detention."

China's official response is also dismally clear. The chief spokesman for the Chinese foreign ministry, Hua Chunying, rejected Japan's demand for an apology. Instead, Ms Hua accused the envoy of "activities inconsistent" with diplomatic work, and demanded that the Japanese embassy (pictured) "respect Chinese laws and strictly discipline its diplomatic personnel in China to prevent similar incidents from occurring again". Talk of "activities inconsistent" is typically used to signal a charge of espionage, and is often followed by expulsion. In this case, Japan's foreign ministry is adamant that their official was carrying out legitimate, normal diplomatic work.

In embassies in Beijing the case is called "extremely serious". Though China briefly detained a Japanese naval attaché in 2002 near a military base in a coastal province, diplomats struggle to recall a similar incident in Beijing. In Moscow Western diplomats suffer harassment and break-ins at their homes by Russian security services. But China generally dislikes being seen as a rogue state.

Because Japan's bilateral relations with China are chilly but relatively stable, the most popular theory among diplomats is that security services want to make it even harder for foreigners to have candid contacts with Chinese. This is already a paranoid time, marked by speeches from Communist Party bosses about the need to protect national security from hostile foreign forces in all aspects of life. It has just got worse.

opposition legislator who is a critic of the Chinese government (which has blacklisted her), says there is little chance of the Taiwanese office being renamed after the polls. "Pressure and intimidation by China [have] closed that avenue," she says. Russia's invasion of Ukraine has made politicians more than usually wary of appearing to bow to an authoritarian bully.

Taiwan has offered help: \$1bn of credit for joint projects with Lithuania and a \$200m investment fund for businesses there. Eric Huang, the chief of Taiwan's of-

fice in Vilnius, says one focus of this largesse will be developing a semiconductor industry in Lithuania. He describes the punishment of the Baltic state as a "new stage for China's coercion of the world". It is, he says, "very meaningful for Western democracies" that a small country such as Lithuania has "weathered the storm". It is not yet over, however. ■

Lithuania's prime minister, Ingrida Simonyte, argues that Russia's invasion of Ukraine was predictable in an online essay: economist.com/by-invitation

Chaguan | China learns to love imperialism

China and Russia agree that big countries should run the world



TO THE FERVENT revolutionaries who ran China in 1968, the Soviet invasion of Czechoslovakia was a monstrous crime, but not a surprise. Watching from Beijing, Chairman Mao Zedong and his aides saw a vindication of a long-standing suspicion: that the once-proud Soviet Union was now ruled by "socialist imperialists", on a par with the capitalists in charge of America, the original imperialist superpower. Indeed, Mao's deputy, Zhou Enlai, accused Soviet leaders of active collusion with America, involving a scheme to divide the world into two spheres of influence, one run from Moscow and the other from Washington. The invasion was evidence of that pact, Zhou charged: Soviet bosses dared to send tanks to roar down Prague's cobbled streets, because they knew that America would not intervene.

Chinese outrage did not signal any sympathy for the liberal reforms of the Prague Spring that triggered the invasion, let alone for Alexander Dubcek, the local party boss arrested and flown to Moscow. Instead, Maoist officials described the invasion as a revolutionary struggle, pitting heroic Czechoslovak masses against "fascist" Soviet occupiers. Later, they turned indignant when the jargon of communist diplomacy was used to justify the invasion. Throwing their high-flown phrases back at Soviet leaders, the *People's Daily* newspaper in Beijing demanded to know: "You have dispatched hundreds of thousands of troops to occupy the whole of Czechoslovakia. What 'territorial integrity' is there to speak of?"

Half a century after those Mao-era enmities, which eventually boiled over into a brief Sino-Soviet border war, the world order is turned upside down. China's leader, President Xi Jinping, is the avowed best friend and ideological soulmate of Russia's president, Vladimir Putin. As Mr Putin ordered an unprovoked invasion of Ukraine on February 24th, he did not conceal his war aims. He wants to turn that neighbouring country of 44m people into a neutral, demilitarised satellite. In the blunt words of the German chancellor, Olaf Scholz: "Putin wants to create a Russian empire."

Mr Xi and his government maintain a pose of pseudo-neutrality towards the conflict in Ukraine, but nobody doubts China's pro-Russian lean. China's approach combines pious calls for peace with the tireless recycling of Russian arguments for the invasion, including the assertion that America is to blame, for wel-

coming former Soviet satellites into the NATO alliance after the end of the cold war. China's foreign minister, Wang Yi, has called on Western governments to address Russia's "legitimate security demands" and agree to a dialogue that places Russia on an equal footing with the 27-member European Union. This time it is the turn of Chinese diplomats to mouth empty phrases about their respect for the "sovereignty and territorial integrity of all countries" even as their Russian friends prepare to dismember Ukraine, echoing Soviet propaganda as tanks growled into Prague.

Chinese officials talk of Russia's legitimate desire to see "a balanced, effective and sustainable European security mechanism". That builds on a joint statement agreed to by Mr Xi and Mr Putin hours before the opening of the Winter Olympics in Beijing on February 4th, in which China backed Russian proposals for "long-term, legally binding security guarantees in Europe". In plain language, Russia is demanding a veto over European security arrangements and alliances. A Chinese scholar in Beijing explains what his government thinks: that European security policies should neither target Russia nor ignore Russia's wishes, and should be decided by Europeans alone—ie, America should leave.

Other governments understand what is at stake. On February 28th Singapore's foreign minister, Vivian Balakrishnan, explained why his country stands ready to impose sanctions on Russia, though it traditionally seeks friendly ties with all large powers. "This is an existential issue for us. Ukraine is much smaller than Russia, but it is much bigger than Singapore," he told parliament, adding that: "A world order based on 'might is right'...would be profoundly inimical to the security and survival of small states."

China's dream of an American retreat

A world run by big countries appeals to many Chinese nationalists, who have filled social media with praise for Mr Putin, even as censors delete posts critical of Russia. The notion that NATO is a collective-defence pact which expanded in response to demand from former communist-bloc countries fearful of Russian bullying is almost unknown in China. Instead, the Atlantic alliance is seen as a tool of American aggression that is "in perpetual search of an enemy", to quote a Chinese essay on Ukraine shared widely in recent days. NATO is best known as the vehicle used by America and allies to intervene in Yugoslavia's civil wars in the name of preventing ethnic cleansing: a mission called illegal meddling by China. Then NATO bombed the Chinese embassy in Belgrade during the Kosovo war in May 1999, an event that China's government refuses to accept was an accident. The date of the embassy bombing is recalled by the name of an important Chinese armament programme, "Project 995". On the day that Russia invaded Ukraine, China's assistant foreign minister, Hua Chunying, accused the West of a long history of trampling Chinese sovereignty, telling reporters that "NATO still owes the Chinese people a debt of blood."

It may never be known how much Mr Xi knew in advance about Mr Putin's plans. Chinese diplomats appeared startled by Russia's invasion. They were "visibly squirming" when approached by Western counterparts in Beijing and at the United Nations in New York as tanks rolled into Ukraine. The war could still descend into violence so bloody it makes China's pro-Russian stance politically costly. But in Beijing, cynical voices argue that China may gain from Mr Putin's aggression, if it forces America to pay more attention to Europe and less to the Indo-Pacific. China wants a sphere of influence in Asia in which its writ goes unchallenged by America. As a result, it has made its peace with Russian imperialism. ■



South Africa

The parallel state

DIEPSLOOT AND STEYN CITY

In different ways rich and poor are fending for themselves

JOHNESBURG CLAIMS to be the largest city in the world that is not built on a coast, river or lake. But geography is no concern for the couples steering pedalos or the toddlers zooming down slides at the “lagoon”, a 300m stretch of watery fun that opened in September at Steyn City, the largest private estate in South Africa. Situated in the north of Johannesburg, Steyn City has shops, a school, generators, a petrol station, golf, 50km of biking trails, fishing dams, 24-hour security and a dinosaur-themed playground. There is even a helipad; but residents need never leave.

That, for some, is the point. The appeal of estates like Steyn City, which account for nearly one in five property transfers (a proxy for sales), is partly that they are fun. Yet they also represent a broader demand: for a sanctuary in a country where the state cannot seem to curb crime or provide decent services. And it is not just the rich who are fending for themselves. So, increasingly, is everyone else.

Since 1997 the number of pupils in private schools has tripled, from 236,000 to 703,000, while those in state schools

inchched up from 12.0m to 12.7m. (These figures downplay the popularity of fee-paying schools, since some state schools charge for attendance.) The increase is not happening in the most expensive schools, which are, in fact, becoming easier to get into, because so many well-heeled South Africans are emigrating. “The growth is in the low-to-mid range of the market,” says Lebogang Montjane, the head of the Independent Schools Association.

Private school groups such as Spark, Curro and ADVTECH promise a better alternative to the state sector. Though state schools in areas once reserved for black South Africans have improved since apartheid, on current trends it will still take 80 years before all ten-year-olds can under-

stand what they are reading. Private fees are priced to be affordable for the black middle class. Spark costs 28,050 rand (\$1,800) a year for primary school, roughly a fifth of what the dearest schools charge. Paying is a mark of status, notes Mr Montjane. “When you say you send your child to a private school it sounds a lot more impressive at a braai.”

At first glance health care is a different story: 15% of South Africans have health insurance, the same share as two decades ago. But many more avoid state hospitals if they fall ill. The nationally representative General Household Survey, published in December, found that people in 27% of households would go to a private provider if they were sick.

It would make sense. During the pandemic, hospitals gutted by graft were unable to cope with the influx of patients. Meanwhile the then health minister was accused in a report by state investigators of “improper” or “unlawful” conduct in relation to the diversion of millions of rands of covid-related funds to cronies and family members. (He has denied wrongdoing and asked the courts to set aside the report.)

Security is the clearest case of where private companies are replacing the state. In 1997 there were roughly as many police officers (110,000) as active security guards (115,000). Since then officer numbers have increased by 31% (to 144,000) but the number of private guards has ballooned by 383% (to 557,000). Gun-carrying watchmen and ubiquitous surveillance cameras that ➤

→ Also in this section

41 Schools and the market

41 Terrorism in the Sahel

42 Gentrifying Egypt

43 Israel's cable diplomacy

► feed footage to security firms' operation rooms are everyday sights in suburbs and high-walled estates.

In Steyn City one resident explains that her sons can go out cycling "and you don't have to worry about them." Another says: "It's the closest I can give my children to what I had growing up: being able to walk outside without fearing for their safety." It is easy to dismiss such views as hysterical responses to life in a highly unequal country or as veiled pretexts by whites for wanting to live in racially homogenous communities. But the sense that the state cannot protect citizens—underlined dramatically last year when the country saw the worst civil unrest since apartheid—is widely felt.

Just north of Steyn City is the township of Diepsloot. (Meaning "deep ditch" in Afrikaans; accurate, if unappealing branding.) Its plots are smaller than the bedrooms in a place like Steyn City; its shacks are smaller than the bathrooms. Toddlers splash in burst sewage pipes, not lagoons.

"Police cannot control the crime and the community is angry," says Peter Molatjane, the chairman of a local business forum. Diepsloot has the fourth-highest rate of violent assault of any police precinct in the country. Addiction to *nyaope*—a mix of cheap heroin, cannabis, antiretroviral drugs and dilutants—is common. Criminal gangs make life hell. A lack of electricity makes nights darker and more dangerous (though, in a version of what is happening in richer suburbs where roofs glisten like fish scales, some residents use solar panels rather than rely on Eskom, the unreliable state utility.)

Few residents expect the cops to keep them safe. "The police are part of the problem," says Philemon Mulovhedzi, a welder turned lay preacher, adding that they are bribed by gangs to turn a blind eye.

Instead residents are organising, in ways vaguely reminiscent of what happens in richer areas. Willie Hlungwane, who lives with his wife and four children in a shack, shows the gate he built and which he closes at night to keep out intruders. It is a ramshackle kind of "boom gate", like those common at the end of streets in wealthier suburbs. Residents chip in a few rand to keep an armed guard fed throughout the night.

Occasionally there is vigilantism. Last year 300 Diepsloot residents seized two alleged robbers from police and killed the suspects. "I'm not saying it's right but mob justice shows people care about their area," says Papi Sathekge, a local activist.

Some South Africans emigrate to escape failing public services. But most cannot leave, or do not want to. Instead, argues Gwen Ngwenya of the opposition Democratic Alliance, they slip across an imaginary border, migrating, as it were, into the arms of "the private parallel state". ■

Education and the market

Class struggle

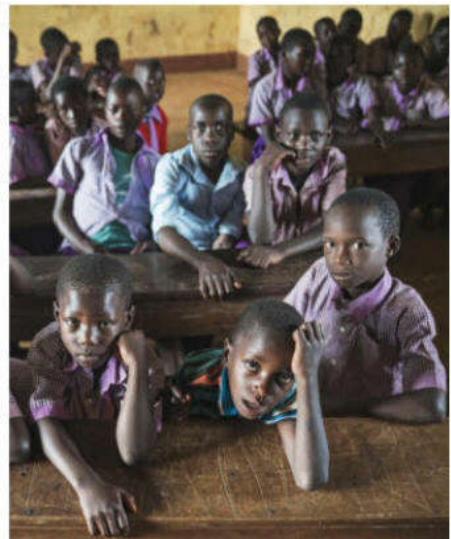
GULU, MASAKA AND KAABONG

The need to pay for education draws Africans into the market economy

IN JANUARY SCHOOLS in Uganda reopened after nearly two years of covid-19 closures. That was a source of delight to poor parents who hope to improve their children's prospects through education. But it was also a source of dread for many others, since they knew they would struggle to afford to pay the fees.

Prossy Nabatebeka, a firewood-seller in Masaka district, took on casual work to pay for her children's schooling, digging ditches in a rich man's pineapple field. Her 14-year-old daughter became a labourer, too, heaving charcoal onto trucks. Others sold assets to raise enough money. Alex Matwiga, a local land-dealer, said that he was handling twice as many transactions as in usual months because parents were selling land at fire-sale prices, mostly to government officials or traders from town. "People don't have other options," he explained. "They are in the squeeze."

In theory, schooling is free in Uganda. In practice, most spending on education comes from parents, rather than the government or foreign donors. Parents have to chip in for materials, upkeep, uniforms and exam fees, or sometimes just to hire an extra teacher. The cost of these "school



Hard maths

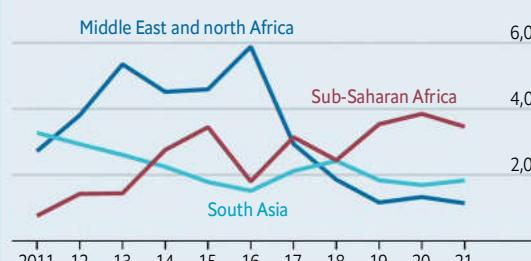
fees" is so high that half of Ugandan households have seen a child drop out for financial reasons, according to Twaweza, an east African NGO.

In many parts of Africa (as elsewhere), the transformation of subsistence farmers into wage-earners or petty entrepreneurs is the starting-point for development. The shift makes countries richer and lets people lift themselves out of poverty. Across much of Africa, however, this transition is incomplete. Most folk in the countryside still cultivate small plots of their own. One of the forces pitching them into the market economy is the need to earn money to pay for something that nearly all of them desire: education for their children. ►

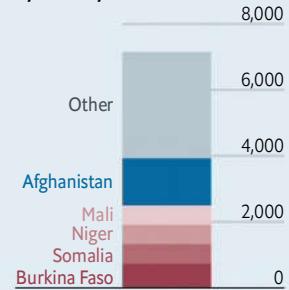
The shifting fronts of terror

Deaths from terrorism

By region



By country, 2021



The most dangerous regions on earth

Every year since 2017 more people have been killed in terrorist attacks in sub-Saharan Africa than in either South Asia or the Middle East and north Africa. By 2021 almost half of all those killed by terrorists globally were in sub-Saharan Africa, according to the Global Terrorism Index compiled by the Institute for Economics and Peace. Worst hit is the Sahel, a poorly governed strip of scrub south of the Sahara, which accounts for 35% of all deaths. One Sahelian group affiliated to al-Qaeda, Jama'at Nasr al-Islam wal Muslumin, is the fastest-growing terrorist group in the world.

In colonial times, British officials imposed "hut taxes" to force Africans into the cash economy. Needing money to pay the tax, farmers would have to grow cash crops or work in mines. Also, since the industrial revolution people have changed their habits so as to be able to afford new consumer goods, perhaps by working longer hours or finding jobs away from the farm.

School fees work in both these ways. They are a bit like a tax, because families have little choice but to pay them. And they are a bit like a consumer good, because aspirational parents can upgrade to a private school. Most important, though, is that they are an investment. Enock Chikava was one of 11 children of smallholder farmers in Zimbabwe. His parents used money earned by growing crops to educate their children. "Everyone needs money for school fees, which is the actual mobility out of poverty," he says. "All the 11 of us, no one is on the farm today, but it is the farm that...is the springboard." These days he is in charge of agricultural development for the Gates Foundation, a charity.

After food, education is one of the biggest items in household budgets. The "financial diaries" of poor families in Kenya reveal that education swallows 11% of their spending, rising to 18% among those who rely mostly on farming.

School fees encourage farmers to plant cash crops such as coffee, which Ugandans rarely consume themselves. They also give new meaning to familiar goods. In the cattle-keeping region of Karamoja herders are loth to part with their cows, which are a source of cultural pride, but will sell a heifer to educate a child. Samali Marika, an elder there, lists the uses of a cow as milk, meat, ploughing, bride price—and paying for school.

Meanwhile school imposes its own calendar, which jars with the rhythms of the harvest. When term begins, desperate parents are at the mercy of the middlemen who buy their crops. In 2010 the government of Malawi brought forward the start of the school year by three months, forcing parents to sell when prices were low. A study by Brian Dillon of Cornell University estimates that they missed out on price increases of 17-27% as a result.

One way to bridge these time discrepancies is through savings and credit. Some parents join savings clubs, depositing a small sum each month and taking it in turns to receive a windfall. Others borrow from banks. Robert Canwat, the micro-finance manager at Centenary Bank in Uganda, says that it started offering loans for education after noticing that some borrowers were using loans intended for their businesses to pay school fees. Demand peaks at the start of the second term in May, before the first harvest. National surveys find that a fifth of all loans in Uganda

are used to pay for school.

As beneficial as this process is in the long run, parents are often paying for things which are supposed to be funded by the state, and which they themselves can ill afford. Half of Tanzanian parents surveyed by Twaweza in 2017 said they had contributed to school construction over the previous year. Tom Job Acire, a deputy head teacher in Gulu district in Uganda, says the government sends only 7,000 shillings (\$2) a term for each pupil, so parents are forced to contribute. It is, he says, "an economic war" on the poor.

Nighty Aciro, a single mother in Gulu district, says that only two of her five children have resumed their studies. The local primary school is asking for 40,000 shillings a pupil for the term ahead, the equivalent of seven days' casual labour. For now the other three children play between the smouldering kilns where hard-up parents bake bricks for sale. Without an education, they are unlikely to escape the toil to which she has been forced to resort to send their siblings to school. ■

General engineering

Egypt tries to reshape its cities

CAIRO

The plans promise luxury for the rich. The poor fear neglect and displacement

TO JUDGE BY his social-media feeds, Abd el-Fattah al-Sisi missed his calling as a foreman. Egypt's general-turned-president, who seized power in a coup in 2013, spends a fair bit of time on construction sites, poring over blueprints and chatting with men in hard hats. On February 28th he boarded a plane for a bird's-eye view of the vast new capital rising in the eastern desert (see map). The \$58bn project is still a construction site. After years of delays, though, the government hopes to start moving civil servants this month.

Mr Sisi is not the first modern leader to build a new capital. Governments in Myanmar, Brazil and Pakistan, among others, have decamped to new digs. His pharaonic predecessors were fond of moving their capitals, too. But his ambitions go beyond a new administrative hub. He is building new cities on the northern coast and razing parts of Cairo (pictured on next page) for highways and purpose-built communities. Thousands of Egyptians have been moved. Millions more may soon follow.

If all goes to plan, the government hopes to reshape the country's urban fabric. But it is doing so in a way that bespeaks a military man's understanding of cities: not as messy, organic places where people

live but as orderly and functional spaces populated by like-minded, and mostly prosperous, groups.

No one doubts that Cairo needs an overhaul. Around two-thirds of Cairenes live in shoddy informal housing. The World Bank estimated in 2012 that Cairo's incessant traffic cost 4% of GDP in lost productivity and wasted fuel. A study by Cairo University in 2016 found noise levels in some residential districts averaged 80 decibels, akin to living on a factory floor.

Designed for 6.5m people, the new capital will replace tumult with tidiness. Instead of clogged flyovers and narrow alleys it will boast wide, tree-lined boulevards. Officials hope big firms will move their offices to a planned business district.

Similar things are happening on the northern coast. Locals call Alexandria the "bride of the Mediterranean", but decades of runaway development spoiled its fair-maiden status. Mr Sisi's regime wants to arrange new suitors for the sea. New Alamein's planned high-rises west of Alexandria could serve as a summer capital. To the east, the \$4bn New Mansoura imagines a pattern of artificial islands curving into the sea. A project near Port Said aims to attract 1m young people and entrepreneurs.

Much of this is aimed at the elite. Apartments in New Alamein run into millions of pounds, pricing out most Egyptians. At the Badr public-housing complex in the new capital, state employees can buy a discounted flat for 450,000 pounds (\$28,640), almost 14 years' pay at the public-sector minimum wage. (Those who cannot afford to move will get a transport allowance.)

Some developers muse that the wealthy may soon have little reason to visit Cairo at all, save for visiting family. From the western suburbs, with names like Palm Hills and Dreamland, downtown Cairo is a 25km journey, which can take more than an hour to cover in traffic. The new capital is 70km away, but motorists can zoom to it on newly built motorways. "The commute is three times farther, but it may not take much longer," says one executive. ■





Out with the old

The new thoroughfares come at a cost to residents—living and dead. In Heliopolis, a middle-class district, thousands of trees have been uprooted to widen the roads. The authorities may also bulldoze parts of Cairo's City of the Dead, a centuries-old necropolis and UNESCO world heritage site, to make room for a motorway.

Pouring so much concrete helps Mr Sisi cement his image as a man who gets things done. Billboards on new highways extol his “eight years of achievements”. But it also helps cement his control. Many of his new cities are billed as “smart”, a reference not only to services but to surveillance. An estimated 6,000 cameras, for example, will monitor the streets of the new capital. One activist likens it to the fictional capital from “The Hunger Games”.

The government says all this will transform Egypt: better housing, quicker commutes, less stressful cities. But that may only be true for a small minority. About two-thirds of Egyptians work in precarious and poorly paid informal jobs. They cannot afford cars to cruise along the new motorways, let alone luxurious new homes. Many of them fear they will be displaced by construction or forgotten amid an exodus of the better-off.

Residents of the “Maspero triangle”, a slum wedged behind the state-television building downtown, were recently moved out to make way for a fancy mixed-use development. Some were sent to a bleak new district on the outskirts of town. Others took a payout—but say it was not enough to buy flats in their former neighbourhood.

The area is now a sprawling construction site. On a busy street next to it, a young man hawking t-shirts gestures to the sign above his wares: everything costs 35 pounds (\$2) each. “If I sell every one of these,” he says, before pointing to the high-rises sprouting behind him, “I cannot afford one of those.” ■

Data-cable diplomacy

Message in a bottleneck

JERUSALEM AND BAHRAIN

Israel is hoping to knit closer ties with submarine cables

UNDER THE clear waters of the Red Sea, a high-speed data cable is being laid that will connect—for the first time—Israel to Saudi Arabia. The new link, which is part of two longer submarine cables running all the way from France to India, promises not only to improve the speed and lower the cost at which information can whizz between Europe and Asia. It is also knitting together a new regional alliance between Israel and countries in the Gulf that once regarded it as an enemy.

There is a solid business case for the new data pipeline, which is being built by Google and Telecom Italia, an Italian telecommunications firm, and is due to be finished in 2024. All other internet cables between Europe and Asia nip through Egypt along the route of the Suez canal (see map), or take a very long detour around Africa. Egypt’s government reckons that more than 90% of data between these regions goes through its territory. Internet firms grumble that this near-monopoly allows Egypt to charge extortionate transit fees. They also fret that this bottleneck makes them vulnerable to disruption.

For Israel, though, the new cable, named Blue-Raman, is far more than the sum of its 16 pairs of fibre-optic strands. It also represents a diplomatic thaw in the region. “For over seven decades all the Middle East’s trade routes and communications networks bypassed Israel,” says an Israeli official. “For the first time since Israel’s establishment, we’re becoming part of a regional infrastructure.”

Israel and Saudi Arabia do not have diplomatic relations and officially this route consists of two separate cables, one ending

in the Jordanian port of Aqaba, the other starting in the nearby Israeli city of Eilat. In reality, it will be a single pipeline, built with the support of both governments.

The Saudis, who want to use the cable to plug in Neom, a planned high-technology city, are keeping mum. Muhammad bin Salman, the crown prince, has been quietly pushing the kingdom towards closer ties with Israel. But King Salman bin Abdulaziz has long held that normal relations cannot be established with Israel until Palestinians achieve statehood.

Nevertheless, the Saudis have given their blessing to their neighbours on the Persian Gulf to improve their own relationships with Israel. On February 14th Naftali Bennett became the first Israeli prime minister to visit Bahrain. “We wouldn’t be here if the Saudis weren’t fully aboard,” said a member of Mr Bennett’s delegation.

Bahrain was the second country after the United Arab Emirates (UAE) to establish ties with Israel under the so-called “Abraham Accords” in 2020. All parties hoped this would improve business ties. Yet progress has been slow. Israeli tech entrepreneurs and venture capitalists went to Dubai to court investors, but were disappointed. “The Emiratis are used to making major investments in established companies,” says one of the Israeli businessmen.

Infrastructure projects may have more success. Last year Israel and Jordan agreed to build an Emirati-financed desalination plant on Israel’s Mediterranean coast. It is to be powered by solar energy from Jordan, which will also get its water. And there are more undersea cables in the offing that would link Israel with the Gulf and Europe.

Israel’s data-cable diplomacy comes as it is also trying to improve its own internet infrastructure to spread tech jobs to poorer parts of the country. Most are currently concentrated in cities such as Tel Aviv, which was ranked as the world’s most expensive city to live in last year by the Economist Intelligence Unit (a sister company to *The Economist*).

Yoaz Hendel, the communications minister, has pushed through reforms to spread high-speed internet to smaller towns. In doing so Mr Hendel, a historian, is looking to the past as well as the future. He sees the new network of cables in the Middle East as “the 21st-century version of the Silk Road” connecting countries that, until recently, were enemies. ■





The refugee crisis

Exodus, again

LVIV AND PRZEMYSŁ

Ukrainians are pouring into Poland. But many are heading the other way, to fight

A TRAIN PACKED with hundreds of Ukrainians arrives in Przemysł, a city in eastern Poland, after several hours' delay. Nearly all are women and children, many of them exhausted and crying. At Medyka, the nearby border crossing, the situation is even more desperate. Tens of thousands of Ukrainians, as well as foreigners escaping Ukraine, queue on the Ukrainian side in the cold. Many have left their cars behind in heavy traffic and continued on foot.

Holding a bag in one hand, her young daughter's hand in the other, and carrying her toddler in a sling, Anastasia describes walking 17km to the border. She was greeted by chaos and impenetrable crowds. A young couple saw a village consumed by flames along the way. "It was hell," says Katsya, recalling how her apartment in Kyiv shook as Russian bombs struck the city. "Fuck Russia," she says, before correcting herself: "Fuck Putin."

There are also heartening scenes. Thousands of Poles, Ukrainians living in Poland, and Europeans from farther away have turned up near the crossings, offering free transport and housing. Buses move

the newly-arrived to schools and sports halls, now serving as shelters. Volunteers distribute clothing, sim cards, nappies and food. Muhammed Isa, who came to the border from Norway, embraces his elderly father, who has just crossed from Ukraine. They are Syrians from Aleppo, the father displaced for the second time in under a decade, both times by Russian bombs.

This is the kind of refugee crisis that Europe hoped never to see again. More than a

million have already left Ukraine since the war began, the UN's refugee agency said on March 3rd. Around two-thirds are arriving in Poland, with Hungary, Moldova, Romania and Slovakia taking the rest. The European Union's commissioner for crisis management estimates 4m people could flee Ukraine in the next five months. Millions more will take refuge in the country's west, which many hope will escape the brunt of Vladimir Putin's invasion.

The EU's borders, which have gradually closed to most refugees since a big influx from Syria and Afghanistan in 2015-16, are opening up for Ukrainians. Poland, already home to nearly 1.5m Ukrainians—some displaced by Russia's earlier aggression in the Donbas—will provide "every refugee from Ukraine" with shelter and assistance, says Mariusz Kamiński, the country's interior minister. Romania is prepared to accommodate up to 500,000.

In contrast to 2015, when four-fifths of adult migrants from Syria and Afghanistan were men, the Ukrainians are almost all women and children. Ukrainian men aged 18-60 are subject to conscription and banned from leaving the country. Such rules create heartbreaking scenes at the border. Roman, a 19-year-old economics student from Kyiv, cradles a three-year-old outside a train station in Lviv. His wife Veronika will take their child into Poland; he is heading back, possibly into battle. Another man in Lviv, Siman, is a construction engineer who until recently was working in France. He returned to Ukraine to bury ➤



→ Also in this section

45 France's presidential election

46 Holland's ancient invaders

46 A new mayor in Rome

47 Charlemagne: Europe's watershed

his grandmother, but now finds himself obliged to take up arms. He is happy about it: "I am Ukrainian. I am ready. There is a first time for everything."

Other aspects of this migrant wave are different, too. Since 2017 Ukrainians have enjoyed visa-free travel around the EU for 90 days, meaning they need not seek asylum in the first EU country they enter. The task of accommodating them will thus be spread between countries. (In 2015 it fell disproportionately on Greece and Italy, which have long Mediterranean coastlines, and on Germany and Sweden, which threw open their doors.)

Travelling to a land border, often in cars, lets people bring more of their life with them, including their pets. "You don't have to walk across three countries, cross a desert, and sink into the Mediterranean," says Hanne Beirens of the Migration Policy Institute, a think-tank. And Ukrainians, though poor by European standards, are highly educated, with 79% of those aged 20-26 possessing a degree.

Ukrainians who live in the EU are helping their compatriots when they arrive. Poles have largely welcomed the Ukrainians, too. But foreigners fleeing Ukraine, especially those who are not white, have reported discrimination. Ukraine is home to thousands of students and workers from Africa and South Asia; non-Ukrainians made up 10% of the initial arrivals in Moldova. In Przemysl, patrols of masked youths have harassed dark-skinned migrants and relief workers.

The European Commission seems willing to let Ukrainians skip the red tape of asylum applications in favour of a new kind of status. On March 3rd member states look set to invoke a law on temporary protection, passed in 2001 but never used, that would let Ukrainians stay in the EU for three years. It will entitle them to benefits such as health care. But the law does not cover non-Ukrainian migrants. It is also unclear what happens after three years. Almost all Ukrainians say they wish to go home when the war ends, but that could change if Ukraine remains dangerous or is partially occupied by Russia.

Now that Mr Putin is bombing Ukrainian cities, the exodus is accelerating. But there is also traffic in the other direction. Scores of Ukrainians, most of them without military experience, are heading home to enlist. "I won't be able to look other Ukrainians in the eye unless I go back and fight," says Volodymyr Balychok, 23, a construction worker waiting at passport control. Eva Kravchuk, also 23, who runs an advertising agency in Warsaw, organised a convoy of supplies for the refugees. She, too, plans to go home to fight. Her mother, now sheltering in the basement of her home, does not want her to come, but "I can't leave her there." ■

France's presidential election

Macron's moment

PARIS

The sitting president looks well placed to keep his job

IT IS TURNING OUT to be one of France's shortest, and strangest, presidential election campaigns in modern times. Emmanuel Macron, the sitting president, had not yet declared that he was running for re-election as *The Economist* went to press on March 3rd, a day before the deadline. He had been distracted, aides said, by crises: a surge of covid-19 cases in January, and then his vain efforts to persuade Vladimir Putin not to invade Ukraine. His delayed entry means that it will be a mere five-week full-cast campaign, set against the backdrop of war in Europe. Both factors are likely to favour Mr Macron.

Assuming he declares, the president will be the favourite. On March 2nd *The Economist's* forecasting model put Mr Macron's chances of re-election at 88%. It suggests that his likeliest second-round opponent is Marine Le Pen, the nationalist-populist whom he defeated in a run-off in 2017. The next most-probable is now Eric Zemmour. A far-right polemicist who vows to "save France" from the perils of immigration and Islam, he has been convicted of incitement to racial hatred.

By contrast, the model puts at only 12% the chances that Mr Macron instead faces Valérie Pécresse, the centre-right Republicans' nominee. She has struggled to make her mark despite a non-stop campaign tour that has taken her from Corsica to Normandy, and put in a particularly poor

performance at a big rally in Paris. The probability of Mr Macron facing Jean-Luc Mélenchon, a hard-left firebrand who has been rising in the polls, is lower still. Among these contenders, our model currently suggests that the greatest potential challenge to Mr Macron would come from a run-off against Ms Le Pen. Even then, the odds are in his favour.

Yet Mr Macron knows full well that he cannot afford to be either complacent or triumphalist. The one-time investment banker and former economy minister suffers from being seen as distant and remote, an image he cultivated upon taking office. Although 52% of the French think he has the "stature of a president", only 32% say he is "close to people's concerns". Many on the left still judge him the *président des riches*, due to his early tax cuts—even though on his watch average net household incomes have risen. Mr Macron's first-round voter base looks remarkably stable. But in a run-off against Ms Le Pen or Mr Zemmour, he will need to reach beyond it, in particular to voters on the left who might be otherwise tempted to stay at home in dismay.

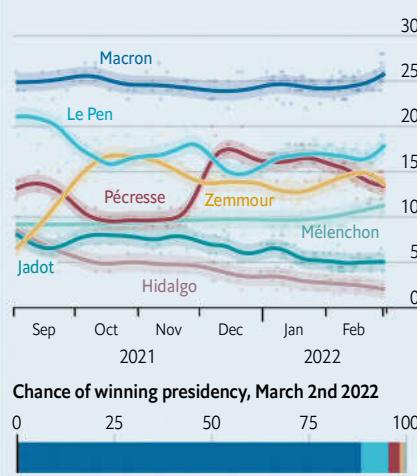
The war in Ukraine will temper the campaign's tone. Already, plans for Mr Macron to hold a glitzy first rally in Marseille have been shelved. As a candidate he will doubtless strike a solemn note, and stress—naturally—the virtues of stability and experience. The war will also squeeze the time he spends on the campaign trail. "Everything is up in the air," says Roland Lescure, a deputy from Mr Macron's party, La République en Marche, and part of his campaign team. "I was hoping we would have a candidate most of the time and a president some of the time, but it's going to be the other way round."

Vladimir Putin's aggression has also exposed the contradictions of some of Mr Macron's chief opponents. For her campaign Ms Le Pen had printed 1.2m copies of a brochure that included, proudly, a photo of her shaking Mr Putin's hand at the Kremlin. In 2014 she took a campaign loan from a Russian bank. Ms Le Pen has now sheepishly recognised that Mr Putin's behaviour is "completely indefensible". For his part, Mr Zemmour once said that he "dreamed" of there being a "French Putin", and last month argued that Mr Putin's stationing of over 100,000 troops on the Russian border with Ukraine was "legitimate". Unlike Ms Le Pen, he is against even welcoming Ukrainian refugees to France.

At the other extreme, the hard-left Mr Mélenchon, who was in a pineapple plantation on the French island of La Réunion as Russian tanks rolled into Ukraine, has long been fascinated by strongmen such as Mr Putin and Venezuela's Nicolás Maduro. Although Mr Mélenchon has now condemned Mr Putin's belligerence, he has also claimed that America and NATO pro-

Got to be in it to win it

France, voting intention in first round of presidential election, main candidates, %



Source: *The Economist's* French election model

► voked it by threatening to "annex" Ukraine. He, like Ms Le Pen and Mr Zemmour, wants to pull France out of NATO's integrated military command.

As for Mr Macron, he has been the missing guest at every campaign talk show in recent months. His rivals have spent much time fretting about immigration, and laying into his presidency. Unloved he may be, but Mr Macron now gets grudging respect. He failed to stop Mr Putin's war, but the French credit him for trying. Fully 58% think he has "risen to the challenge" over Ukraine. In French eyes, the war exposes the need for Europe to reinforce its strategic capacity, a long-standing plea of Mr Macron. He has spent heavily to protect jobs and firms during covid, and to compensate households for energy-related inflation; the economy is rebounding nicely. An upset can never be ruled out. But it is increasingly hard to see how Mr Macron would not, next month, keep his job. ■

Rome's mayor

A colossal task

ROME

Getting the eternal city back on track

FOR A MAN with the least enviable job in Italian politics, Roberto Gualtieri looks surprisingly cheerful. By last October, when he became mayor of Rome, the city had been visibly deteriorating for years, accumulating such a vast range of problems that its decline seemed irreversible. Wild boar rummaged in mounds of uncollected rubbish and potholes scarred many streets. The city's highest-profile infrastructure project, the construction of a third underground line, was not even close to finished after 14 years, despite having

overrun its budget by €714m (\$793m).

Mr Gualtieri's previous appointment was in Italy's last government, a coalition between the maverick Five Star Movement and the centre-left Democratic Party (PD) to which he belongs. As finance minister, he had to cope with the grim economic consequences of the pandemic. But governing Rome, he says, is perhaps even more taxing: "The job is broader. You have [to operate in] many different fields."

Arguably his biggest success has been financial: locating tens of millions of unspent euros in the city's accounts. The extra resources enabled him to fund a crash programme to clear the worst of the rubbish by Christmas. Another project was launched to repair the most ravaged streets. Mr Gualtieri has started talks to settle a financial dispute with the firms building the metro line. And, more controversially, he has cut a deal with the national tax agency whereby the city council will report suspected evasion in return for the municipal taxes the agency recoups.

Mr Gualtieri acknowledges that he has benefited from "an alignment of the stars". The PD is part of Mario Draghi's coalition government, along with all but one of the other big parties. This makes it harder for fellow coalition parties to criticise his performance. It has also helped him build a constructive relationship with the national government. And that in turn should ensure Rome does well out of the EU's post-pandemic stimulus fund. Though Mr Gualtieri says it is not yet possible to know how much of the roughly €200bn allocated to Italy will come to the capital, he has ambitious plans for whatever money he gets. They include the construction of a network of new nursery schools, the restoration of the Aurelian walls that encircle part of the centre and an upgrade for Rome's notoriously antiquated bus fleet.

Nevertheless, it is too early to say that the capital has turned a corner. It has been hit viciously hard by the pandemic—and not just because tourists stopped coming. The rise in at-home working has drained the city of the office workers who staff its government departments and corporate headquarters, and who provided much of the income of its shopkeepers, bar-owners and taxi drivers. A third of Rome's hotels are closed, and in many streets in the city centre between a third and half of premises are shuttered.

Solving Rome's waste problems will require building new processing facilities, which will doubtless prompt controversy and resistance in the areas where they are to be located. And Mr Gualtieri estimates that giving the city a modern, fully integrated transport system will take another ten years. He is careful not to raise unrealistic expectations. But, he says, "I am more optimistic than when I started." ■

Romans in Holland

Imperial invaders

AMSTERDAM

Dutch archaeologists find a fort where legions trod

INVADING A country is rarely easy, as Vladimir Putin discovered this week. Most efforts to conquer Britain, for instance, have been dismal flops. The most recent one, in 1940, never even got out of port. After they gave up, the Nazis studied Europe's coast with defensive bunkers; many still dot the dunes of Holland.

A few miles from these pillboxes, near the town of Velsen, archaeologists have found remains dating from a more successful invasion. In November the head of a dig sponsored by the Dutch Research Council announced that the Roman fort he was excavating had been bigger than anyone thought. Rather than a *castellum*, housing a few hundred troops, it was a *castra*, hosting thousands. A wooden plank dated to the winter of 42AD, just months before Emperor Claudius's legions crossed the Channel and made Britain a province of the empire.

The Roman presence near Velsen was known since 1945, when children found pottery shards in an anti-tank ditch. The first fort in the area, built around 15AD and rediscovered in 1972, was the site of a nasty battle: archaeologists found sling-shot pellets and human remains. Many identify Velsen with Flevum, a *castellum* which barely survived a clash with the Frisians in 28AD, according to Tacitus.

The much bigger second fort was built under Emperor Caligula, whose coinage was found there (see photo). "Caligula didn't have any military credentials. So

he decided to surpass Julius Caesar, who had briefly conquered [a small part of] Britain, by taking it over permanently," says Arjen Bosman, the archaeologist leading the dig. The *castra* in Velsen, he thinks, was needed to protect the northern flank of the Roman invasion fleet from attacks by the Chauci, an obstreperous German tribe.

Caligula seems to have visited the region to inspect the preparations. Wine barrels stamped with his seal have been found near Utrecht and Valkenburg. But by the time the fleet left northern France, he was dead, and Claudius would reap the glory. Invasions are often vanity projects launched by insecure, hedonistic autocrats. They seldom go as planned.



Regime change

Charlemagne | The watershed

With war at its doors, Europe discovers a capacity for action



GIVEN THE dauntingly long and complex compound-nouns that abound in German, *Wende* might sound like a modest concept. Yet a *Wende*—a watershed, a turning-point, the crossing of a Rubicon—is a big, important, intimidating thing. It is when deeply held beliefs are discarded for what was once unthinkable. As communism crumbled it was *die Wende* that made reunification inevitable, sweeping away the assumption that Germany would remain permanently split into East and West. The *Energie-wende* marked the rash decision a decade ago to ditch nuclear power, to be replaced partly with renewables but also with coal and more Russian gas. Carmakers speak of a *Verkehrswende*, or transport revolution, which will send the combustion engines at the core of their business to the scrapheap.

Europe today is going through its own *Wende*. Much of what was accepted as fact before Russia invaded Ukraine on February 24th now seems hopelessly outdated. The EU, at its heart a “peace project”, now dabbles in the vocabulary of war. A continent often hobbled by its propensity to squabble has found a common voice. Once-great powers, mindful of their slipping role in the world and thus fearful of the future, have seemed oddly at ease as decades of geopolitics have unfolded in mere days. European institutions more typically absorbed by the harmonisation of phone-charger regulations have found themselves plotting the best way to get fighter jets into the hands of the Ukrainian air force.

At the crux of the *Wende* is Germany. That was something few had expected. Whereas other European allies echoed America’s calls for biting sanctions against Russia, Germany initially preferred not to push too hard, lest its own industry and households feel the pain. When Olaf Scholz, the chancellor, delayed the start-up of Nord Stream 2, a gas pipeline from Russia, it was hailed as an uncharacteristically resolute step. Ever mindful of its history, Germany indulged in an earnest pacifism that meant not only refusing to deliver weapons to Ukraine, but also blocking others from passing on German-made kit. The new leader seemed wedded to the incrementalist ways of Angela Merkel, his predecessor, who during the euro-zone crisis perfected the art of putting off decisions for as long as possible.

And then, no longer. A special Sunday session of parliament on

February 27th started with a tradition-defying standing ovation for the Ukrainian ambassador. By the time Mr Scholz was done with his speech, quite a few more traditions had fallen by the wayside. What he proposed was no less than a *Zeitenwende*, a shift in the times, a new epoch. Defence spending would quickly be raised to NATO’s target of 2% of GDP—a level that defies the notion of Germany as somehow exempt from playing a full role in the world. Forget the ban on other countries passing on German arms; Germany decided to send materiel directly to Ukraine. Even sacrosanct budget-balancing rules turned out to be no obstacle to extra cash for the army. Two new gas-import terminals will reduce dependence on Russian energy. “What Olaf Scholz announced was the biggest sea-change of German policy since reunification,” says Tyson Barker of the German Council on Foreign Relations.

The entry into this “new era”, as Mr Scholz put it, means that what seemed tolerable before can no longer be countenanced. Once criticised privately and in hushed tones, Gerhard Schröder, a former chancellor who has become a shill for Russian energy, was denounced publicly—including by former allies in his own party. (Also, the staff in his taxpayer-funded office quit.) *Ostpolitik*, the decades-old strategy of dealing with Russia based in part on the hope that gas pipelines could promote mutual dependence and therefore peace, is now dead. The self-serving notion that Germany could hold its nose as it traded with despots—that it could bring about “change through trade”—took a possibly fatal hit. Chinese diplomats will wonder what this means for their relationships with Germany and Europe.

The magic of the moment

A sort of *Europawende* is the inevitable corollary of Germany’s new tack. For decades the EU’s biggest member has been self-effacing. Being constructive in Europe, its voice merely one of many, was Germany’s way of showing penitence for the second world war. Now it may have no choice but to take on the big role the EU needs it to play. In his speech Mr Scholz recycled language long used by France about the need for Europe to be “sovereign”. It cannot be so without Germany pushing its weight about.

The rest of Europe seems equally game for change. Plenty of sacred cows from across the continent were slaughtered along with German ones. The EU budget will be used to fund the purchase of weapons for the first time. Scandinavian countries overcame their own pacifism to arm Ukraine; in Sweden and Finland public opinion shifted strongly in favour of joining NATO. Poland, in recent years an avid sower of discord in the union, pushed for co-operation against Mr Putin. Hungary could have derailed EU sanctions with its veto, yet decided to play along. And whereas the arrival of a wave of war refugees in 2015 prompted a crisis (as many member states demanded everyone but themselves do more), this time plans to take in millions of desperate Ukrainians were hatched in harmony. Ukraine demanded fast-track membership of the EU—and found support in many national capitals.

This is heart-warming stuff. There is a resolve among European diplomats converging on Brussels that Charlemagne has never previously felt. Some of it may not pan out: Ukraine will not be an EU member any time soon, and the idea of sending fighter jets there fizzled within days. Still, Europe is grinding through gears it did not know it had. Later it will ask itself where it went wrong, what mistakes landed Europe in the terrible crisis that is suddenly changing everything. But for now the mood is of a continent that is in mid-*Wende*, and embracing it. ■



Scottish nationalism

Peak Nat

Scotland's place in the United Kingdom looks more secure than before

IN RECENT YEARS, the disintegration of the United Kingdom has sometimes seemed nigh. Scottish independence was a “very high probability”, wrote one fund manager in January 2021. A few months later Citi, a bank, put the odds of separation at 35% within a decade. Some senior Tories thought a break-up was near-inescapable.

Scots rejected independence in a referendum in 2014 by 55% to 45%. Yet within years a remarkable second chance seemed to be on the cards for nationalists, as the Scottish electorate was buffeted by three shocks: Brexit, Boris Johnson’s elevation to prime minister and covid-19, each of which threatened to reshape public opinion in favour of independence.

These days senior Scottish Conservatives are in a bullish mood. Nicola Sturgeon, Scotland’s first minister, has sustained the Scottish National Party (SNP) as a dominant force. It has been in power in Scotland since 2007 and holds 45 of Scotland’s 59 seats in the House of Commons. Ms Sturgeon vows to hold a second referendum on independence in 2023.

Yet the shocks have not shifted opinion

all that much, and British ministers now think the union has weathered its moment of maximum danger. Scots would vote against divorce by 51% to 49%, excluding “don’t knows”, according to polling for *The Economist* by Savanta ComRes. Just a third of Scots want a referendum in the next two years. The impact of Brexit on the desire for independence has been “limited”, and that

of covid-19 “barely discernible”, writes Robert Johns of the University of Essex in a recent edition of *Political Quarterly*, a journal. He thinks it is therefore “hard to conceive of an external shock that could appreciably shift opinion”. Or, as one Scottish Tory puts it: “If Boris and Brexit can’t deliver the numbers, nothing will.”

Nationalists need to break this stalemate. The SNP’s preferred option is a referendum to be held with the agreement of the British government—which, for its part, says its approval is needed under domestic law. But Alister Jack, the Scottish secretary, has said that should happen only after 25 years have passed since the 2014 referendum, and only if a vote is the “settled will” of Scots. He defines that as support of over 60% for both a referendum and for independence, sustained for a year.

In its internal deliberations, the SNP used to regard that as the benchmark for a fresh referendum too. But Ms Sturgeon has declared Brexit, which most Scots opposed, a “material change of circumstances” that would justify a re-run. It hit Scotland’s exporters hard, and degraded the British government’s reputation for stability. But although it drove some Remainers towards independence, that was partly counterbalanced by Leavers going the other way. A majority of Scots still want to rejoin the European Union, but polls suggest the issue has lost electoral salience.

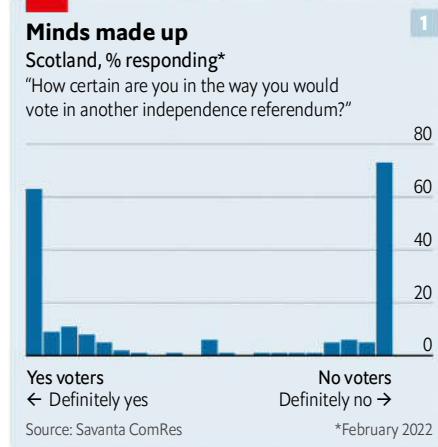
Mr Johnson, almost a nationalist caricature of the English Tory toff, was declared nationalism’s recruiting sergeant ➤

→ Also in this section

49 Attitudes to refugees

50 Bagehot: Londongrad

— Read more at: Economist.com/Britain



when he entered Downing Street in July 2019. The recent scandal over lockdown-busting parties while the pandemic raged meant his net approval ratings sank to -57%, according to Savanta ComRes. Ms Sturgeon's sit at 23%. Yet Mr Johnson's falling popularity has not increased support for independence. The more likely it is that Labour can win the next election, the weaker the nationalist claim that only independence can end Tory rule.

This stalemate is caused by a remarkable degree of entrenchment, in particular among unionist voters. *The Economist's* polling asked Scots how settled they are in their views on the issue of independence, from zero, meaning not at all certain, to ten, meaning absolutely certain. Among those with a view and likely to vote, 73% of unionists and 63% of nationalists put themselves at ten. Only 10% of respondents gave a score of six or lower (see chart 1 on previous page).

The nationalist movement puts its hope in young voters, who lean towards independence, but they are far less likely to say their views are fixed than are their parents and grandparents, who lean towards the union. Fewer than one in ten Scots say they are undecided. That is a small pool for nationalists to fish in.

If the British government does not consent to a referendum, Ms Sturgeon has a Plan B: to push ahead and wait to be challenged in the Supreme Court. That has never looked like a promising route, but in recent months its chances of success have fallen further. A referendum bill might have survived such a challenge if the court adopted an expansive view of the Scottish Parliament's powers. But the court has recently taken a conservative turn, and in an important judgment in October 2021 it emphasised the Scottish Parliament's limited purview. That, constitution-watchers reckon, makes a green light for a referendum highly unlikely.

Nationalists hope that obstacles in London will rally more support for independence. But evidence for that is sparse. Only

a third of Scots, and 45% of nationalists, told Savanta ComRes it would be wrong for the Supreme Court to decide whether a referendum can go ahead. A similar share think the British government should not have a veto on a referendum. "It's a reasonable conclusion that the proportion of Scots who can be persuaded to support independence purely by a 'Tories down south are telling us what to do' argument is close to maxed out now," says Dr Johns.

In the years of crisis, Westminster made nationalists' case for them. As Ms Sturgeon's referendum deadline nears, they must do it for themselves. A small team of officials is drafting a blueprint for independence. Yet fundamental weaknesses of the 2014 campaign persist. There is no clarity regarding the SNP's plan to adopt a new currency, or how the deficit between Scotland's tax revenues and public expenditure would be bridged, or what would become of the border with England. Just a quarter of Scots, and half of nationalists, think independence offers more opportunities than risks for their personal finances. Mr Johnson's era looks less likely to be remembered as the end of the union than as Scottish nationalism's false dawn. ■

Over the years Britons have grown more sympathetic to people fleeing war, persecution and despotism. In 1990 just 33% of those aware of proposals to allow Hong Kongers to settle in Britain approved. By 2020 fully 64% backed a more generous policy. Going further back, in 1972 only 6% of Britons thought that the Asians menaced by Idi Amin, Uganda's loopy president, should immediately be let in, even though they had British passports.

Rob Ford, who studies the politics of immigration at Manchester University, calls this "event-driven liberalism". Britons have become more inclined to help the obviously desperate, especially if other countries are too. They are swayed by media. Last year British Future, a think-tank, showed a two-minute film in which refugees expressed gratitude to Britain to a sample of people. Those who saw it were more likely to say refugees deserved protection than were those who did not. The film-watchers were even more likely to conclude (by 59% to 44%) that immigration had affected Britain positively.

Britons worry about refugees, but not for the same reasons as other Europeans. A poll of 12 countries by Ipsos in 2016 (when Syrians were on the move) found that Britons were the least concerned that they would fail to integrate. They worried only a little more about refugees committing crimes or hazarding national security—a fear that the home secretary, Priti Patel, clumsily tried to evoke this week when she warned that dropping visa requirements for Ukrainians would allow "extremists" in. But Britons were most worried about competition for welfare and public services. Nobody likes a queue-jumper.

That obsession with order and fairness explains the deep resentment towards people who turn up uninvited and apply for asylum. Last year 28,500 people arrived in small boats across the English Channel. Many have strong claims—in 72% of the asylum cases heard last year, the applicant was granted some kind of protection—but it does not matter. A poll in November showed that most Britons support turning the boats back; they also favour refusing claims from people who turn up illegally and could have claimed asylum elsewhere. The public would therefore go even further than the government's asylum bill that so affronted religious leaders and peers.

These are tricky demands to satisfy. British people appear to want extremely harsh asylum rules by default, but generous exceptions for groups that have captured their sympathy. They seem to assume that the state, or perhaps an agency like the UN, is capable of identifying worthy refugees and transporting them to Britain at short notice, following bespoke rules for each nationality. It is big-state conservatism on a global scale. ■

Attitudes to refugees

Form an orderly queue

Britons are both more and less liberal than their government

IT HAS BEEN a rough week for anti-immigrant populism. On February 28th the House of Lords torpedoed a flagship government bill that would criminalise asylum-seekers and make it easier to strip people of British nationality. More than 1,000 religious leaders had declared themselves "horrified and appalled" by the bill. Meanwhile YouGov, a pollster, revealed that 77% of people supported allowing Ukrainian refugees to come to Britain without a visa. Has the country gone soft?

It is a crucial question, because opposition to immigration has been one of the most potent, and disruptive, forces in British politics over the past decade. The answer is nuanced. The public wants Ukrainian refugees to be treated more generously than the government intends. It started out with stingy proposals, although by March 1st it had been cajoled into admitting close relatives of Ukrainians already settled in Britain and opening a new sponsored visa route. But liberals who believe that the Ukraine crisis will usher in a tolerant policy towards all refugees have equally misread the public mood.

Courting favour

Scotland, % responding*

"Would it be right or wrong for the Supreme Court to decide whether another independence referendum can happen?"

■ Nationalists ■ Unionists



Source: Savanta ComRes

*February 2022

Bagehot | The rise and fall of Londongrad

The era of Russian money in London is over. Other rich foreigners will fill the gap



WEARING NOTHING but a pair of shorts and a felt cap on his head, the thickset man lifts two bunches of oak, birch and eucalyptus leaves above his head. After wafting a wall of hot air across the 90-degree-Celsius sauna, he rhythmically pounds the prostrate body before him. Sweat and steam bounce upwards with each stroke. After ten minutes of thudding, and a strong sensation that his own skeleton is overheating, the dazed victim is led outside, where a bucket of water is upended over his head. A near-freezing plunge pool is the next destination. Shivering slightly, the recipient is dried and propped up in a stupor against a tree stump. A banya, or Russian bathhouse, is not for the faint-hearted. But there are few better locations in which to contemplate the rise and fall of Londongrad.

Along with Moscow-on-Thames, Londongrad is a well-merited nickname for the British capital, which has been a hub for Russian money since the fall of the Soviet Union. Although London's East End played host to a few Russian bathhouses in the 19th and early 20th centuries, it is in recent years that swanky versions have proliferated throughout the city. Likewise, London has long played host to Russian dissidents, émigrés and expatriates; Lenin and Trotsky would hang out in the British Museum. But it was only in the 1990s that Londongrad began to emerge, featuring newly minted billionaires and a gaggle of flunkies to serve them.

The rise of Londongrad was planned. British governments of all stripes opened the country to Russian capital. In 1994, under John Major, the Conservatives introduced a "golden visa" scheme that handed residency rights to anyone who invested £1m (\$1.3m). Tony Blair's Labour government carried it on with enthusiasm. Ken Livingstone, London's leftist mayor from 2000 to 2008, said he wanted "Russian companies to regard London as their natural base in Europe". Boris Johnson, Mr Livingstone's successor, was good pals with Evgeny Lebedev, proprietor of the *Evening Standard*, son of a former KGB agent and billionaire. Mr Johnson, now prime minister, made the Anglo-Russian a peer in 2020.

For those arriving from Vladimir Putin's Russia, London offered safety, security and secrecy. Britain has accommodating laws on tax, libel and property, enforced by an efficient, if expensive, court system—which is, moreover, accommodating in the

matter of injunctions. Extradition to Russia, with its corrupt judiciary, is a no-no in the eyes of English judges. On top of this, the private schools are good and so is the shopping. London is an "everything haven", in the description of Oliver Bullough, author of a forthcoming book, "Butler to the World: How Britain Became the Servant of Tycoons, Tax Dodgers, Kleptocrats and Criminals". Discretion is key. It follows the rule above a banya's door: "Please keep conversation to a minimum."

Britain's new butler class is happy with its role. A public-relations firm can earn a £100,000-a-month retainer by providing an oligarch with pinkie-ring-toting smooth-talkers to fob off questions. Former politicians can earn six-figure salaries sitting on a board, which beats the £323 per diem offered by the House of Lords. Their reputation for big tips makes Russian oligarchs welcome in any restaurant's private room. Lawyers love them, too. In "Londongrad: From Russia with Cash; The Inside Story of the Oligarchs", by Mark Hollingsworth and Stuart Lansley, one rich arriviste declares: "What you need to know about me is that I love litigation more than I like sex!" At £1,000 an hour, so do lawyers.

Now, however, the money is too hot. Russia's invasion of Ukraine has led to sanctions on a host of Russian businesses, some with links to Britain. Moves against some oligarchs based in Britain are expected to follow. Unexplained wealth orders, whereby people with suspicious quantities of cash are meant to show how they earned it, and face forfeiture if they cannot, will be more tightly enforced. Golden visas will be scrapped. Potential transparency reforms mean that the ultimate beneficiaries of "Matryoshka doll" shell companies must be revealed. Money was stored in London to keep it both hidden and free from the clutches of the Russian state; having it made public and squeezed by the British one defies the point of moving it. When things become too hot in the banya, a jump into the plunge pool is required. It can be painful.

As anyone who has been on the business end of a leaf-beating can attest, temperature swings can cause a wave of euphoria. But it is often brief. Anyone expecting Britain to clean up its act post-Londongrad is mistaken. Lack of enforcement rather than lack of rules explains Britain's lax attitude to funny money. Its government spends a little under £1bn annually on solving financial crime, but money-laundering costs its economy about 100 times that. Badly paid lawyers and investigators working on behalf of the government are steam-rolled by opponents who earn ten times as much. The purpose of a system is what it does. It was not a series of unfortunate events that shaped London into the go-to destination for those who earned their cash in, to put it politely, unorthodox ways. It was, and remains, the business model.

Signet-ring industrial complex

When dodgy Russian money evaporates, dodgy money from other sources will replace it. Russia is hardly the only country blessed by resources but cursed by its elites. Nigerian and Azeri cash sloshes around the City of London. Russia is merely the current pariah, not the only one. Saudi Arabia's habit of chopping up journalists and blowing up its neighbours makes it an awkward ally. But the British state has few qualms about letting it buy prized assets (and even unprized ones, such as Newcastle United). Russians made up a fifth of the golden visas dished out since 2008; Chinese citizens accounted for a third. What happens if China invades Taiwan? Expect the same wrenching process, except with Chinese rather than Russian wealth sieved out of the system. Londongrad has fallen. Another moniker will replace it. But the *banya* will remain. ■



Energy in Europe

Out of Russia's shadow

With oil at more than \$100 a barrel and gas markets in turmoil, Europe reconsiders its energy future

After Russia's annexation of Crimea in 2014 Europe feared that Vladimir Putin would cut supplies of piped gas passing through Ukraine to European customers. That worry led Poland's then prime minister, Donald Tusk, to issue a stark warning: "Excessive dependence on Russian energy makes Europe weak." As a full-scale invasion of Ukraine by Mr Putin's forces unfolds, Europe looks, if anything, weaker. Despite some efforts to diversify supply, install cross-border gas connections and build plants to import liquefied natural gas (LNG), in the decade to 2020 Russian exports of piped gas to the EU and Britain shot up by a fifth by volume, to make up roughly 38% of all that fossil fuel consumed in Europe. That year more than half of German gas came from Russia.

Mr Putin's latest aggression may at last shake the old continent out of its energy complacency. On February 22nd, as Russian tanks were preparing to roll into Ukraine, Germany suspended final approval of Nord Stream 2, a controversial new gas pipeline linking it with Russia. Days later the chancellor, Olaf Scholz, vowed "to

change course in order to overcome our import dependency" with more renewables, bigger domestic stores of gas and coal, and revived plans for LNG terminals. At the EU level, a wide-ranging proposal to guarantee the bloc's "energy independence", due to be unveiled by the European Commission on March 2nd but postponed as a result of the war, is expected to advocate strategic stocks and mandatory gas storage to deal with the Russia risk in the short term, and a dramatic expansion of renewable energy and clean technologies such as hydrogen in the long run.

That would be a giant shift in EU energy policy, which used to focus merely on en-

suring that energy markets remain competitive. In the past few years, as climate became the dominant concern, the policy's goals broadened. With the threat of Mr Putin's weaponisation of energy looming ever larger, even the twin objectives are "not enough", says Teresa Ribera, a Spanish deputy prime minister. The EU must now reconcile three competing objectives: cost, greenery and security.

Europe has made real progress on the first horn of this "energy trilemma". Liberalisation of energy markets has helped keep prices down through competition. The continent has also got serious about decarbonisation. But if Europe is to shake off its reliance on Russian gas, sacrifices on cost and climate may be unavoidable.

Start with the short term. Last month Ursula von der Leyen, the commission's president, insisted the EU could survive this winter even with "full disruption of gas supply from Russia". Gas storage units were emptier than usual a few months ago, owing in part to low levels in those operated by Gazprom, Russia's state-controlled gas giant which controls 5% of the EU storage capacity. They are fuller now. High prices have lured LNG cargoes from Asia. If Mr Putin turned off the taps, prices would rocket again—attracting more LNG. European governments would squirm, then pay up for the remaining weeks of winter, after which gas consumption drops off sharply. They have also secured promises of emergency supplies from Japan, Qatar, South Korea and other allies if needed. And they ►►

→ Also in this section

- 53 The corporate exodus from Russia
- 54 Armsmakers' advance
- 54 Tesla v unions, German edition
- 55 Bartleby: Company or cult?
- 56 Schumpeter: War and commodities

could tap "cushion gas", a layer of stores not normally meant for consumption.

Over the medium term, the outlook darkens. Nikos Tsafos of the Centre for Strategic and International Studies, a think-tank, reckons that Europe imports around 400bn cubic metres of gas a year. Replacing the 175bn-200bn it gets from Russia with a mix of alternative supplies and reduced gas consumption will be "very tough" beyond 2022, he says. Stumbling into spring with badly depleted stocks will make preparing for next winter difficult.

To gird itself for a possible crunch, Europe needs to stockpile Russian gas while it is still flowing (ideally over the summer, when gas prices tend to dip). It has to find alternatives to Gazprom's molecules, lest these evaporate. It needs somewhere to keep those alternative molecules until next winter. And it must tap non-gas energy sources to use the reserves sparingly.

Easier said than done. EU law makes it hard to make Gazprom pump more gas to stockpile even in normal times, which these patently are not. European gasfields in Britain and the Netherlands are past their prime. North Africa, which typically supplies less than a third as much as Gazprom, cannot increase exports enough to offset the Russian deficit.

Europe could regasify a lot more LNG than it is doing (see map)—if, that is, it could get more of the stuff. Contracted flows and limited global liquefaction capacity make that unlikely, explains Richard Howard of Aurora Energy, a research firm. LNG cargoes can be redirected from Asia at a price, but Asian customers preparing for their own winters will be eyeing them, too.

To complicate matters, much of Europe's regasification capacity sits on its western coasts in Spain, France and Britain. Trans-border gas connections and "reverse-flow" capabilities are better than a decade ago but still lacking. Spain's under-utilised regasification plants are useless in a crisis because its gas links over the Pyrenees are puny and hard to upgrade. Getting all that gas to Germany and other big inland customers is a (literal) pipe-dream, worries a European regulator.

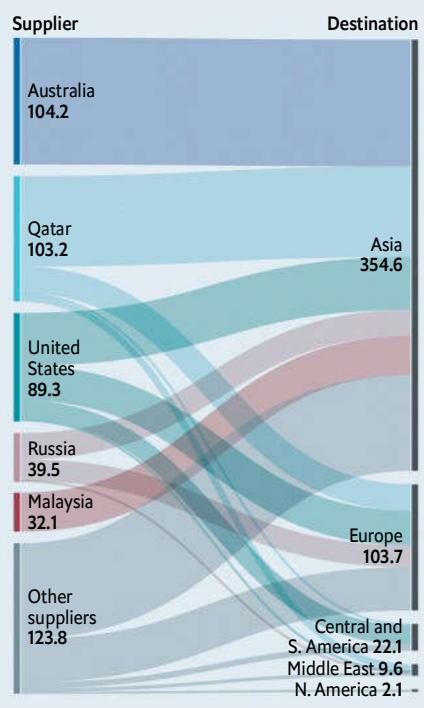
Given these constraints on supply, European demand may need to fall by 10-15% next winter to cope with a Russian cut-off, estimates Bruegel, a think-tank in Brussels. Matthew Drinkwater of Argus Media, an industry publisher, believes that "some rationing" may be necessary.

The problems do not disappear in the longer term. Shell, a British energy giant, forecasts a gap between global supply of gas and demand for it in the mid-2020s. Europe will feel the pinch more than most because of the ways it has discouraged investment in gas. A reliance on spot markets attracts short-term supplies in a crunch but does not send a clear signal about longer time horizons. Adrian Dorsch of S&P Global Platts, a research firm, notes that despite risk for the winter after next, European utilities have done little to secure future supplies. Without government mandates or subsidies, seasonal price differentials are insufficient to justify investments in more storage, says Michael Stoppard of IHS Markit, a research firm.

Europe's green policies aren't helping. The EU has been schizophrenic about gas. Some member states, like Germany and Ireland, accept that new gas plants are

Liquid markets

World liquefied-natural-gas exports, 2021*
bn cubic metres



Source: CEDIGAZ

*Preliminary data

needed as back-up and a bridge to a cleaner future. Others, such as Spain, want to deny natural gas the "green" label for climate reasons. Although the EU has recently reclassified gas as a "green transition" fuel, the designation comes with lots of strings attached. The confused boss of a big American LNG exporter grumbles that no European utility will sign a long-term contract with him "because they don't know what their governments will or won't allow" a decade from now.

Various think-tanks reckon Europe can wean itself off gas almost entirely. Simon Müller of Agora estimates that wind and solar energy could generate 80% of Germany's power in less than eight years. Lauri Myllyvirta of the Centre for Research on Energy and Clean Air thinks it is feasible on paper to replace all of Europe's Russian gas imports, equivalent to 370 gigawatts (GW), with renewables capacity. China plans to install more than that by 2025.

Such projections look too rosy. Wind and solar farms are harder to build in democratic Europe than they are in command-and-control China. Christian Gollier of the Toulouse School of Economics points to "massive local opposition" in France to wind projects. Regional squabbles among regulators and other bureaucratic delays can stretch the approval process for Italian wind and solar installations to six years. According to S&P Global Platts, western Europe shut down 9GW of coal power and more than 5GW of nuclear power.

Gaseous states

Europe, liquefied-natural-gas imports

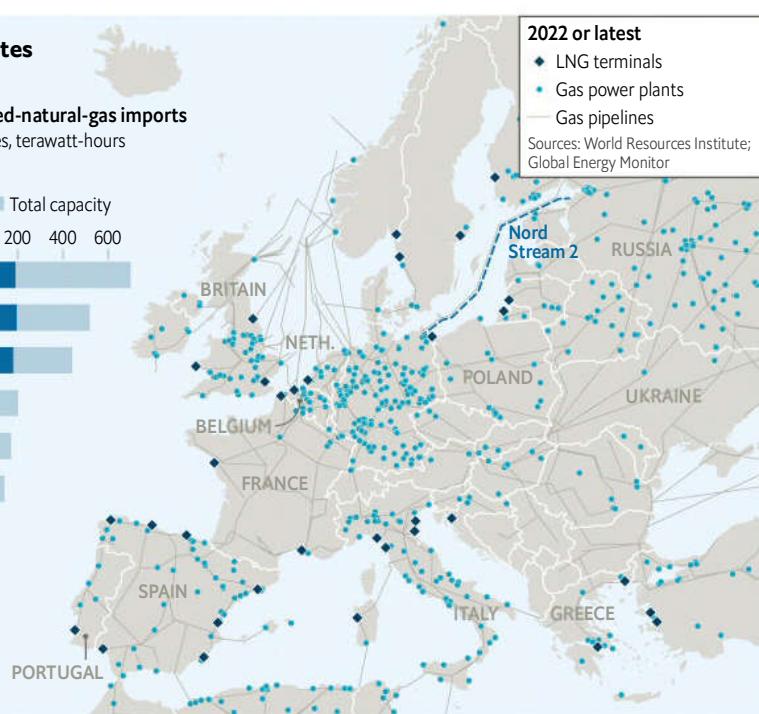
Selected countries, terawatt-hours per year



*2020
Sources: Bruegel; S&P Global Platts

2022 or latest

- ◆ LNG terminals
 - ◆ Gas power plants
 - Gas pipelines
- Sources: World Resources Institute; Global Energy Monitor



er in 2021. Non-intermittent low-carbon replacements, such as battery storage and biomass, have not kept pace.

As with gas, EU member states talk at cross-purposes when discussing alternative energy sources. While Germany has been shutting down its nuclear fleet, France and the Netherlands want to expand theirs. By 2030 Spain will phase out coal, whereas Poland will still get more than half its power from the dirtiest fuel (and replace most decommissioned coal plants with ones burning gas). This confused approach makes it harder to reach the common goal of ditching Russian gas.

Even if Europe managed to pull off the shift to renewables, it would still need gas to heat homes and businesses. Though the power sector is often in the cross-hairs, it represents less than a third of western Europe's gas demand. Residential use accounts for some 40%. Reducing gas use in homes requires heavy investments in electric heating, better insulation and super-efficient heat pumps.

Some uses, like high-temperature heat in industrial processes, cannot be easily replaced by green electricity. On one estimate, only 40% of Europe's industrial use of gas is in low-temperature applications that can be readily electrified. Hydrogen may one day do the job, as well as powering vehicles, generating electricity or providing long-term energy storage. But even the technology's boosters like Ms Ribera in Spain concede that the hydrogen dream will take a decade or more to realise.

None of this is impossible for Europe to achieve with wise policymaking and pots of money. If war on its door step doesn't focus European minds, nothing will. ■

The Ukraine war and business

The exodus

NEW YORK

Abandoning Russia is easier for some firms than others

IT TOOK MORE than 30 years for BP, a British energy firm, to build its Russian business. It took less than four days to decide to dismantle it. As Vladimir Putin's forces invaded Ukraine early on February 24th, the logic of BP's 20% stake in Rosneft, Russia's state-owned oil giant, began to collapse. BP's board met to discuss the matter on February 25th; later that day Britain's business secretary, Kwasi Kwarteng, expressed the government's concerns to Bernard Looney, BP's boss. By February 27th the board was ready to make its decision public: BP would sell its stake in Rosneft. Mr Looney has resigned from Rosneft's board (as has

his predecessor, Bob Dudley). The company may face a write-down of up to \$25bn.

Mr Putin's war has prompted a reckoning for multinational companies. Russia presents a host of risks, from reputational damage to logistical disruption and the peril of violating sanctions. For many firms disentangling from Russia, a middling market, will do little damage to their broader business. For others it will be financially painful and logically difficult.

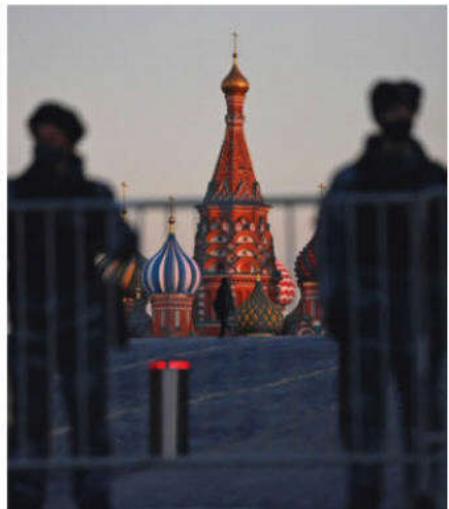
Many other multinationals have, like BP, spent decades prospecting for opportunity in Russia. In 1974 Pepsi became the first Western product made and sold behind the Iron Curtain. Disney hoped to charm sullen Soviets with screenings of "Snow White" and "Bambi" in Moscow and Leningrad in 1988. More companies arrived after the collapse of the Soviet Union—Danone, a French yogurt-maker, peddled its snacks from a store on Tverskaya Street in Moscow in 1992. BP opened its first petrol station in 1996.

Now companies are racing to devise new strategies for an uncertain era. The most decisive breaks with Russia came from entities with the least to lose. Norway's sovereign-wealth fund said it would freeze all investments in Russian equities—which account for a piddling 0.2% of its portfolio. Companies with large exposures to the Russian market are more circumspect. Renault, a carmaker, and Danone, which earn 9% and 6% of revenue in Russia, respectively, have announced no plans to scale back.

Many Western businesses find themselves somewhere in between. Their response is similarly middling: a pause rather than a rupture. UPS and FedEx, two American logistics companies, have suspended deliveries to Russia. CMA CGM, Maersk and MSC, three European shipping giants, said they would not sail there for now. Bain, Boston Consulting Group and McKinsey, three management consultancies, are rethinking their business in Russia. Boeing is suspending deliveries of parts, maintenance and technical support for Russian airlines that use its aeroplanes.

Some of these actions were doubtless provoked by companies' fears that they might fall foul of an expanding array of Western sanctions against Russia. Volvo, a Chinese-owned carmaker based in Sweden, mentioned "potential risks associated with trading material with Russia, including the sanctions imposed by the EU and US" as a reason for suspending sales in Russia. Others share similar worries.

But companies are fielding explicit or implicit demands from their home governments and, in some cases, domestic consumers in effect to boycott Russia even beyond the scope of official measures. On March 1st Apple stopped selling its products in Russia. Disney and other Holly-



Cordoning off the Kremlin

wood studios said they will delay the release of films on Russian screens. Google, Meta and Twitter are seeking to limit Russian propaganda on their online platforms.

Some of these moves present quandaries for companies. Any decisions by tech firms in Russia, for instance, may complicate their situation in other controversial markets. Apple's tough stance over the Ukraine war highlights its historically pliant position in China, a giant market that has admittedly not invaded any neighbours but whose rulers are accused of human-rights abuses. McKinsey's declaration that it would not do business with "any government entity" in Russia comes after years of criticism for its work with state-backed enterprises there and in China.

Complying with demands from governments seeking to punish Mr Putin presents practical problems for firms, as well as moral and reputational ones. Non-Russian companies that lease aircraft to Russian airlines are a prime example. They have more than 500 jets and turboprops in the country, according to Cirium, a consultancy. Those lessors have the unenviable task of trying to recover the planes before sanctions against the supply of aircraft take effect later this month.

It is energy companies that have the most at stake. For years international oil firms provided capital and expertise to their Russian partners, which controlled the reserves and had the local know-how. In a sign of companies' enthusiasm for Russia, European supermajors maintained investments there even as they trimmed their oil business elsewhere. Last year Rosneft accounted for 50% of BP's reserves and 11% of its operating profits. Shell, a rival British giant, operates joint ventures with Gazprom, Russia's state-owned gas company. For TotalEnergies, a French firm, Russia could supply 17% of growth in output over the next five years, reckons Wood Mackenzie, an energy consultancy. ■

► TotalEnergies, which has long tolerated risky jurisdictions, is resisting calls to exit. But energy firms are re-evaluating their positions in real time. Three other big companies—Shell, Equinor of Norway and ExxonMobil of America—have all said they would follow BP's lead and leave. How quickly that might happen is another question. ExxonMobil has cautioned that safely exiting its project in Russia's far east would take time. Selling stakes in joint ventures or in Rosneft itself may prove difficult, particularly if Russia's government maintains the ban it has just imposed on the sale of foreign-owned Russian assets in order to curb capital flight. The moral and reputational case for firms to leave Russia will become stronger the longer the war goes on. Leaving may also become financially and logically harder. ■

The defence industry

Advancing on all fronts

A less peaceful world means more business for armymakers

AS THE TRAGIC human consequences of Russia's invasion unfold, there is little to celebrate beyond the stoic resistance of outgunned Ukrainian forces and Western unity in facing up to the unprovoked aggressor. One side-effect of the war is a sudden and profound shift in European attitudes to defence spending. Those expectations are behind a surge in the market value of firms that supply the weapons with which war is waged (see chart).

The idiosyncratic nature of the defence industry explains why it was having a good year even before Vladimir Putin sent tanks into Russia's smaller neighbour. Armsmakers' customers are mainly governments. Guaranteed sales translate into predictable revenues. Contracts designed to

pass on cost increases shield companies against inflation. The ability to withstand rising prices was a big reason for the sector's outperformance relative to the stockmarket as a whole in the past few months.

McKinsey, a consultancy, notes that defence budgets—and so armymakers' revenues—are a function of threats and affordability. The spike in share prices since the attack on Ukraine reflects investors' belief that the threats will outweigh the costs in governments' calculations. Germany made the first move, surprising pundits with an about-turn. On February 27th it said it would spend an extra €100bn (\$111bn) on defence in 2022, tripling its defence budget for the year. Besides this one-off investment, Germany aims to raise its annual spending from around 1.5% to 2% of GDP by 2024. A slug of the annual increase, equivalent to €18bn or so, will go on weapons.

The Russian threat may well encourage other laggards such as Italy, the Netherlands and Spain to meet NATO's guidelines for all members to spend 2% of GDP on defence. Citigroup, a bank, reckons that spending will now rise more rapidly and that 2% will become a de facto minimum across NATO. Jefferies, another bank, points out that if all NATO members meet the target, their combined defence budgets (excluding America's giant one) will go up by 25% to a total of around \$400bn a year. Outside NATO, Sweden and Finland, both within striking distance of Russia, are likely to ramp up spending, too.

Defence spending covers an array of costs such as wages and operational expenses. Kit accounts for between a fifth and a quarter of the total. Jefferies reckons that procurement budgets in NATO (excluding America) could rise by 40-50% as armed forces gear up to face the Russian threat. Because European countries favour domestic arms manufacturers, European firms have seen the sharpest gains in their share prices. That of Rheinmetall, which makes military vehicles, weapons and ammunition, surged by nearly 70% in a matter of days. Hensoldt, a maker of military sensors, more than doubled its market value. Britain's BAE Systems, Europe's biggest defence firm, saw its share price rise by a quarter thanks to its large business serving European infantries. Thales of France and Leonardo of Italy made similar advances.

For once, America's military-industrial complex has lagged behind its European equivalent. Lockheed Martin, Raytheon and L3Harris sell equipment around the world, but mostly to America's government. The Pentagon already accounts for nearly two-fifths of global spending (or nearly half if you exclude countries such as Russia and China, which are not markets for American weapons). American military spending is unlikely to rise as sharply as Europe's. But the revived threat from Rus-

sia will put paid to the idea, floated by some in Washington, to limit it on the margin. Russian revanchism raises the likelihood that Congress will shovel more money to the armed forces in the coming years.

Bernstein, a broker, points out that past regional conflicts, such as Russia's invasion of Georgia in 2008, its annexation of Crimea in 2014, and the first Gulf war in 1990, boosted defence stocks for roughly six months, while the rest of the market wilted in the fog of war. The scale of the threat to Europe and the world, and the possibility of a long confrontation in Ukraine, may mean the boost lasts longer this time. That would perpetuate a secular trend. As Bernstein observes, weapons-makers have "massively outperformed" the S&P 500 index of big American firms for more than 50 years. ■

Tesla in Germany

A lesson in business German

BERLIN

Elon Musk takes on the unions, European edition

THIS IS A big week for Tesla's "gigafactory" in Grünheide, near Berlin. According to the German press, the American electric-car maker will get the final green light from local authorities to start operations within days. In one way, it already has. On February 28th Tesla workers elected their first works council, a group of employees that in German law co-decide with managers things like working hours, leave and training.

For Elon Musk, Tesla's anti-union chief executive, this must rankle. He has tried to shield his first German plant from Ger- ►



Will Germany change him or vice versa?



▶ many's strict labour laws by incorporating the business as a Societas Europaea (SE), a public company registered under EU corporate law that is exempt from some "co-determination" rules, such as the requirement for firms with more than 2,000 employees to give workers half the seats on supervisory boards. SEs are not, however, exempt from having a works council.

IG Metall, Germany's mightiest union, which represents auto workers, has been on a collision course with Mr Musk ever since he refused to sign up to collective wage agreements for the industry (the only

other firm not included is Volkswagen, which has its own generous wage deal). It has set up an office close to the gigafactory to advise Tesla workers about their rights and listen to their complaints. It has employed a Polish speaker to organise employees that Tesla is hiring across the border in Poland. It hopes that persuading enough Tesla workers to join its ranks would add oomph to its campaign to join the collective wage deal; the union says the company pays senior staff well but that production-line workers get a fifth less than those at BMW and Mercedes-Benz.

Most important, it sees the works council as the first step to full co-determination.

Mr Musk must see it differently. He may have fast-tracked the election in order to get a more sympathetic council. Tesla has so far hired only around 2,500 mostly senior and skilled workers, out of a workforce that will grow to 12,000 or so. Such employees are likelier to see eye to eye with management. The rest of Deutschland AG will be watching to see if Germany changes Tesla into something less abrasive or if Tesla changes Germany's labour relations into something less consensual. ■

Bartleby Company or cult?

The dividing line between firm and sect is often thin. How to tell them apart

HERE ARE some common characteristics of cults. They have hierarchical structures. They prize charismatic leaders and expect loyalty. They see the world as a hostile place. They have their own jargon, rituals and beliefs. They have a sense of mission. They are stuffed with weirdos. If this sounds a bit familiar, that is because companies share so many of these traits.

Some cult-companies are easier to spot than others. Their bosses are more like deities than executives. These leaders have control of the company, and almost certainly founded it. They have name recognition among the masses. They really like rockets and have a brother called Kimbal.

But in other cases it can be hard to tell where a company ends and a cult begins. That is true even of employees. So here is a handy guide to help you work out whether you are in a normal workplace or have fallen into the clutches of an even stranger group.

Workforce nicknames. It is not enough to be an employee of a company any more. From Googlers and Microsofties to Pinployees and Bainies, workforce nicknames are meant to create a sense of shared identity. If you belong to one of these tribes and use its nickname without dying a little inside, you may be losing your grasp of reality. If you work in the finance team and are known as one of the Apostles of the Thrice-Tabbed Spreadsheet, you already have.

Corporate symbols. Uniforms are defensible in some circumstances: fire-fighters, referees, the pope. And so is some corporate merchandise: an umbrella, a mug, a diary. But it can easily go too far. Warning signs include pulling on a company-branded hoodie at the weekend or ever wearing a lapel pin that pro-

claims your allegiance to a firm. If your employer's corporate swag includes an amulet or any kind of hat, that is also somewhat concerning.

Surveillance. It is reasonable for executives to want to know what their workers are up to. But it is not reasonable to track their every move. Monitoring software that takes screenshots of employees' computer screens, reports which apps people are using or squeals on them if a cursor has not moved for a while are tools of mind control, not management.

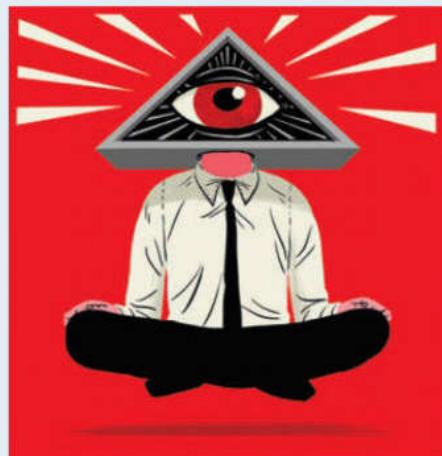
Rituals. Rites are a source of comfort and meaning in settings from sport to religion. The workplace is no exception. Plenty of companies hand out badges and awards to favoured employees. Project managers refer to some meetings as "ceremonies". IBM used to have its own songbook ("Our reputation sparkles like a gem" was one of the rhymes; "Why the hell do we have this bloody anthem?" was not). Walmart still encourages workers in its supermarkets to bellow a company cheer to start the day. Some of this is merely cringeworthy. But if you are regularly

chanting, banging a gong or working with wicker, it becomes sinister.

Doctrines. More and more firms espouse a higher purpose, and many write down their guiding principles. Mark Zuckerberg recently updated his company's "cultural operating system"—which, among other things, urges Metamates (see "Workforce nicknames") to defy physics and "Live In The Future". Amazon drums its 16 leadership principles ("Customer Obsession", "Think Big", "Are Right, A Lot", and so on) into employees and job candidates alike. Corporate culture matters, but common sense doesn't become a belief system just because capital letters are being used. If values are treated like scripture, you are in cult territory.

Family. Some companies entreat employees to think of their organisation as a family. The f-word may sound appealing. Who doesn't want to be accepted for who they are, warts and all? But at best it is untrue: firms ought to pay you for your time and kick you out if you are useless. At worst, it is a red flag. Research conducted in 2019 into the motivations of whistle-blowers found that loyalty to an organisation was associated with people failing to report unethical behaviour. And the defining characteristic of families is that you never leave.

If none of the above resonates, rest easy: you are not in a cult. But you are unemployed. If you recognise your own situation in up to three items on this list, you are in an ordinary workplace. If you tick four or five boxes, you should worry but not yet panic; you may just be working in technology or with Americans, and losing your sense of self may be worth it for the stock options. If you recognise yourself in all six items, you need to plan an escape and then write a memoir.



Schumpeter | A gamble too far

Europe's commodities traders have made a mistake by dealing with Vladimir Putin's regime



IN RUSSIA'S FROZEN north is a megaproject that has long been seen as an answer to President Vladimir Putin's prayers. By the mid-2020s the Vostok oilfield is expected to supply about 15% of Russia's crude exports. By that time Rosneft, the Russian oil giant leading the effort, plans to ship Vostok oil via the Northern Sea Route, a shortcut through the Arctic to Asia. The route will enable Russia to bypass the West geopolitically as well as geographically, allowing oil to travel along waters beyond the control of the American navy and out of reach of Western sanctions. Besides Rosneft, its backers include two mostly European oil and gas traders, Trafigura and Vitol. For years they have competed fiercely to be among the biggest buyers of Russian crude.

These firms are part of a group of commodities traders, including Glencore and Gunvor, that often thrive amid geopolitical turmoil. They are clear-eyed realists who in the past have struck deals with autocrats to gain access to cheap raw materials. In recent years some have doubled down on Russia, doing business with the figures who surround Mr Putin, such as Rosneft's boss, Igor Sechin, and winning big oil and liquefied natural gas (LNG) contracts (piped gas is the domain of Gazprom, a state monopoly). The arrangement served both sides well. The traders invested in Russia and secured more supply from the world's third-biggest oil-producing country and biggest natural-gas exporter. Higher energy prices bolstered Russia's hard-currency reserves.

But if they believed Mr Putin's goal was a modern economy that he would not jeopardise by invading Ukraine, they were wrong. In fact, oil revenues have financed an ever more autocratic and beligerent regime. After the West moved to strengthen penalties on Russia's financial system on February 26th, they faced the consequences of their bet. As one executive put it two days later, everything in the Russian oil business was "frozen": banks, ports, ships and suppliers. Auctions of Russian crude found no buyers. Prices of oil soared on global markets but so did the discounts on Russian Urals crude relative to international benchmarks. Amid fear of sanctions, Russian cargoes became kryptonite.

Some traders initially said the paralysis would be short-lived. After all, oil and gas producers were spared sanctions in order to keep Russian energy flowing to the West. One executive described

the biggest risk as "overzealous bank compliance officers" causing more damage to Russia's oil market than the architects of sanctions intended. Yet the traders may have been in denial. The speed with which two European supermajors, BP and Shell, pledged to dump their Russian assets suggested that political and social pressure to withdraw from Russia was mounting in the wake of the invasion. On March 1st Glencore said it was reassessing its equity stakes in EN+, an Anglo-Russian aluminium producer, and Rosneft. A day later Trafigura said it was reviewing its investment in Vostok Oil as it unconditionally condemned the war. Usually the trading houses thrive in times of conflict by keeping their heads down and capitalising on volatility. Not this time. Russia's war on Ukraine suggests their gamble on Mr Putin may have been a throw of the dice too far.

In theory, excluding Russian oil and gas from sanctions should enable the trading houses to continue their day-to-day operations. In practice, it does not because energy trading is as much about the flow of money as of molecules. Cargoes are financed by banks. They require letters of credit guaranteeing payment. They involve frequent messaging between banks working for the buyers and sellers. Until March 1st, when names were released of the seven Russian lenders potentially blocked from the SWIFT interbank-communications system, many energy-related transactions in Russia were halted, traders said, owing to the counterparty risk. Moreover, fears surfaced that as Russia's aggression on Ukraine escalates, sanctions will be strengthened. "The tit has to be reasonably in line with the tat," says Jean-François Lambert, a commodities consultant.

The problem is exacerbated by the length of time cargoes of oil and LNG spend at sea. By the time they reach port, sanctions on Russian energy may be in place. "The biggest grey area is that no one knows what comes next," says Daniel Martin, who specialises in shipping rules at HFW, a law firm. Logistical chaos compounds the uncertainty. Oil-tanker rates on the Black Sea adjacent to Russia and Ukraine have surged as fighting has intensified.

As well as business risks, the trading firms face reputational ones. This is exacerbated by long-standing links with firms and individuals at the heart of the regime. In "The World for Sale", a recent book, the authors argue that the merchants have probably been more engaged with Mr Putin's autocracy than anyone in the world of international business. Despite a stand-off between Russia and the West, they made vast loans to Rosneft in exchange for oil-supply deals. Two years after Russia seized Crimea in 2014, Glencore co-invested \$11bn to buy part of the Russian government's stake in Rosneft (it has since sold almost all of it). After Trafigura and Vitol invested in Vostok, they received supply deals from Rosneft. Mark Rossano, CEO of C6 Capital Holdings, a consultancy, believes that both the oligarchs and the traders were caught out by the economic reprisals that the war has unleashed.

Merchant misadventurers

They will survive. Even with business in Russia in free fall, crisis breeds opportunity. As Western countries such as America release strategic reserves of crude to stop the price of oil soaring, they are queuing up for cargoes. If Western sanctions on the sale of Iranian oil are lifted so that it can offset a potential loss of Russian crude, they have the contacts to move the stuff. But these are dangerous times. The West's reaction to Mr Putin's war is visceral. It is one thing to be considered a non-aligned merchant providing the world with what it needs. It is another to be seen as a mercenary. ■

**Chinese property**

The other crisis

HONG KONG

China scrambles to prevent property pandemonium

NOT LONG ago prospective homebuyers in China would find large maps on the walls of property marketing offices. On display were not only the housing projects for sale. The maps also showed the parcels of government land surrounding the projects and their expected future prices, which were often higher than the home units for sale per square metre. The implication for the anxious buyer-to-be was clear: buy now, or regret it forever. Very soon land prices would be far higher next door.

The maps tell the story of China's decades-long build-up in property debts. These seemingly endless increases in prices were made possible only because developers had access to almost unlimited credit. Ample loans, offshore-dollar bonds and deposits from buyers once fuelled bidding wars between them that pumped up land values. The winner was sure to turn a huge profit if they held onto the parcel and waited for the price to rise. Local governments, too, happily gorged; land sales contributed

43% of their revenues in 2021.

Homebuyers are seeing a very different picture now. Xi Jinping, China's president, has been fearful of runaway unaffordability and untenable debt. He has turned off the tap of easy credit by capping developers' ratios of liabilities to assets, net debt to equity, and cash to short-term debt (known as the "three red lines"). This has pushed China's property sector to the edge. A dozen developers, including Evergrande, one of the world's most indebted property

groups, have defaulted on bonds since July 2021, or have come close. Companies recently deemed safe bets for investors have suddenly started looking wobbly. One of those, Shimao, missed trust payments on February 24th. Zhenro Properties stunned creditors on February 21st when it said it may not repay creditors in early March.

The implications go far beyond the offshore bond market. Construction has stalled in places. Some developers are now selling assets to patch up their cash flows. Many have stopped buying land, causing the value of parcels sold by local governments to crater by 72% in January year on year. Home prices are falling in many cities, turning off speculators looking for the guaranteed huge gains once advertised on sales-office maps. Families looking for flats wonder if they can even be built.

Whether the central government holds firmly to its red lines is unclear. If it does, the property market will be forced to make a monumental adjustment to better match supply with real household demand for homes. The annual supply of homes is now three times that of future urban-household formation, reckons Rhodium, a consultancy. Sales must fall from around 15m units per year to about 10m.

As the bubble deflates the effects are rippling through the Chinese economy. Senior leaders have yet to issue an economic growth target for 2022 but many econo- ►

→ Also in this section

60 War and the world economy**61 The fallout for emerging markets****61 Foreign banks' exposure****62 South Korea's bubble trouble****63 Buttonwood: Forecasting fighting****64 Free exchange: Rubble Russia**

► mists expect them to draw a line at 5% (China's GDP grew by nearly 6% in 2019). This will be a difficult rate to defend should the property sector, which makes up an estimated 25% of GDP, continue to crumble. A major slowdown, in turn, would hamper a global economy already hobbled by soaring inflation and geopolitical clashes.

Policymakers in Beijing must fulfil three major tasks if they are to avoid catastrophe. First they must make sure offshore defaults do not spiral out of control, closing out Chinese issuers from the dollar bond market. A second task is to ensure firms continue to build homes and families continue to buy them. This is crucial for economic growth this year. A third daunting challenge is to formulate a long-term plan that brings some stability to the market over the next decade.

Mr Xi probably did not anticipate such a rapid rise in offshore defaults. Altogether some \$100bn in debts needs to be repaid this year. Evergrande, the group with \$300bn in liabilities, has been the biggest worry. It defaulted in December and has become one of the largest restructuring cases in history. Investors are tracking the case for reasons to be optimistic. The group is now thought to be under a high degree of government control. It has promised to deliver a restructuring plan by July. State involvement is good because it will help avoid a total collapse, says one person involved in the restructuring. It also means that stability will be the main priority, not speed or efficiency.

Resources are running low. Legal expertise on such cross-border situations involving China is limited and, so far, many Chinese defaulters have been unwilling to cough up for high-quality advice. Accounting firms have abruptly resigned from auditing developers' books. The early restructuring plans for a few Chinese developers have made little room for offshore creditors, says a lawyer working on a case. Evergrande's offshore bonds currently trade at 15 cents on the dollar—a gloomy signal on what investors expect to get back. High-yield dollar bond issuance by Chinese companies—an important source of credit for them—has fallen substantially.

A second task for the Communist Party will be to keep developers building and buyers buying. Sales for the 100 biggest firms came down by close to half in February compared to the same month last year. Investment in property fell by 14% in December. Prices in many cities have declined. Domestic sales of excavators nearly halved in January year on year.

Policymakers are fidgety. Like global hedge funds, they want to avoid ugly incidents at companies such as Zhenro. The sudden shocks arise because developers have not been giving a clear picture of their total cash positions. They include billions

of yuan held tightly in escrow accounts by local governments who want to ensure the money is used to build homes, not pay creditors. When payments come due, the companies cannot access all the cash they say they have. Fitch, a rating agency, downgraded Ronshine, another large developer, on February 22nd on concerns that it would fail to access such funds.

Trapped cash is also halting some construction. Many workers have laid down their shovels after going unpaid. Evergrande has claimed it can build 600,000 homes this year—music to officials' ears. Yet on February 16th a court in mainland China froze 640m yuan (\$101m) of the company's cash after it could not pay a state-owned construction group.

The central government plans to standardise escrow accounts so that less of the developers' cash is locked into them. But that will not be enough to rescue the sector. Investors hope that Beijing blinks and reverses some of its tough policies. Some local governments have already flinched. The city of Zhengzhou in central China on March 1st said it would make it easier for people to buy second homes. In the south, the city of Guangzhou cut mortgage-loan rates by 20 basis points on February 22nd. Banks in Shanghai have made similar cuts.

If more cities follow, developers may avoid facing up to the reality that household demand is lower than they want—at least for a bit longer. Analysts still have big questions on developers' true levels of cash and debt. Many are thought to have huge off-balance-sheet debts that have gone unreported, says Luther Chai of CreditSights, a research firm. Eight large developers with offshore bonds currently have far less unrestricted cash than short-term debts. Evergrande has just 40% of the cash it would need to pay its known short-term debts. Another large developer, Golden Wheel Tiandi, has just 20%.

Mr Xi loves to say that the Chinese people face "three great mountains" between them and their prosperity. Those are education, health care and housing. The first

two are already dominated by the state. Housing is still largely controlled by tycoons. From the government's perspective, it would make sense if much more of the property sector eventually became state-run, says Robin Xing of Morgan Stanley.

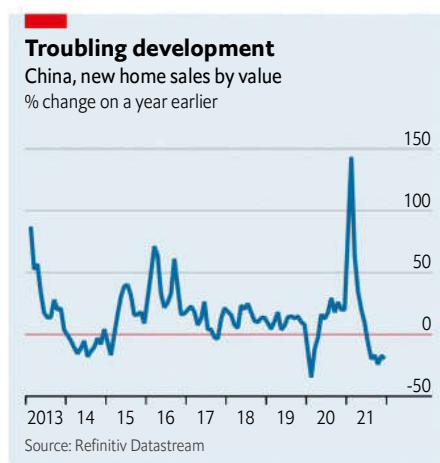
This appears to be part of the long-term plan—the Communist Party's third work in progress. The state is already getting involved in two ways. The first is through state-owned asset-management companies (AMCs) that buy up bad debt on command. One of those, Cinda, is already working with Evergrande. But others are said to be quietly absorbing bad debts from developers, in effect acting as a buffer for the banking system. This has ruled out the need for a major state bail-out because the AMCs are drip-feeding support to many companies, says a credit investor.

The state is also set to take a more direct, long-term role in the property market through buying up subsidiaries of private developers. Evergrande said on February 25th that it would sell four projects to state-owned companies. In late January Sunac, once an aggressive private acquirer of property assets, sold a 40% stake in a local subsidiary to state-run Huafa Group. Regulators are encouraging the trend by asking banks to loosen up on lending for mergers and acquisitions. State banks plan to issue about \$4bn in bonds to fund property mergers, according to Caixin, a financial magazine. State developers are also buying up swathes of land to help shore up local government finances. Given state firms' reputation for inefficiency, the potential for waste is huge.

Tax could also become a bigger part of future housing policy. In theory a housing tax would serve two purposes: discouraging speculation and generating local revenues. But experts have noted that those targets conflict. A tax that discourages investment will also limit governments' income. A tax pilot in Shanghai is set as low as 0.4% of the latest sales price. This has neither deterred investors nor generated much revenue for local officials. There is no neat solution for delinking local revenues from land sales. Few local officials want to make a shift away from easy land sales and receive a "sucker's payoff" in return, says Adam Liu of the National University of Singapore.

More extreme fixes are being floated. In January Evergrande's former chief economist, Ren Zeping, said China should bankroll 50m births over the next decade by printing 2trn yuan in new cash for family handouts, effectively creating millions of future homebuyers. The controversial idea got him blocked from posting on Weibo, a Twitter-like platform. But it also highlighted the desperate nature of China's demographic shortfalls.

If policymakers stick to their guns on



Scaling positive change

To solve the climate crisis, the world will need private finance.
Mobilising it will require collaboration and innovation.

Challenges that easily cross borders are often the most difficult to solve. They call for the power of collective action—including innovative approaches to bind private and public capital together to solve some of the greatest problems of our time.

In the face of covid-19, the climate crisis and geopolitical tensions, the world's governments will not be able to meet the scale of those challenges, even with strong political commitment to do so. What is called for is collaboration with the private sector.

The pandemic dramatically increased the need for additional finance in developing countries to achieve the UN Sustainable Development Goals (SDGs), with the estimated annual gap required to reach the objectives ballooning to over \$4trn, according to the OECD.¹ Capital in the private sector, meanwhile, accounts for \$100trn-300trn.² Even if only a fraction were directed towards SDG-aligned investments, this could have a profound effect globally.

"Financial institutions have a huge role to play in tackling the SDGs," says Phyllis Costanza, head of social impact and CEO of UBS Optimus Foundation. "As the largest wealth manager, we can mobilise capital across the full spectrum of impact investments, not just philanthropy."

The climate crisis requires urgent solutions. UBS recently launched its Climate Collective, one of three portfolios focused on supporting proven initiatives that need to be accelerated.

Together, 33 wealth clients are committing a total of \$21m and embarking on a tailored, three-year period of study on the practical aspects of impact investing, as well as sharing knowledge and collaborating with academics, NGOs and other partners. "We're choosing issues that can be really catalytic. We double-down on where there is huge need and huge potential," says Tom Hall, global head of UBS's Philanthropy Services team.

Read more at economistimpact.com/scaling-positive-change

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¹ <https://www.weforum.org/agenda/2021/09/what-is-sustainable-development-finance/>

² <https://www.weforum.org/agenda/2021/09/there-is-a-way-to-invest-profitably-and-help-save-the-world/>

UBS Optimus
Foundation

UBS

limiting developer leverage, the property market must hew to real demand from families in the coming decade. That will mean a much smaller market. New housing starts peaked in 2019 at around 1.8bn square metres, doubling from 2008. In a highly optimistic scenario in which 65% of China's roughly 1.7bn people currently aged 16-25 eventually live in cities, and 90% of those enter the housing market, that still only creates demand for about 50m homes over the next decade, estimate Allen Feng and Logan Wright at Rhodium.

Even if each of those new households bought two homes, the current rate of building would fulfil that demand in just five and a half years. "Supply needs to adjust," Mr Wright observes. Not the other way around. ■

Inflation

The world economy at war

War and sanctions mean inflation, but not necessarily higher interest rates

RUSSIA MAY have tried to build a "fortress economy", but it is the West that currently looks financially impervious. Compared with the deep economic crisis brought about in the country by Western sanctions, the consequences for the rich world have been small. Though American stocks fell sharply when the war started on February 24th, on March 2nd they closed almost 4% higher than their level the night before the invasion. European stocks are about 4% down—a big hit, but nothing compared with the financial rout under way in Russia, where the currency has collapsed and stockmarket trading has been suspended for days.

In part the muted reaction reflects Russia's low weight in the global economy: about 2% in dollar terms. The country's relative poverty and smaller population when compared with the rest of Europe mean that its exporters depend on European demand but not vice versa. Goldman Sachs, a bank, estimates that the loss of exports caused by a 10% fall in Russian spending would cost the euro zone only about 0.1% of its GDP, and Britain still less. Financial links are modest (see next page).

Yet Russia's economic importance vastly outweighs its GDP or financial clout owing to its energy exports. It produces nearly a fifth of the world's natural gas, and more than a tenth of the world's oil, the price of which drives much of the short-term variation in global inflation. Typically 30-40% of the EU's gas supply comes from Russia (though this has fallen to about 20% in re-

cent months as Europe has increased its imports of LNG from America). It does not just heat Europe's homes but also powers much of its industrial production. Among big economies Italy and Germany are particularly exposed.

Energy prices increased dramatically on March 1st and 2nd. European natural-gas spot prices are now more than double their level at the start of February. So are futures prices for delivery in December 2022, reflecting in part the cancellation of the Nord Stream 2 pipeline from Russia to Germany, which had been hoped to ease supply this year. The oil price is up over 25% to about \$115 per barrel. The energy squeeze will worsen Europe's inflation problem while also hitting its growth. JPMorgan Chase, a bank, has raised its forecast for euro-area inflation at the end of the year by 1.1 percentage points, to 3.6%, while cutting its growth forecast for 2022 by 0.6 percentage points, to 4.1%. As a producer of oil and gas America is mostly insulated from the drag on growth, but will feel the inflationary effects of pricier oil.

Things could get much worse should sanctions expand in scope to cover energy purchases or if Russia retaliates against them by reducing its exports. JPMorgan Chase projects that a sustained shut-off of the Russian oil supply might cause prices to rise to \$150 per barrel, a level sufficient to knock 1.6% off global GDP while raising consumer prices by another 2%. The stagflationary shock would carry echoes of the

Yom Kippur war of 1973, which sparked the first of the two energy crises of that decade. It greatly worsened an existing inflation problem caused in part by the collapse earlier that year of the Bretton Woods system of fixed exchange rates. Today much pricier energy would be layered atop the inflation caused by the pandemic and the associated stimulus.

If the oil and gas keep flowing, the existing increases in their respective prices will still make life uncomfortable for central banks, who were anyway raising or preparing to raise interest rates. They usually tolerate inflation caused by expensive energy. It tends to quickly dissipate, or even go into reverse. But recently they have worried that the persistence of high inflation since last summer might lead companies to think they should continue to increase prices at a rapid pace and workers to continue to ask for higher wages. Inflation, in other words, may have taken on a momentum of its own. Further increases in energy prices can only heighten that danger—while adding to the squeeze on growth that higher interest rates bring about.

At present markets are priced for a fairly conventional policy response. Since February 1st investors' inflation expectations, as revealed by the price of swaps, have risen sharply at a one-year horizon for Britain, America and the euro zone. Yet expectations for longer-term inflation, as measured by long-dated forward swaps, have not changed much (see chart). Projections of the ECB's policy rate at the end of the year have barely changed. Investors have priced in another quarter-of-a-percentage-point rise in interest rates this year in both Britain and America. On March 2nd Jerome Powell, chairman of the Federal reserve, indicated that it would still raise rates.

There have, however, been sharp movements in bond yields at longer horizons. In mid-February yields on five-year German government bonds had been in positive territory for the first time since 2018. They have since fallen to about -0.25%. On March 1st and 2nd the yield on an American ten-year Treasury bond fell from nearly 2% to 1.7%, a greater fall than in any two-day trading period since March 2020, before recovering slightly to 1.9% the next day.

In other words, investors are betting that today's inflation, even once exacerbated by the war in Ukraine, will be temporary—and that over the long term interest rates are likely to be a bit lower than on past projections. But that hardly means markets are sanguine. In recent years some scholars have argued that low long-term real interest rates reflect in part the impulse to hoard safe assets as tail risks—rare but highly costly events—grow more likely. After two years of a pandemic and with war raging in Europe, that thesis has never seemed so apposite. ■

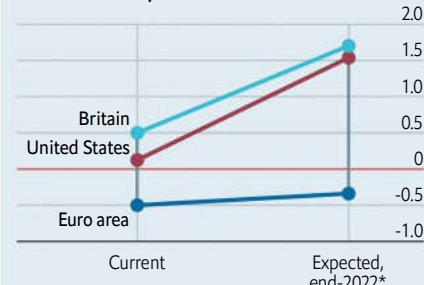
The price of war

Change in inflation expectations

Feb 1st-Mar 2nd 2022, percentage points



Interest-rate expectations, %



*After last meeting of 2022. Expectation at Mar 2nd 2022
Source: Bloomberg

Emerging markets

Shock, stocks and barrels

The war in Europe is a triple whammy for emerging markets

EVEN BEFORE Russia invaded Ukraine, emerging markets were braced for a testing year. The conflict threatens to lengthen a list of woes that already included inflation, slowing growth, public finances strained by rising interest rates and lingering disruptions from covid-19. In a worst-case scenario, the fallout may even top all these concerns.

The main transmission channel is unlikely to be Russia itself, whose economy is falling apart in the face of sanctions. Comparable in size to Australia's or Brazil's, the world's 11th-largest economy is mid-weight and only loosely integrated with global supply chains. It is not a major market for exports. Steps taken by Western banks to reduce their exposure to Russia following its seizure of Crimea in 2014 also limit the risk of direct financial contagion. Instead the fallout for the emerging world will come in three indirect ways.

The first channel is that of global liquidity conditions, which are tightening. Though the war does not seem to pose a serious financial-stability threat at the mo-



ment, markets have grown nervier. If worry were to give way to panic, the rush to obtain dollars could cause liquidity to dry up and markets to malfunction—recalling the breakdowns seen in the early months of the pandemic. Then it took huge interventions by America's Federal Reserve and other central banks to prevent a global financial shock. And even with that mighty support, most emerging economies faced a rapid and painful adjustment as their currencies tumbled. A few were pushed into default.

For now such disasters seem a distant possibility. The invasion has nonetheless prompted investors to flock to assets they

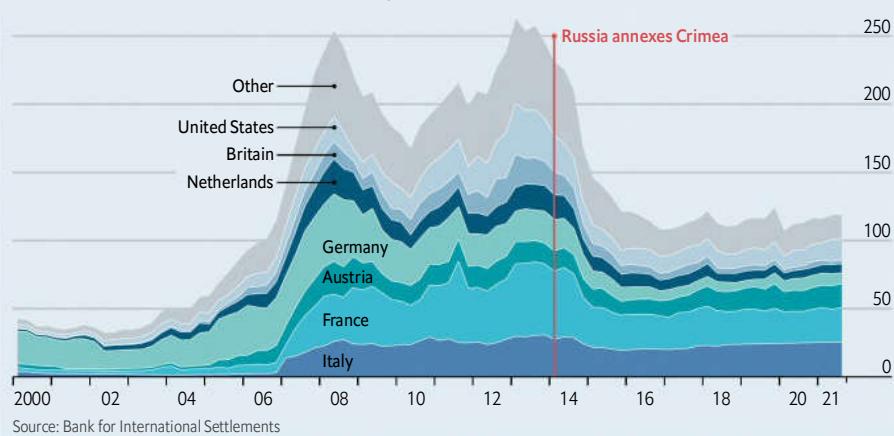
deem the least risky. Stockmarkets across the emerging world have slipped since mid-February. Over the week following the beginning of the war, yields on German bunds and American Treasuries, traditional safe havens, have been down by as much as 0.3 percentage points. Slowly but steadily, the dollar is climbing. Some indicators of market strain have begun to increase, too, though not yet into crisis territory. The spread between the rate that rich-world banks charge each other for short-term unsecured loans and the overnight risk-free rate has risen. But the uptick is dwarfed by the spike observed during the wild gyrations of early 2020, to say nothing of the market madness seen during the global financial crisis.

A flight to safety could raise the cost of borrowing across emerging markets and increase the burden of debt. Prices for hard-currency bonds issued by governments and firms have fallen over the past week, while the spread between the yield on emerging-market corporate bonds and that on Treasury bonds has jumped by about half a percentage point. That, too, is a modest rise relative to what markets experienced in the spring of 2020, when the spread leapt by four percentage points in the space of a month. But higher borrowing costs for governments and firms are less easily managed after two years of rising indebtedness. And even in the absence of default, dearer credit stands to crimp private investment and further limit governments' fiscal room for manoeuvre.

Adverse moves on markets could exacerbate the challenges caused by new macroeconomic headwinds—the second channel of contagion. In peacetime both Russia and Ukraine are big exporters of commodities, including oil and gas, precious and industrial metals, and agricultural products. Since mid-February prices for many of these have jumped. Oil prices are up by more than 25% over the past fortnight. The price of wheat has soared by more than ➤

Nyet interest

Bank exposure to Russia, amounts outstanding by country, \$bn



The cost to foreign banks

As the West rolls out sanctions against Russia, some foreign banks, mostly European, will suffer collateral damage. Excluding the country from the SWIFT financial-messaging system will make it harder for them to collect payments on their loans. With the trouble so low, these are already less viable. The direct hit will be manageable: at \$121bn, the stock of foreign bank loans to Russian firms and households has shrunk since 2014. But there are other costs. The investment-banking units of some big lenders may suffer losses on Russian securities, while private-banking businesses may be whacked by sanctions on Russian oligarchs. Retail-banking branches run by foreigners may also close. And if sanctions ratchet up, the risk of a government default will grow.

► 30%. Some emerging-market exporters stand to benefit from rising proceeds. For Gulf economies the surge in crude prices is an unexpected windfall.

Yet even the biggest commodity exporters are likely to face difficulties when food and energy costs rise above already high levels, squeezing household budgets and putting monetary policymakers in a bind. Before the war a year-long campaign by Brazil's central bank to rein in high inflation—in which it raised its benchmark interest rate by nearly nine percentage points—seemed to be bearing fruit. Now food and energy price shocks it can do little about threaten to spoil its fragile achievement. Turkey, where year-on-year inflation surged to nearly 50% in January, is in an even stickier spot. On March 1st the Turkish defence minister urged Russia to accept an immediate ceasefire. Large importers of wheat and sunflower oil across north Africa and the Middle East, most notably Egypt, may see the price of staples

rocket, fuelling popular discontent.

As these developments unfold a third force will operate in the background. Russian aggression, and the West's shock-and-awe financial and economic response, represent another jolt to a global economy which over the past half-decade has weathered trade wars, a pandemic, supply-chain disruptions and an increasingly unpredictable policy environment. As firms and investors watch the carnage in eastern Europe, they may reassess how to price geopolitical risk in foreign markets. That could inflate country-risk premiums applied to far-flung assets, increasing the cost of funding for emerging markets and reducing investment volumes.

In difficult times, the saying goes, global investors worry less about the return on capital than the return of it. Should many of them decide to pack up and go home, the war's collateral damage will include that suffered by the emerging economies they leave behind. ■

today. They, too, could trap Asia's mightiest tiger in the doldrums for decades.

Super-expensive houses have become a major issue in South Korea's tight presidential election, which takes place on March 9th. The two front-runners—Lee Jae-myung, of the ruling Minjoo Party, and Yoon Seok-youl, of the centre-right People Power Party—have clashed over housing policy throughout the campaign.

The outgoing government's repeated efforts to rein in the property market, through tighter loan-to-value restrictions on mortgage-lending and steeper taxes on owners of multiple homes, have had little effect. Low interest rates and an ageing population seeking rental income as it nears retirement have proved stronger forces. In the Seoul metropolitan area, home to around half of South Korea's 52m people, property prices have almost doubled in the past ten years.

There is no specific threshold beyond which the value of all land in a country, relative to the size of its economy, suggests asset prices are unsustainable. But the ratio for South Korea is both high by international standards and relative to the country's recent history. It now runs at five times its GDP, up from around four times in 2013. At the peak of Japan's folly, the value of all land rose to 5.4 times GDP, before collapsing through the 1990s.

Pricking South Korea's apparent bubble would be less dangerous had liabilities not risen in tandem with asset values. South Korean people and firms have been borrowing at a frantic pace. In September last year the country's household debt stood at 107% of its GDP, compared with 58% in Germany and 79% in America. Non-financial corporate debt runs to 114%, above the average for advanced economies.

This, too, recalls 1980s Japan—and not in a good way. Richard Koo of the Nomura Research Institute in Tokyo warns of a possible "balance-sheet recession". During Japan's boom years, asset values and liabilities surged together. When its land-and-stock bubble burst, asset values crumbled, but borrowers still had the same liabilities to repay. That left them in a state of negative equity. As firms and households all rushed to deleverage, the economy shrank. "Individually they were doing the right thing. Collectively they were destroying the economy," says Mr Koo.

In 2020 the IMF flagged that South Korea was only one accident away from a damaging balance-sheet recession. Although lending to subprime borrowers was limited, it noted that about half of South Korea's household credit was either linked to floating interest rates or required large lump-sum repayments, meaning it would need to be refinanced at potentially higher interest rates. It also noted that the country's many small- and mid-sized firms, depen-

South Korea's economy

Kindred Seoul

HONG KONG

South Korea's economy is scarcely close to becoming like Japan's

IN 1989, AT the peak of Japan's economic and financial heyday, few dared suggest the country might one day be supplanted as the richest large nation in Asia. Per person, South Korea was not even half as affluent. But then mighty stock and land bubbles popped in Tokyo, kick-starting several "lost" decades for the Land of the Rising Sun. Meanwhile South Korea's economy boomed. By 2018 its GDP per person, adjust-

ed for purchasing power, topped Japan's.

Similarities between the two economies extend beyond converging income levels. Both built their wealth during periods of export-led growth. Now South Korea's working-age population is shrinking, as Japan's did after the mid-1990s. Most uncanny are echoes between the financial risks which emerged in Japan in the late 1980s and those mounting in South Korea



Will it pop?

Buttonwood Signal failure

Markets are terrible at forecasting wars—even after they happen

NATHAN ROTHSCHILD was in Waterloo when British troops cornered Napoleon's into their final defeat. The banker quickly grasped an opportunity to turn field intelligence into financial gain. Having rushed back to London, he spread rumours that Wellington had lost, rocking markets, and picked up heaps of assets on the cheap. Then the real news reached Britain, and he reaped millions of pounds in profit.

That lurid story, published in an anti-Semitic pamphlet long after the battle, has little truth to it. Rothschild was not at Waterloo. No one knows if he made money in the aftermath, and certainly not what would have been an unthinkable large sum at the time. But the legend is also wrong in general. Rather than profiteering, most investors lose money during wars, because they fail to see them coming.

Despite telegraphed preparations, Russia's invasion of Ukraine stupefied markets. The country's fiscal balance and current-account surplus had lured foreign investors to its bonds. Exposure to commodities, an inflation hedge, had also made its stocks popular. Between its October high and February 24th, the MSCI Russia stock index did drop by 560 points—60% of its value. But three-fifths of that happened less than three days before the attack. The biggest fall—of 218 points—took place on the day.

This lack of foresight fits a historical pattern. Markets stayed placid through the years of border spats and bellicose rhetoric that led to the first world war. European stocks still did not budge when Austrian Archduke Franz Ferdinand was assassinated in June 1914. It is only when conflict seemed inevitable—days before Austria-Hungary declared war on Serbia, in July—that panic took hold.

dent on shorter-term bank loans backed by property collateral, looked exposed.

Has the dreaded accident arrived? South Korea was one of the first major economies to raise interest rates during the pandemic, and has now done so three times. Most analysts expect the tightening to continue: the central bank has said it is concerned about both rising inflation and the financial-stability risk posed by soaring asset values. Yet again, that has an 1980s flavour: Japan's troubles began when the central bank started raising rates rapidly to pop the country's asset bubble.



Even markets supposedly attuned to geopolitical risk, such as commodities, struggle to price military risk. Despite a build-up of Iraqi troops on the border, investors were wrong-footed by the invasion of Kuwait in 1990. Oil prices doubled in two months as the war disrupted some of the world's largest oil production sites. Cotton prices, which barely budged when the American civil war began in 1861, surged a year later as a blockade on the Confederacy started to bite.

One problem faced by investors is that they are poorly equipped to assess risks associated with "black-swan" events, which have very low probabilities but which can be extremely costly. Most common market-moving events change the outlook for returns far more incrementally. Take American payroll data: since 1948, moves of even 0.4 percentage points in the monthly unemployment rate have occurred less than 10% of the time.

Many investors do assign probabilities to black swans. But Philip Tetlock, a Canadian scholar, notes that building predictive abilities requires repeated feedback so

that participants can hone their accuracy over time. Once-in-a-career events do not offer that. Low odds can also disinterest investors from working out how much freak events might cost. Many still hold Russian assets—even though, with defaults looming and dividends banned, they may soon be worthless.

Wars are not the only black swans. But others tend to be more localised and temporary (natural disasters), more familiar to investors (financial meltdowns, which leave a trail of public data) or easier to forecast (general political risk, which can be gauged through polls). The decision to declare war depends on the thought process of individual leaders (or lack thereof). Regrettably, the track record of the many sciences trying to predict their next move is poor.

It does not help that most investors learn from lesser geopolitical flare-ups that they should not pay attention. Every bull market is littered with sell-offs which are quickly reversed, leaving those who took them seriously nursing losses. The assassination of Iranian commander Qassem Suleimani, and North Korea's nuclear tests, have been dip-buying opportunities rather than reasons to flee.

Should investors give up trying to forecast wars? Some think it impossible to tame the wildest of black swans. But such animals are becoming harder to ignore. Take the possibility of a Chinese attack on Taiwan, which Russia's invasion of Ukraine has made frighteningly more real. At risk are not just shareholders in TSMC, a giant chipmaker whose share price has doubled since mid-2020. The island at large forms a linchpin of the global supply chains most industries depend on—reason enough for investors everywhere not to wave the white flag.

The Bank of Korea's policy of "leaning against the wind", as Jeong Woo Park of Nomura calls it, is having snowballing effects that may be hard to stop. As a result of stricter credit controls introduced to cool down property prices, mortgage interest rates are accelerating faster than benchmark ones. After surging through pre-pandemic levels, they flirted with decade-highs in January.

The parallel has limits. Japan's financial institutions were famously poorly regulated, leaving policymakers constantly surprised by the level of damage done to the fi-

nancial system as crises popped up repeatedly through the 1990s. South Korea's unusual Jeonse credit system, through which households borrow to fund lump-sum rental payments, makes it difficult to assess how risky household debt truly is.

But the scary similarities will continue to grow as South Korean politicians, central bankers and regulators endeavour to engineer a smooth end to the explosion in asset prices. They have the Japanese experience to learn from. But understanding the worst-case scenario may prove easier than avoiding it. ■

Free exchange | From fortress to rubble

The chaos in Russian markets shows the impossibility of economic “self-reliance”



FOllowing RUSSIA's invasion of Ukraine, an economic war has begun. The West has imposed unprecedented sanctions. Investors are dumping Russian assets as fast as they can. So far this year the rouble has lost one-third of its value. The government may soon default. Capital Economics, a consultancy, expects Russian inflation to hit 15% before long, with GDP falling by 5% this year.

The ructions in Russia's markets have taken many by surprise. For years President Vladimir Putin had, apparently successfully, built up Russia's economic defences, such that it would easily be able to resist whatever Western governments threw at it—what Timothy Ash of BlueBay Asset Management dubbed the “Fortress Russia” strategy. It turns out that the strategy has been a failure. “From Fortress Russia to Rubble Russia in a week,” says Mr Ash.

Fortress Russia was a product of Russia's chaotic recent history. Following the dissolution of the Soviet Union in 1991 inflation exceeded 2,000%. In 1998 Russia defaulted, causing the value of the rouble to fall by more than two-thirds. Then in 2014 a collapse in oil prices, plus international sanctions over Russia's actions in Crimea and the Donbas, sent the economy into a deep recession.

As Fiona Hill and Clifford Gaddy show in “Mr Putin: Operative in the Kremlin”, a book published in 2015, the Russian president has long wished that his country could be self-reliant. Since 2014, however, that ideology has gone into overdrive, with Mr Putin desperate to ensure that the West could never again exert economic control over his country.

The idea for Fortress Russia went something like this. On the economic front, Russia would diversify its economy away from oil and gas, two volatile commodities. It would lessen its dependence on Western technology and trade. On the financial front, it would reduce external debt. It would practise tight fiscal and monetary policy, allowing it to accumulate vast amounts of foreign exchange with which it would be able to defend the rouble, or that it would channel to favoured companies, at times of crisis.

There have been some successes. Take the economy first. Russia is somewhat less dependent on hydrocarbons. In 2019 oil profits accounted for about 9% of GDP, down from around 15% when Mr Putin took office. Oligarchs remain exceptionally powerful, controlling a huge share of overall Russian wealth, but their influ-

ence appears to have stopped growing. Between 2000 and 2019 Russia's services industry grew by seven percentage points of GDP, even if productivity growth in most sectors has been pitiful.

In some areas Russia has developed technologies which operate independently of Western ones. Mir, a Russian payments system, accounted for a quarter of domestic card transactions in 2020, up from nothing five years ago. The share of Russian imports classed as “high-tech” seems to be falling fast, World Bank data suggest. In the past decade European exports of whizzy products to Russia have stagnated, while growing elsewhere.

But the fortress walls have gaping holes. Russia remains enmeshed in the supply chain of Western ideas and technologies. According to our analysis of bilateral data on stocks of long-term investment (control of companies, say, or the construction of new factories), the Russian economy is somewhat more reliant on the West than it was a decade ago. About 30% of Russian imports come from G7 countries, hardly different from 2014. In some industries, such as chipmaking and computers, Russia remains wholly dependent on American parts. The cards of some Russian banks under sanction no longer work with Apple Pay or Google Pay, which on February 28th caused chaos on the Moscow metro as people could not get through the turnstiles.

The chaos in Russia's financial markets has been an even bigger surprise. After all, by 2022 Russia had \$630bn-worth of international reserves (around 40% of GDP), the most ever, and had diversified away from American dollars. It had also greatly reduced its foreign-denominated debt owed to foreigners since 2014.

But the country remains dependent on foreign investors. Their short-term asset holdings (including bank loans and stocks), relative to GDP, are about as high in Russia as they are in other emerging markets—and they have remained steady since 2014. Even without sanctions, Russian assets would be under huge pressure as investors run for the exits.

And Russia always assumed that it would be able to access foreign exchange to defend the rouble. It is not completely cut off: Russia's energy exports have largely escaped Western bans, so it still has some dollars flowing in. But, because of sanctions, 65% of Russia's reserves may in effect be worth \$0. The other 35%, held in gold and yuan, cannot be used to defend the currency in the dollar and euro markets.

Russia's difficulties will only compound over time. Being shut out of the SWIFT financial-transfer system will hurt trade; SPFS, a Russian-backed rival, remains far less popular. Russia still needs dollars to pay for a third of its imports, a problem when it has suddenly become harder to get hold of them. Even in its imports from China, where progress has been made on “de-dollarisation”, around 60% of transactions still take place using the greenback.

A test from God

The question is whether Mr Putin really cares about all this. He may not welcome the prospect of angry oligarchs, should some of them indeed dare to raise their voice. But, according to Ms Hill and Mr Gaddy's book, a core tenet of Putinism is survivalism, where one sees economic warfare as a test of strength. The pain is the point. “In this narrative, Russia constantly battles for survival against a hostile outside world,” they say. “The one critical lesson from history is that Russia, the state, always survives in one form or another.” Russia faces a deep recession. But rather than relent, Mr Putin may double down on his attempts to cut Russia off from the outside world. ■



Climate change

Act now or pay later

SINGAPORE

The latest report from the Intergovernmental Panel on Climate Change says adaptation is as important as prevention

THERE IS A peculiarly modern form of the uncanny which Glenn Albrecht, a philosopher, dubs "solastalgia". It is an uneasy feeling that what you took to be the natural way of things has been changed, without your consent, and that your life does not fit into it as once it did. It is the sort of feeling you might expect if, say, what used to be an unusually wet year was now merely typical. It might be dismissed as the "new normal". But it does not feel normal, and it never will. Before you get used to it, it will have changed yet again.

The vast new overview of the impacts of global warming published by the Intergovernmental Panel on Climate Change (IPCC) on February 28th paints a picture of a planet where solastalgia is the norm. Half a billion people, it says, most of them in medium or high latitudes, live in places where the average year is now wetter than wet years were in the 20th century. In low latitudes, by contrast, there are 160m people living where the reverse is true.

These "unfamiliar" climates, as the re-

port calls them, do not merely generate unease. Shifts in averages bring with them large changes in the likelihood of extreme events—and those can do great harm, especially to people already vulnerable as a result of poverty, of political or social exclusion, of an already degraded environment that is the material basis of their livelihoods, or of all of the above and more besides. The report is not just a diagnosis of malaise. It is, in the words of Antonio Guterres, the UN secretary-general, an atlas of human suffering.

The IPCC notes that there have been increases in extreme high temperatures, both on land and in the seas; in torrential rain; in droughts; and in weather condu-

cive to wildfires. And these have reliably hit the vulnerable more than the rest of the world. In the 2010s mortality caused by floods, droughts and storms was 15 times greater in highly vulnerable regions than in the least vulnerable.

Climate change is contributing to humanitarian crises which see vulnerable people displaced in all parts of the world. Instances of food insecurity and malnutrition that can be blamed on droughts and floods have increased in Africa and Latin America. Contrary to some analysis, though, the report does not see much of a climate influence on violent conflict.

Adept adaptations

Adaptation can cope with some of this, and in places, the report finds, it has already made a difference. One example is Ahmedabad, a city in Gujarat, in western India, which the report praises for pioneering "preparedness for extreme temperatures and heatwaves" by adopting an early warning system (the first in South Asia) and changing building regulations to stop the trapping of heat, among several other measures. Another instance is the use of sand dams in Kenya. These increase storage of groundwater in riverbanks by up to 40%, thus helping people weather droughts. But there is increasing evidence of what the IPCC calls an "adaptation gap". As the climate has worsened, the distance between adaptations actually being undertaken and ►►

→ Also in this section

67 Russia's scientific partnerships

67 Turning atolls into power stations

68 Covid-19's origins: the latest

► those which are needed has widened. And it looks set to widen further.

In the near term, trying to narrow this widening gap is a crucial task. Adaptation often takes second place to prevention in discussions about climate change, and it is true that, because total greenhouse-gas emissions are the long-term determinant of such change, dramatically reducing emissions takes logical precedence over all other responses to the crisis. But the IPCC argues that, over the coming decades, the difference between worlds with better and worse adaptation is greater than between worlds with more or fewer emissions. That alone should give efforts to adapt to a changing climate a new urgency.

Three into one does go

In 1988, when the IPCC was set up, it was charged by the relevant UN bodies with assessing what was known for sure about climate change, in order to provide a basis for discussions on which all could agree. It split that task into three parts: the physical science of climate change; the impacts of climate change on the human and natural world; and the possible responses. Each was parcelled out to a working group of researchers. The resulting report was crucial to the negotiation of the UN Framework Convention on Climate Change (UNFCCC), in 1992, and immediately spurred calls for a second assessment. The assessing has been progressing ever since, with more and more researchers involved in producing reports that have grown steadily larger and less frequent.

Having delivered its fifth assessment report in 2014, the panel is now in the throes of releasing the three tranches of the sixth. The tranche on the physical science came out last August. April will see the one on research into the mitigation of climate change. The 3,700 pages (a browser-freezing 280 megabytes) released on February 28th are an account of the state of play regarding impacts, vulnerabilities and adaptation.

The impacts of the warming which has raised the global mean temperature 1.1–1.3°C above its pre-industrial value can be seen around the world. They affect people, the things they grow for food and fabric, and the rest of the living world. The report documents widespread shifts in the timing of the seasons and notes that half of the species scientists have looked at in this context are moving towards higher latitudes, higher altitudes or both, to cool down (though it does admit there may be some sampling bias here).

Plants people eat are also under stress. Increases in agricultural productivity over the past 50 years are significantly lower than they would have been in the absence of climate change, the report notes with moderate confidence. (After problems

with earlier assessments, almost all the judgments in the sixth come complete with confidence estimates, which can range from low to very high.)

Some natural systems are approaching or surpassing their capacity to adapt. Coral reefs, rainforests, coastal wetlands and polar and mountainous ecosystems are all butting up against “hard limits”. For example, at 1.5°C of warming the report expects the number of terrestrial and freshwater species at very high risk of extinction may be as great as 14%.

Human systems, too, may prove to have hard limits. There are combinations of heat and humidity that make unprotected outdoor life impossible. At 100% humidity, people cannot survive above 35°C because they cannot cool down by sweating. In the nearer term, though, what the report calls “soft limits” matter more.

Heatwaves in the northern hemisphere last summer illustrate the point. British Columbia recorded a freakishly high temperature of 49.6°C. Almost simultaneously, Iraqis protested against electricity cuts as temperatures in their country exceeded 50°C. The Canadian heatwave was more unusual than the one in Iraq. And Canada has the resources to prepare for another, if it so chooses. Iraq does not. It is up against its soft limits—hence the protests.

Soft limits can be overcome, but not easily. In Iraq's case, that would require simultaneously overhauling the attitudes and capacity of the government, reforming institutions, and getting groups of donors to provide new money to support all this.

That sort of transformational change remains rare. But efforts to adapt have nevertheless increased in number and ambition. As a consequence, enough experience is now available for the assessment to look, for the first time, at how well the world is doing, as well as at how much it needs to do. The findings are mixed.

Planning for adaptation is now widespread. Implementation, sadly but predictably, rather less so. Some programmes now in place have brought additional

benefits beyond their alleviation of climate risk. The restoration of mangrove forests along coasts—which Indonesia, home to more than a fifth of the world's mangroves, is currently trying to pursue—not only sequesters carbon and helps protect against sea-level rise and erosion. It also boosts fish stocks, balances concentrations of nutrients, and attracts tourists and, thus, money.

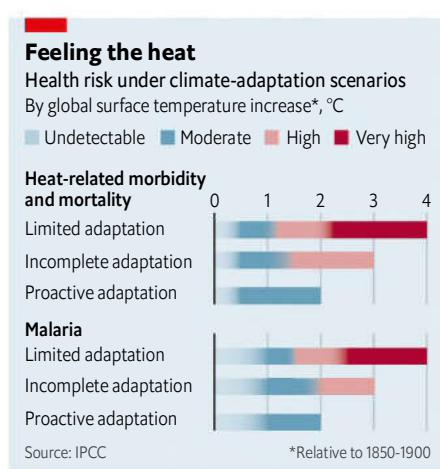
The report does, however, raise worries about the quality of some adaptation efforts. Actions to lower immediate risks, it argues, can reduce opportunities for the transformational adaptation it sees as crucial to improving things over the longer term. It warns of risks from “maladaptation”, in which efforts to deal with the impacts of climate change do more harm than good. One example would be building a sea wall around a city. Doing so protects the residents from rising sea levels and storm surges in the short term. But it can change the pattern of currents by the coast, creating worse erosion elsewhere.

Actions and words

Such measures may also create a false sense of security. In the floodplain around the Jamuna river in Bangladesh there is evidence that the presence of levees attracts more people to live there, increasing the number of deaths that would result were a levee to break. Starting an irrigation system in an area where rain can no longer be relied on to grow crops could lead to over-consumption of river water, leaving people downstream with less. “In choosing the right solutions, we need to be thinking about more than just one climate hazard and also about the range of side-effects of the interventions we undertake,” says Maarten van Aalst, director of the Red Cross Red Crescent Climate Centre, and one of the report's authors.

The fact that tangible damage is already here adds not just physical burdens but also political ones. Negotiation at the meetings of UNFCCC, most recently in Glasgow last November, becomes particularly heated over what the convention calls “loss and damage”—impacts which have already been felt, and over which poor countries have a case for compensation.

Reportedly, the biggest ructions in the closed plenary in which the wording of the “summary for policymakers” was hashed out between the authors and the representatives of governments signed up to the process stemmed from attempts by some of those governments to ensure that it did not do too much to bolster the poor countries' case. Politics is hardly a new addition to the IPCC. It was, after all, created in part to generate political “buy in” to scientists' warnings. But from here on, with assessment a matter of the present, not the future, expect the tensions to grow. ■



Science, diplomacy and war

Russia's scientific partnerships

Their future is mixed, at best, and non-existent at worst

ONE NON-HUMAN casualty of Russia's invasion of Ukraine seems likely to be at least some of its scientific collaborations with other countries, starting with those involving Roscosmos, its state-owned space corporation. On February 25th Josef Aschbacher, head of the European Space Agency (esa), tweeted that all partnerships between his organisation and Roscosmos would continue—especially the second part of a mission called ExoMars, which is scheduled to blast off in September from Baikonur Cosmodrome, a site technically in Kazakhstan, but leased to Russia. That aspiration lasted until February 28th, when esa put out a statement which said, "Regarding the ExoMars programme continuation, the sanctions and the wider context make a launch in 2022 very unlikely."

Planetary alignments mean that if lift-off does not happen in September, it will have to wait at least 26 months. But the amount of Russian hardware involved in bringing the lander that is the mission's payload safely to Mars's surface means even this is questionable unless the diplomatic climate has changed by then.

esa's announcement happened after Roscosmos itself said on February 26th that it was withdrawing its personnel from the spaceport at Kourou, in French Guiana—the biggest rocket-launching facility in the European Union. Roscosmos had had a deal since 2005 to use Kourou to launch Soyuz rockets (not to be confused with the Soyuz space capsules which carry cosmonauts to the International Space Station (iss) and are launched from Baikonur). Besides harming Russia, this sudden withdrawal raises questions over Europe's Galileo global-positioning and Copernicus Earth-observation satellite networks, both of which are launched partly by Soyuz—though esa made reassuring noises about this being no problem.

As to the iss itself, in a comment regarded by many as positively weird, Dmitry Rogozin, Roscosmos's boss, tweeted, "If you block co-operation with us, who will save the International Space Station from an uncontrolled deorbit and fall into the United States or Europe?" There are not, as it happens, plans to block such co-operation. Though it is true that Joe Biden, America's president, did say his country's sanctions "will degrade their [Russia's] aerospace industry, including their space



Powering remote islands

High-water mark

A clever way to turn atolls into power stations

YOUR LATEST electricity bill may have been a rude shock. But chances are it is way less than the bills facing inhabitants of remote islands such as those of the Federated States of Micronesia. In that country, an archipelago of just over 600 islands in the western Pacific Ocean, the residential rate per kWh is about three times the norm in America.

Small Pacific islands generally rely on diesel generators. Connecting them to grids is too expensive. Solar power takes up too much space. And wind turbines are not designed to withstand the hurricanes that sometimes blow through. But, as Matt Lewis of Bangor University, in Britain, told this year's Ocean Sciences Meeting (held virtually) on February 28th, the answer may lie in the very geography of the islands themselves.

Lots of Pacific islands are atolls. Others, though more substantial, have fringing reefs. Both of these set ups involve lagoons separated from the ocean by the reef, yet connected to it via a number of narrow channels. The lagoons themselves are kept filled slightly above sea level by waves overtaking the reef. To Dr Lewis, this arrangement looks a lot like a hydroelectric power station, with the reef acting as the dam and the lagoon as the reservoir behind it. All that is miss-

ing is the generating turbines, which he proposes to put in the channels.

To work out the details he teamed up with Ryan Lowe, an Australian oceanographer who studies the ecology of reefs and has devised a simple mathematical formula for the wave-driven outflows of lagoons. After putting some numbers about the size and general shape of atolls into Dr Lowe's model, together with the levels of waves and tides in the world's oceans, the pair conclude that, for a typical atoll anywhere in the Pacific, with, say, five channels through its reef, suitably placed generators could yield more than 50kw. This would provide power for at least 250 islanders. They reckon that a turbine on such an atoll would run for about 75% of the time. That is promising, Dr Lewis says, considering that the average wind turbine manages only 40%.

The next step will be to do this calculation for real, for as many inhabited islands with lagoons as possible. By combining satellite images with Dr Lowe's formula, Dr Lewis reckons this should be fairly easy. He expects to find hundreds of lagoons suitable for conversion, and is already talking to firms which might be interested in developing appropriate turbines.

programme", NASA observed that, "The new export control measures will continue to allow us-Russia civil space operations", and also said that no changes are planned to its support for "ongoing in-orbit and ground-station operations". In any case, the International Space Station is just that: international. Different modules belong to different countries. Russia could not be denied access to its section.

Russia's involvement in two other scientific collaborations, CERN and ITER, both based in Europe, has yet to come under scrutiny. CERN is a particle-physics laboratory near Geneva, with which Russia, though not a formal member state, has had a lengthy collaboration. ITER is an attempt to build a fusion reactor in the south of France, in which Russia is fully engaged.

CERN, though a prestigious outfit, is al-►

so an esoteric one. It is a long time since new discoveries in particle physics affected technology, industry or warfare. ITER is in dreadful shape. It is behind schedule, over budget and regulators have recently suspended a crucial operation for safety reasons. It is also increasingly irrelevant in the face of privately funded fusion-power startups. Prestige aside (and not even really that in the case of ITER), Russia would lose little if its ties with these were severed.

What really could damage Russian science is a withdrawal of academic collaboration by foreign institutions. Here, Germany has led the way. On February 24th its government ordered the country's universities to freeze relations with Russian counterparts. The Massachusetts Institute of Technology, in America, followed suit on the 25th, terminating links with the Skolkovo Institute of Science and Technology in Moscow, which it helped to found a decade ago. If other academic collaborations come to similar ends, as they surely will unless a peace deal is rapidly negotiated, that will hurt a lot. ■

Covid-19

Origin stories

A market in Wuhan remains the likeliest source of covid-19

TWO NEW papers provide more robust answers than heretofore available to three of the outstanding questions of the covid-19 pandemic: how, when and where SARS-CoV-2, the virus that caused it, first appeared in human beings. These papers, so-called preprints (meaning they have not yet gone through the formal process of peer review that precedes publication in a journal) were written by related teams of researchers from institutions around the world and posted to Zenodo, a repository for such documents. They conclude that, by November 2019, the virus was present in animals on sale at the Huanan Seafood Wholesale Market in Wuhan (pictured), whence it jumped to human hosts on two separate occasions a week or so apart.

One paper, the lead authors of which are Michael Worobey at the University of Arizona and Kristian Andersen of Scripps Research, in San Diego, attempts to trace the first infections definitively to the Huanan market. The authors used three approaches. First, by looking at the geographic distribution of early infections, they found that the market is in the region where the first covid-19 cases were most densely packed—a result that remains unchanged even when cases with no known

link to the market are plotted. Second, they employed photographic evidence posted on Weibo, a Chinese social-media website, as well as contemporary accounts, to show that the market, which vends other goods besides seafood, was selling animals susceptible to the virus (a list that includes porcupines, marmots and raccoon dogs) prior to December 2019.

Third, they analysed the distribution of almost 600 environmental samples taken from the market by the Chinese Centre for Disease Control and Prevention (CCDC) in January 2020, after it had been shut down by the authorities. Combining this analysis with a recreation of the market layout, the authors showed that samples containing the virus were associated with stalls selling live animals, particularly in the market's south-western corner.

The second paper, the lead author of which was Jonathan Pekar of the University of California, San Diego, examines the evolution of the virus in its earliest days in humans. At this time two forms, known as lineages A and B, predominated. These differ in the nature of two particular nucleotide loci (links in the RNA chain that constitutes the virus's genome), with lineage A having a structure identical to similar viruses found in bats.

This suggests that lineage A was the original form and lineage B a subsequent mutation. However, the first known human cases involved lineage B. To resolve this conundrum, the researchers analysed nearly 800 almost-complete viral genomes from samples taken before February 14th 2020, to identify the most likely evolutionary paths taken by the virus.

This analysis showed that, while both lineages were present in cases in the vicinity of the market, no samples contained either any transitional form or any shared

common ancestor. It therefore seems likely that the lineages made independent leaps into human hosts: lineage B on or around November 25th 2019, and lineage A a week or so later. Such multiple jumps from animals are common in coronaviruses. The viruses responsible for both the SARS outbreak in 2002 and MERS (Middle East respiratory syndrome), which appeared in 2012, are also thought to have started with multiple spillover events.

Doubling down on an explanation

All that the researchers felt they needed to make their case watertight was evidence of lineage A at the market. When they started work, all samples from there had contained only lineage B. This changed shortly before their papers went online, because of a detail buried in an unrelated preprint from a team at the CCDC. In a reanalysis of samples, this group discovered the first market-linked evidence of lineage A—on a discarded glove. "This really seals the deal," says Dr Worobey. "Beyond all reasonable doubt we now know what happened."

Though the papers are preprints, their analysis has been praised by numerous independent researchers. Assuming they are indeed correct, rival hypotheses have a steep hill to climb. The most popular of these, as well as the most contentious, is that the virus escaped from a laboratory in Wuhan before triggering a "superspreader" event at the market. The existence of two separate lineages at Huanan, says Dr Worobey, as well as the market's central location in the density map of cases, suggests that such a lab leak would have had to have happened twice, while leaving no evidence yet discovered of the laboratory's involvement on either occasion. That seems unlikely. Which animal species were responsible, though, remains to be determined. ■



From small beginnings



American politics

Tail wags donkey

A history of the Democratic Party offers a lesson for its leaders today

EVEN MORE than those in most other democracies, America's political parties must cater to a daunting range of people and priorities. With just two big ones competing for around 170m votes, rafts of unrelated policies are inevitably bound together. These days, for Republicans, touchstone issues include abortion and low taxes; for Democrats, gun control and squeezing the rich. In the latter case, the tensions that always arise in such eclectic coalitions are exacerbated by the history of the party—one of the world's oldest. The trouble goes back to the beginning. Tracing their intellectual roots to Thomas Jefferson, Democrats now venerate Alexander Hamilton, his arch-rival.

In his fine new book, Michael Kazin, a left-leaning historian at Georgetown University, makes an ambitious attempt to hone a unified theory of the Democratic Party's 194-year record. Its fortunes have followed a simple formula, he argues. Democrats have succeeded by appealing to the economic interests of a broad majority of the American people, developing and of-

What It Took to Win. By Michael Kazin. *Farrar, Straus and Giroux*; 416 pages; \$35

fering a philosophy that Mr Kazin calls "moral capitalism". When they have neglected to do so, concentrating instead on cultural issues, they have failed. As he charts the party's ideological twists and turns, the author stretches his concept of moral capitalism to take in disparate ideas—much as politicians themselves do with their slogans. Nevertheless, his account holds lessons for politics today.

Like his fellow Founding Fathers, Jefferson publicly rejected organised political factions. It was Martin Van Buren who

built the early Democratic Party. Now known as a former president but often for little else, as a senator from New York he made pioneering use of the weapons of political combat that became central to American politics. When Andrew Jackson, a slave-owning war hero from Tennessee, won his second bid for the presidency against John Quincy Adams in 1828, his victory was powered by Van Buren's party activists and partisan press.

Van Buren's notion of the people and their economic interests would be largely unrecognisable to Democrats today. African-Americans, most of whom were still enslaved, were excluded. Jackson was lionised as an avatar of poor white people—and white farmers and workers, especially in the South, formed the Democratic base until the 1930s. But Van Buren's own background—his father was a tavern-keeper of Dutch descent—points to the party's wide appeal. Other supporters included Southern planters and recent European immigrants. In Mr Kazin's summary, the party was for a century defined by a cynical mix of white supremacism and the promise of progress for communities such as Irish, Polish and German Americans.

An instinct for divining the economic preferences of this broad swathe of voters led to regular victories. Until the presidency of Franklin Roosevelt, Democrats advocated minimal intervention in the economy, on the basis that a more activist government would be captured by the rich ►►

→ Also in this section

70 Flights of the bald eagle

71 The glories of Ukraine's cuisine

71 Tales of Afghan women

72 Back Story: Shakespeare on war

► and powerful. Sometimes, as Mr Kazin acknowledges, policies that yielded triumphs at the ballot box resulted in real-world disaster. Jackson's crusade against a national bank led to financial instability. Grover Cleveland, another neglected figure, won a plurality of the popular vote three times, but his tight monetary policy exacerbated the economic crisis of 1893.

It was the economy, stupid

The New Deal marked a turning-point for the party—to a dramatically different policy platform and, eventually, an alternative base of support. The emergency of the Great Depression pushed Roosevelt to develop, in fits and starts, the beginnings of an American welfare state. In the process, Mr Kazin astutely argues, Democrats' affiliation with organised labour led them to abandon their previous antipathy to monopolies: it was easier to negotiate collective-bargaining agreements with big employers than with small ones.

The result of this revamp was an electoral juggernaut. The Democrats championed the growing labour movement in the northern states while pursuing economic development in the South. They accommodated the segregationist laws that southern Democrats had passed while attracting African-American votes in the Midwest and north-east. From 1932, when Roosevelt first won the White House, until 1968, the Democrats lost presidential elections just twice, both times to Dwight Eisenhower, a cherished war hero.

In the last decades of the 20th century, the party's dominance waned. Mr Kazin finds some explanations for that relative decline in poor tactical decisions; he mentions Jimmy Carter's advocacy of initiatives that lacked public support, such as an amnesty for draft-dodgers, during his re-election campaign of 1980. Yet he evades some hard questions about how such defeats might have been avoided. Glaringly, he lambasts George McGovern for not emphasising his ambitious economic policies in the campaign of 1972, but concedes that "it is doubtful it would have made much of a difference to his electoral fate if he had." If that is so, perhaps Mr Kazin's economic formula for success is oversimplified.

More convincingly, he is critical of the party's modern fixation on cultural and identity issues at the expense of an inclusive economic agenda. The eerie familiarity of some of its previous missteps will be alarming for Democrats willing to listen now. At the height of campus activism over Vietnam, Mr Kazin says, "more voters undoubtedly saw the left-wingers as threats to their traditional beliefs rather than as visionaries of personal freedom." In electoral terms, it was a mistake to present the "Great Society" programmes introduced by Lyndon Johnson in the mid-1960s, such as

Medicare and Medicaid, as help for minorities and the poor. Mr Kazin praises Barack Obama for downplaying cultural divisions—for instance, by initially taking an ambivalent stance on gay marriage—in favour of a relentless focus on the economy.

"What It Took to Win" ends in a gloomy mood, reflecting that of Democrats themselves, who hold power in Washington yet are divided and anticipate mid-term defeat. Whether moral capitalism, Mr Kazin's flexible concept, has really shaped a record stretching from Jackson to Mr Obama is doubtful. But this well-researched, accessible book offers an important warning. The Democrats have flourished when they embraced the pragmatic pursuit of power—and floundered when they didn't. ■

American fauna

A wing and a prayer

The Bald Eagle. By Jack Davis. Liveright; 464 pages; \$29.95 and £18.99

THE COLLECTIVE nouns for birds can be revealing. A group of jays is disparaged in English as a "scold", crows as a "murder" and titmice as a "banditry". By contrast, several bald eagles are a "convocation"—as if the birds were cloaked in chasubles of feathers, bearing sceptres in their talons. The bald eagle, after all, is the symbol of America. Its don't-mess-with-me glare appears on military buttons, coins and medals; its likeness adorns a statue on the dome of the Capitol in Washington, the ceremonial mace of the House of Representatives and the Great Seal of the United States. It has been adopted by football

teams, car tyres and Kentucky bourbon.

It was not always so venerated, explains Jack Davis, a Pulitzer-prizewinning environmental historian, in his new book. After white settlers arrived in North America, the raptor was maligned, shot and poisoned nearly to extinction, before public sentiment shifted and more enlightened attitudes prevailed. In this exhaustive history of the bird, Mr Davis makes clear what the bald eagle is not. Chiefly, it is not bald—its head is covered with white feathers ("bald" perhaps being derived from "piebald", meaning of different colours). A screaming eagle is a misnomer, too. Its sound, he says, "brings to mind a squealing gull or chirping teakettle".

And despite the opprobrium of ranchers, insists Mr Davis, the eagle is not a livestock-snatcher. At most, an eagle can carry five pounds (a little over two kilograms), well below the weight of a calf or lamb. Gruesome rumours of baby-snatching were abetted by a silent film of 1908 that showed a father rescuing his abducted infant from a nest, and clubbing an eagle to death. Such slander fuelled a massacre of the birds in the late 19th and early 20th centuries. As a biologist in Indiana observed: "Scarcely does an eagle come into our state now and get away alive."

As a symbol, the eagle thrived; the bird itself did not. By the 1930s eagles were no longer nesting in a dozen states. As fascism swept across Europe and American patriotism surged, their fortunes improved. In 1940 the Bald Eagle Protection Act made killing one illegal. Yet the respite was brief: DDT, a pesticide that killed malaria-bearing mosquitoes and crop-devouring insects—but proved destructive to wildlife—impaired eagle reproduction and supplanted guns as a threat. Eagles laid fewer eggs, which were blighted by thin shells and malformed embryos. The creature's future was imperilled once again.

Thankfully, Rachel Carson's "Silent Spring", a book published in 1962, sparked awareness of the toxicity of pesticides and inspired an environmental movement. That led to the creation of the United States Environmental Protection Agency, which in 1972 banned DDT. Further beneficial legislation followed in short order: the Clean Water Act, the Endangered Species Act and eagle-restoration programmes reflected a growing awareness that nature does not exist for man alone. The link between the iconic bird and shifting American attitudes to wildlife makes this book as much a cultural history as a natural one.

Laws are still flaunted; environmental degradation continues. Nonetheless, Mr Davis reckons the current population of bald eagles in North America may be half a million. That is fairly close to their number at the time of European settlement—and more than enough for a convocation. ■



Quite a comb-over



World in a dish

Black earth rising

As vareniki show, Ukraine has a glorious cuisine that is all its own

TORTELLINI, SPRING rolls, Cornish pasties, empanadas: nearly every cuisine in the world has a recipe in which meat or vegetables are wrapped in dough to be cooked. Ukraine's version is *vareniki*.

The dough, like that of Italian pasta, is a mixture of flour and eggs. The filling choices are limitless, but few can match the comforting sturdiness of cabbage cooked down for an hour with onion and first-rate bacon. The extended cooking time brings out the onion's natural sweetness, and gives the cabbage a velvety lushness that balances perfectly with the bacon's chewy salinity. *Vareniki* make a fine centrepiece of a meal, with sharp pickles on the side and a piquant, sinus-clearing salad of beetroot and horseradish.

Ukrainian cuisine is by no means simple—some of its techniques, particularly the country's genius for fermentation and sweet baking, are deeply sophisticated—but it is often straightforward. Ukraine's *chernozem* (black earth) soil is wildly fertile, producing delicious fruits, vegetables and grains to which wise cooks do as little as possible, instead letting their natural flavours shine.

The country is bigger than France or Spain, with just as much culinary variation. Herbs and warm-weather crops such as tomatoes, aubergines and courgettes thrive in the south, as wild mushrooms and berries do in the colder north. Ukrainians living far from the Black Sea coast make imaginative use of strong-tasting river fish, often cooking it with equally robust flavours such as those of tomatoes

and sugar; residents of the port city of Odessa—in peacetime, unquestionably one of the world's most beguiling places—prefer oily sprats. Despite some Russian claims on it, *borscht* is originally Ukrainian, based on home-grown or market-garden vegetables that can be simmered into something memorable.

The rich, largely flat land has proved tempting to big powers, and Ukraine's territory has for centuries been unwilling host to a stream of invaders. In her magnificent book "Summer Kitchens", Olia Hercules, a Ukrainian cookery writer now living in London, quotes a friend: "My grandmother was born in Czechoslovakia, got married in Hungary and died in Soviet Ukraine, yet she never left her village."

That history and geography have brought a lot of suffering to Ukrainians; tragically, they still do. The culinary upshot is a diverse, unique cuisine. Some might carp that *bogracz*, a meaty stew from the Transcarpathian region, is quite similar to Hungarian *gulyas*, or that *vareniki* resemble Russian *pelmeni*. One rejoinder is that the two stews are spiced differently, and *vareniki* tend to be made in half-moon shapes, while *pelmeni* are usually round.

A better answer is that foods, like countries, can be similar and intertwined, but still remain distinct. "Neighbours always enrich each other culturally," Ukraine's heroic president, Volodymyr Zelensky, observed on the eve of war. "But that does not make them a single whole." *Vareniki* are *vareniki*, and not *pelmeni*, just as Ukraine is Ukraine, and always will be. ■

Afghan fiction

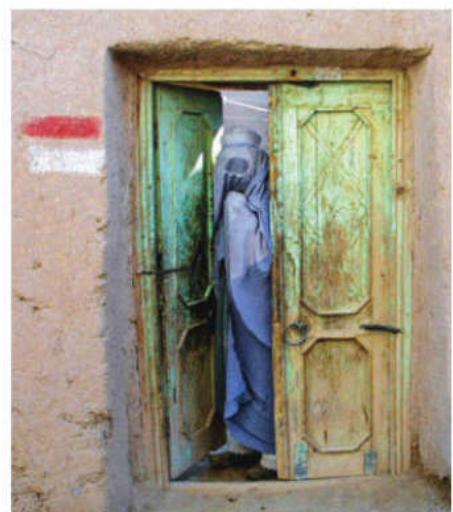
Behind the veil

My Pen is the Wing of a Bird: New Fiction by Afghan Women. MacLehose Press; 253 pages; £12. To be published in America by Grand Central Publishing in October; \$25

THE STORY of Ajah, or grandmother, begins with a child, born in 1905 in Chimal, a district of the Balkh province of northern Afghanistan. The girl is orphaned at seven, when tuberculosis kills her parents, and is married off at 12. Her husband is paralysed after falling on a mountain path while searching for a cure for his infertility. By the age of 27 the character is a widow, and takes on the only name she is given in the story.

When Ajah's village is struck by an earthquake, which reshapes the land and threatens to flood her beautiful orchard, she alone digs a drain to channel away the waters. "It's men's work," the local imam tells her, but no men are available, having been enlisted in the army. When the rains come, the women of the village join her in widening the trench, saving their homes. At the story's close, the men cannot believe what work the women have done. "And why not?" replies Ajah. "They till the land; they raise your children. They lift buckets of water from the well every day. How difficult is digging a tiny channel when us women come together?"

That message, in a tale by Fatema Kharvari, might well stand for all 23 short stories in "My Pen is the Wing of a Bird". They were written by 18 Afghan women and translated from the original Dari and Pashto by other Afghans; the anthology was put



A door ajar

▶ together by Untold, an NGO founded by Lucy Hannah that in 2019 recruited writers across the country via social media, text messages and local radio stations. The settings range in time and place, from "Ajah" in the early 20th century through to the present day, and from rural backwaters to Kabul. The plots include all manner of men and women in Afghanistan.

One story is about the challenge of being a refugee, another about having your family leave you for the safety of a foreign land. Others evoke grinding poverty or the fight against corruption. A few are about

lost love and the tragedy of war. "Bad Luck", by Atifa Mozaffari, is particularly heart-breaking. It tells of a young blind woman whose suitor, thought dead, returns from Iran with money for her cataract surgery—but too late to save her from marriage to someone else. All depict the resilience, stoicism and humanity of Afghan women.

Since August, when the Taliban seized power in Kabul, the lives of many of these authors have been cast into a new stage of chaos. A few have fled abroad. Others now live in hiding (and some write under pseudonyms). As Lyse Doucet, the BBC's

formidable international correspondent, notes in her introduction, not a week now goes by without a bigwig calling for the rights of Afghan women to be protected. The Taliban insist that idea is a Western cultural imposition and metropolitan obsession, and that the country's women must remain silent.

These stories show why the militants are wrong. They take their readers into rooms that television cameras and journalists never reach. In the process, they reiterate how much Afghan women could again say and do, if only they were allowed to. ■

Back Story The action of the tiger

Shakespeare was unblinking about war, as a timely production of "Henry V" shows

LIKE COWED apparatchiks, the courtiers listen and nod as the specious case for war is made. In "Henry V" it is the Archbishop of Canterbury who outlines the English claim to the throne of France that is the pretext for invasion. In a new, modern-dress production of Shakespeare's play at the Donmar Warehouse in London, the flaky legal arguments and skewed history are presented in a slideshow, like the findings of a cooked-up intelligence dossier. The scene is darkly funny, as winking mendacity can be. But the results are deadly.

When it chose to put on "Henry V", the Donmar doubtless had Brexit, the rise of English nationalism and the future of the United Kingdom in mind. After all, the play is about a stand-off between England and a European neighbour, during which the English soldiers spend more time bickering with their Welsh, Scottish and Irish comrades than fighting the French. Now, as it opens, it is another of Shakespeare's themes—the barbarity of war—that resonates loudly and tragically. There is a lot of timely, scathing wisdom in the production, and even more of it in the play.

"We few, we happy few, we band of brothers." Delivered before the battle of Agincourt of 1415, the most famous line in "Henry V" is an ineffable rhetorical escalation, as, in nine words, the king turns his troops' vulnerability into a thrilling privilege. The next best-known is "Once more unto the breach, dear friends," his rallying cry as they besiege Harfleur. Less remembered is his second speech there—in which he warns that, unless the town surrenders, his men will rape its girls, bash in old men's heads and spit babies on pikes. In other overlooked scenes, three English traitors are exposed and condemned to death, and a pal of

Henry's from his days as a boozy prince is hanged for looting. Most shocking is the king's criminal order for his soldiers to kill their prisoners—as English forces did after a siege in Ireland in 1580, around 20 years before "Henry V" was first performed.

Shakespeare's work has shaped understanding of English history, but the reverse is also true: prevailing circumstances and moods have always guided interpretation of his plays. In "Henry V", the moments of heartlessness and horror have been an index of attitudes to leadership and war. In the patriotic film version of 1944, for instance, all the nastiness is excised as Laurence Olivier's noble king and his nimble army unite their country and the continent. Released in 1989, at the fag-end of the cold war, Kenneth Branagh's film is bloodier and muddier. Even for him, though, the slaughter of the prisoners was a bridge too far.

The production at the Donmar doesn't blink. Directed by Max Webster, it stars Kit Harington (from "Game of Thrones") as a media-savvy king, whose cruelty and cynicism are grimly familiar. He con-

demns the traitors and watches impassively as his friend is hanged, Iranian-style, from a crane. Even the English wince at his lurid threats to Harfleur. His pre-war diplomacy is a tawdry pantomime of pointless embassies and unreasonable demands; his claim that, if they refuse to capitulate, the French will be responsible for the blood he sheds, echoes today's Kremlin doublespeak.

And not only does Mr Harington's king order his men to "cut the throats" of their prisoners at Agincourt; he slits the first throat himself. Mr Webster choreographs an apt touch of propaganda after the battle. In the text, the king announces the casualties—10,000 French dead and hardly any English. Here, his caginess about the tally turns a miracle into just another lie. For this ruler, power is a trip and patriotism a smokescreen.

As a commentary on leadership in modern Britain, "Henry V" has a flaw. In the play, the king is enraged when the French dauphin sends him a derisive gift of tennis balls. The country's current political leader might have put them aside for a garden party. Shakespeare's hard-faced monarch is no longer the "vain, giddy, shallow" playboy the dauphin takes him for; he renounces Falstaff, the "fat knight" and bawdy chancer who shared the "riots, banquets, sports" of his youth. In real life there has been a mix-up in the political succession, and a descendant of Falstaff, always loved by English audiences for his japes and irreverence, has beguiled the voters too.

But in the matter of war, this "Henry V" is brutally on target. War can be glorious, Shakespeare knew, and absurd, and even, in the lulls between action, jittery and tedious. But this kind of war—waged dishonestly for territory and self-aggrandisement—is murder in uniform.





**FEDERAL REPUBLIC OF NIGERIA
MINISTRY OF AVIATION**
in compliance with the
**Infrastructure Concession Regulatory
Commission (ICRC) Establishment Act 2005 &
National Policy on Public Private Partnership (N4P)**

**REQUEST FOR PROPOSAL (RFP) FOR THE ESTABLISHMENT
OF A NATIONAL CARRIER FOR NIGERIA**

The Federal Government of Nigeria (FGN), through the Federal Ministry of Aviation, is seeking to reposition Nigeria's aviation sector, as part of efforts towards the diversification of the economy, promoting competitiveness of the sector, boosting productivity, and enhancing economic growth.

To this end, the FGN, through the Federal Ministry of Aviation, is inviting interested private parties to submit proposals for the establishment of the National Carrier, the recently launched NIGERIA AIR, the new National Carrier of Nigeria, to take advantage of the opportunities of the largest market in Africa.

The private sector partners/consortium are expected to comprise of an International Airline (max. 49% shares), and Nigerian Financial and Institutional Investors (min. 46% shares), so that the total Nigerian shareholding will hold a minimum of 51% of the shares of Nigeria Air (including the 5% non-interactive FGN share), as required by international laws for a National Carrier.

Interested parties can download the RFP and the Information Memorandum (IM) from the website www.nigerianaviationpppprojects.com. Any addendum issued to the RFP will be published on the same website. Clarifications and enquiries may be sent via email to enquiry@nigerianaviationpppprojects.com.

All responses to the RFP must be received in hard copies not later than 15:00hrs on the 10th of May 2022 at the address below:

The Permanent Secretary
Federal Ministry of Aviation
Federal Secretariat Complex
Shehu Shagari Way,
Abuja, Nigeria

Attention: Director, Planning Research and Statistics



Partners in Population and Development
An Intergovernmental Organization with UN Permanent Observer Status
Dhaka, Bangladesh

Advertisement for the Post of Executive Director

Salary: US\$ 86,163 per annum (negotiable) + house + car with driver + other benefits

Partners in Population and Development (PPD-www.partners-popdev.org), an Inter-Governmental Alliance of 27 developing countries, is seeking to recruit an Executive Director (CEO) for the organization. PPD is leading the promotion of South-South Cooperation towards the attainment of the global population and reproductive health agenda for sustainable development.

Reporting to the Chair of PPD through immediate supervisor (Host Country Board Member: Bangladesh), the Executive Director will be responsible for mobilizing political and financial commitments, raising awareness about South-South Cooperation, representing PPD in the international forums and leading the development and implementation of PPD's Strategic Plan.

Minimum qualifications required for the position is a PhD Degree in social, population, and development studies and/or public health sciences, or a Medical Doctor with Post-graduation in the related field. Have at least 15 years of relevant professional experiences including five years in a senior management position with Inter-Governmental and/or Multi-Bilateral Organizations and 5 years residence in a developing country. Successful candidates are expected to have an outstanding track record in mobilising funds from donor agencies, governments; managing multi-country projects with a wide range of stakeholders from varied cultural settings; and excellent communication skills in English and French.

The position is open to citizens of all developing countries. The appointment is for an initial period of three years inclusive of 6 months probationary period, renewable subject to satisfactory performance. For detailed Job Description, interested candidates are encouraged to visit PPD website.

Interested candidates are requested to submit detailed CV in the prescribed format available in PPD website and send to the following address **by 31st March 2022**:

Mr. Mrityunjoy Das, Administration Manager, PPD, E-mail: mdas@ppdsec.org

Events

Recoding Diplomacy

ANTALYA DIPLOMACY FORUM

www.antalyadf.org

11-13 MARCH 2022

#MEET4DIPLOMACY

Economic data

	Gross domestic product % change on year ago latest quarter* 2022†			Consumer prices % change on year ago latest 2022†			Unemployment rate %	Current-account balance % of GDP, 2022†	Budget balance % of GDP, 2022†	Interest rates 10-yr govt bonds change on latest, % Mar 2nd	Currency units per \$ Mar 2nd	% change on year ago		
United States	5.6	Q4	7.0	3.4	7.5	Jan	5.2	4.0	Jan	-3.3	-7.4	1.9	44.0	-
China	4.0	Q4	6.6	5.2	0.9	Jan	2.4	5.1	Dec‡§	1.8	-5.0	2.6 §§	-50.0	6.31
Japan	0.7	Q4	5.4	2.9	0.5	Jan	1.2	2.7	Dec	2.4	-5.3	nil	-8.0	116
Britain	6.5	Q4	3.9	4.3	5.5	Jan	4.1	4.1	Nov††	-3.1	-5.4	1.5	66.0	0.75
Canada	3.3	Q4	6.7	3.8	5.1	Jan	3.8	6.5	Jan	nil	-7.5	1.8	49.0	1.27
Euro area	4.6	Q4	1.2	4.1	5.8	Feb	3.5	7.0	Dec	3.2	-4.0	nil	37.0	0.90
Austria	5.7	Q3	14.6	3.9	5.9	Feb	2.8	4.9	Dec	1.4	-2.9	0.4	57.0	0.90
Belgium	5.6	Q4	2.1	3.9	8.0	Feb	4.6	5.7	Dec	1.3	-4.7	0.4	52.0	0.90
France	5.4	Q4	2.9	3.9	3.6	Feb	2.2	7.4	Dec	-1.3	-4.9	0.6	63.0	0.90
Germany	1.8	Q4	-1.4	3.2	5.1	Feb	4.2	3.2	Dec	6.5	-2.6	nil	37.0	0.90
Greece	13.7	Q3	11.3	4.2	6.3	Jan	4.3	12.7	Dec	-3.9	-4.3	2.4	136	0.90
Italy	6.4	Q4	2.5	4.4	5.7	Feb	3.5	9.0	Dec	3.5	-5.5	1.6	87.0	0.90
Netherlands	6.2	Q4	3.8	3.7	6.4	Jan	5.7	3.6	Jan	8.8	-4.3	-0.2	36.0	0.90
Spain	5.2	Q4	8.3	6.0	7.4	Feb	3.7	13.0	Dec	1.3	-5.4	1.1	74.0	0.90
Czech Republic	3.7	Q4	3.8	4.1	9.9	Jan	8.1	2.2	Dec‡	-0.9	-4.3	3.0	132	23.2
Denmark	4.3	Q4	4.5	2.7	4.3	Jan	2.0	2.5	Dec	8.6	nil	0.3	52.0	6.72
Norway	5.4	Q4	0.3	3.3	3.2	Jan	3.6	3.3	Dec‡‡	9.2	2.6	1.4	76.0	8.92
Poland	7.6	Q4	7.0	4.9	9.2	Jan	6.2	5.5	Jan§	0.5	-3.1	4.1	255	4.29
Russia	4.3	Q3	na	-1.6	8.7	Jan	9.7	4.4	Jan§	7.6	-1.1	12.5	551	111
Sweden	5.2	Q4	4.6	3.3	3.7	Jan	3.0	8.3	Jan§	4.3	0.1	0.4	3.0	9.74
Switzerland	3.7	Q4	1.1	3.0	1.6	Jan	1.1	2.3	Jan	5.1	0.5	0.1	37.0	0.92
Turkey	9.1	Q4	6.2	3.4	48.7	Jan	35.3	11.3	Dec§	-3.3	-3.9	23.1	1,017	14.1
Australia	4.2	Q4	14.4	3.3	3.5	Q4	3.0	4.2	Jan	1.2	-4.6	2.1	38.0	1.38
Hong Kong	4.8	Q4	0.8	2.9	1.2	Jan	2.2	3.9	Jan‡‡	1.3	-1.5	1.7	39.0	7.81
India	5.4	Q4	26.6	7.0	6.0	Jan	4.6	8.1	Feb	-1.6	-6.4	6.8	57.0	75.7
Indonesia	5.0	Q4	na	5.1	2.1	Feb	3.6	6.5	Q3§	-0.6	-4.9	6.6	1.0	14,382
Malaysia	3.6	Q4	na	4.5	2.3	Jan	2.8	4.2	Dec§	3.2	-6.1	3.7	57.0	4.20
Pakistan	6.0	2021**	na	3.4	12.2	Feb	8.0	6.9	2019	-5.6	-6.4	11.0 †††	81.0	178
Philippines	7.7	Q4	13.0	6.0	3.0	Jan	4.1	7.4	Q4§	-1.7	-7.4	5.3	129	51.4
Singapore	6.1	Q4	9.5	3.8	4.0	Jan	2.8	2.4	Q4	17.3	-1.8	1.8	47.0	1.36
South Korea	4.1	Q4	5.0	2.9	3.6	Jan	2.3	4.1	Jan§	4.1	-2.9	2.6	64.0	1,206
Taiwan	4.9	Q4	7.6	3.2	2.8	Jan	2.4	3.7	Jan	14.6	-0.7	0.7	30.0	28.1
Thailand	1.9	Q4	7.5	2.9	3.2	Jan	1.9	1.5	Dec§	1.8	-4.7	2.0	34.0	32.7
Argentina	11.9	Q3	17.3	3.0	50.7	Jan	51.8	8.2	Q3§	0.5	-4.4	na	na	108
Brazil	4.0	Q3	-0.4	0.3	10.4	Jan	7.6	11.1	Dec§‡‡	-2.0	-7.7	11.3	303	5.21
Chile	17.2	Q3	21.0	3.0	7.7	Jan	6.9	7.3	Jan‡‡	-2.4	-3.5	5.7	283	808
Colombia	10.7	Q4	18.2	4.2	6.9	Jan	6.2	14.6	Jan§	-4.4	-6.0	9.4	391	3,870
Mexico	1.1	Q4	0.1	1.9	7.1	Jan	5.1	3.6	Jan	-0.9	-3.3	8.0	223	20.8
Peru	3.2	Q4	-12.9	2.3	6.1	Feb	5.5	11.0	Jan§	-2.4	-3.0	6.2	195	3.78
Egypt	9.8	Q3	na	5.3	7.2	Jan	7.0	7.4	Q4§	-4.1	-6.9	na	na	15.7
Israel	10.7	Q4	16.6	4.3	3.1	Jan	2.9	3.9	Jan	3.7	-2.3	1.9	80.0	3.24
Saudi Arabia	3.3	2021	na	5.0	1.2	Jan	1.8	6.6	Q3	6.3	2.0	na	na	3.75
South Africa	2.9	Q3	-5.8	2.1	5.7	Jan	4.8	34.9	Q3§	-0.6	-6.0	9.6	58.0	15.5

Source: Haver Analytics. *% 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.

Markets

In local currency	Index Mar 2nd	% change on:			index Mar 2nd	one week	Dec 31st 2021	% change on:			index Mar 2nd	one week	Dec 31st 2021
		Index	Mar 2nd	one week				Index	Mar 2nd	one week			
United States S&P 500	4,386.5	3.8	-8.0		44,514.1	-1.4	-0.2						
United States NAScomp	13,752.0	5.5	-12.1		3,244.4	-4.4	3.9						
China Shanghai Comp	3,484.2	-0.1	-4.3		2,703.5	-0.6	-9.2						
China Shenzhen Comp	2,326.3	-0.5	-8.1		17,867.6	-1.0	-1.9						
Japan Nikkei 225	26,393.0	-0.2	-8.3		1,689.8	-0.4	1.9						
Japan Topix	1,859.9	-1.1	-6.6		90,248.9	-1.2	8.1						
Britain FTSE 100	7,429.6	-0.9	0.6		115,173.6	2.8	9.9						
Canada S&P TSX	21,255.6	2.5	0.2		53,300.7	3.8	0.1						
Euro area EURO STOXX 50	3,820.6	-3.8	-11.1		11,189.3	-1.0	-6.0						
France CAC 40	6,498.0	-4.2	-9.2		2,051.8	-1.0	-1.0						
Germany DAX*	14,000.1	-4.3	-11.9		12,654.7	1.0	11.7						
Italy FTSE/MIB	24,534.3	-5.5	-10.3		77,536.1	3.4	5.2						
Netherlands AEX	721.0	-0.9	-9.6		World, dev'd MSCI	2,964.2	1.9	-8.3					
Spain IBEX 35	8,321.0	-1.4	-4.5		Emerging markets MSCI	1,168.4	-3.2	-5.2					
Poland WIG	61,659.6	-1.9	-11.0										
Russia RTS, \$ terms	936.9	-22.2	-41.3										
Switzerland SMI	11,871.6	-0.6	-7.8										
Turkey BIST	1,986.1	-1.5	6.9										
Australia All Ord.	7,406.3	-0.9	-4.8										
Hong Kong Hang Seng	22,343.9	-5.6	-4.5										
India BSE	55,468.9	-3.1	-4.8										
Indonesia IDX	6,868.4	-0.7	4.4										
Malaysia KLSE	1,598.1	0.8	2.0										

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st
Investment grade	151	120
High-yield	404	332

Sources: Refinitiv Datastream; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

The Economist commodity-price index	Feb 22nd	Mar 1st*	% change on month	% change on year
Dollar Index	181.1	190.0	8.1	13.3
All Items	155.5	165.0	12.2	29.5
Food	181.1	190.9	16.0	31.7
Industrial	205.1	213.3	5.3	3.8
All	181.1	190.9	16.0	31.7
Non-food agriculturals	212.2	220.0	2.8	-1.5
Metals	12,654.7	13,561.0	7.1	11.7
Sterling Index	203.4	217.2	9.3	18.3
All items	177.2	189.1	9.1	22.6
Euro Index	177.2	189.1	9.1	22.6
All items	189.1	192.5	1.6	11.5
Gold	1,899.1	1,925.6	6.6	11.5
\$ per oz	1,899.1	1,925.6	6.6	11.5
Brent	96.9	105.0	17.7	67.1
\$ per barrel	96.9	105.0	17.7	67.1

Sources: Bloomberg; CME Group; Cotlook; Refinitiv Datastream; Fastmarkets; FT; ICCO; ICAO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Urner Barry; WSJ. *Provisional.

For more countries and additional data, visit Economist.com/indicators

The bear's market

Western sanctions have rocked Russia's financial system

THE SANCTIONS are unprecedented, but the results are grimly familiar. After Western countries froze Russia's central-bank reserves and banned some of its banks from SWIFT, a payment network, the prices of Russian assets plummeted.

The steep sell-off represented the country's fourth financial crisis in 25 years. In 1998 Russia defaulted on its debt and stopped propping up its currency. A decade later, amid a global financial crisis, Vladimir Putin ordered the invasion of Georgia. And in 2014 investors fled Russia again, following his annexation of Crimea.

Since Mr Putin began massing forces on Ukraine's border, the rouble has lost 33% of its value against the dollar. The currency has fallen faster than in 2008 and 2014, although its decline so far is not as large as that of 2014. Russia's financial woes are not yet as severe as in 1998, when the rouble plunged by 70%. But another debt default could be similarly devastating.

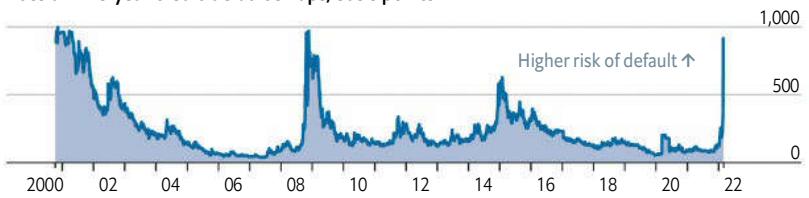
Mr Putin has spent years preparing for a financial stand-off with the West. Since 2015 the value of Russia's central-bank reserves has risen by 71%, with most of the increase in the form of gold or Chinese yuan. The bank has also cut the share of its reserves held in America and France. Nonetheless, 70% remain in countries that are imposing sanctions, limiting Russia's ability to support the rouble. Had the government not forced exporters to sell 80% of their foreign currency and banned foreigners from selling Russian assets, the rouble would have weakened even more.

The only silver lining for Russia is that the prices of its commodity exports have surged. European governments carved out energy sales from the sanctions, letting customers continue buying natural gas—whose spot price has more than doubled—from Russia. Revenue from oil and gas funded a third of Russia's government budget in 2021, enough for two years of military spending at the pre-war rate.

In theory, energy firms should benefit from higher prices. Russia's stockmarket has been closed this week. However, the value of the London-listed shares of four Russian oil and gas companies, whose domestic shares jointly make up a third of the Moscow exchange's market capitalisation, fell by 97% before trading was suspended. Even if these firms do reap a windfall, investors do not expect it to wind up lining the pockets of foreign shareholders. ■

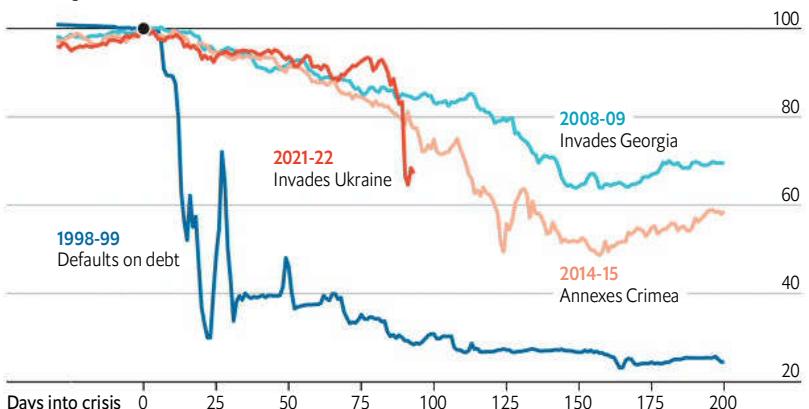
→ Russia is now in its fourth financial crisis in 25 years

Russian five-year credit-default swaps, basis points



Russian currency crises

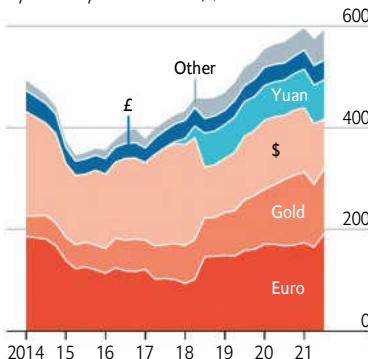
Rouble against the dollar, start of crisis=100



→ Russia has moved a chunk of central-bank reserves out of America

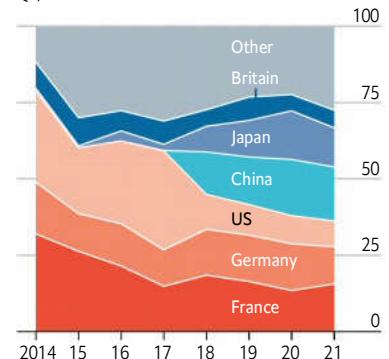
Russia's currency reserves

By currency denomination, \$bn



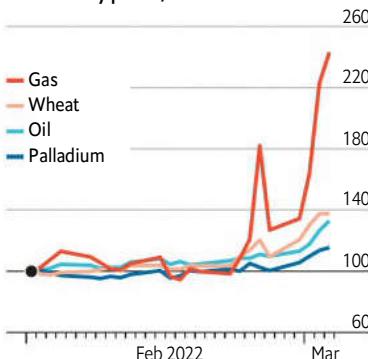
Location of Russia's reserves

Q2, % of total



→ Rising energy prices have not helped Russian firms' foreign shareholders

Commodity prices, Feb 1st=100



Oil and gas shares, Feb 1st=100



Sources: Bloomberg; Bank of Russia; Haver Analytics; The Economist

*Trading suspended on March 3rd



Last of the line

Cristina Calderón, last full-blooded member of the Yaghan people of Tierra del Fuego, died on February 16th, aged 93

THE DESTRUCTION of a language, a culture and a people's independence can happen swiftly, with one raid or one venture-some virus. More often it is a process of slow decline, over decades or centuries, caused by miscegenation and indifference. Foreign, modern ways prove more attractive; the old traditions come to seem primitive, even shameful; children refuse to learn or speak the complicated words. So the culture disappears, and with it a world that no other people knew.

Cristina Calderón was the last representative of her world, the Yaghan people of Tierra del Fuego on the stormy southernmost tip of South America. She was the last person who could remember men going out in bark canoes to row south through the Beagle Channel, their naked torsos coated with seal fat against the freezing cold. She remembered going hunting herself in a boat, learning to stone seagull chicks without feeling sorry for them; because God, Watauineiwa, had made them to be eaten, just as he had decided to take her grandfather when he was hit in the stomach by a "Spaniard". Sailing past ice floes, she either avoided looking at them or painted her face black, out of respect, for they were as wise as human beings. In the woods she ran fast because of Hannus, the giant ape-man who lived there. She wore shoes made of fur from the guanaco, a creature like a llama, and ate berries cooked in seal oil, which were a treat.

The Yaghan were an amphibious people, living half on the sea, catching otters and fish, and half on land, working as sheep-shearers, in *akalis* or huts made of planking and corrugated iron. She had been born in such a hut to Lanixweliskipa and her husband Akacexanincis, Yaghans who had already changed their names to Carmen Harban and Juan Calderón. White people would not laugh at them then. When Charles Darwin had dropped by in the mid-19th century, the Yaghans had numbered around 3,000. By the time she was born in 1928 there were 100 or so, still clinging to

the old ways. Gradually, however, they began to move to a more settled life in Bahía Mejillones, the Bay of Mussels, where she grew up, and where they could scrape a living catching shellfish. Out in the waters beyond the Beagle Channel, skimming between fjords and glaciers, they had known freedom, rough as it was. But to settle permanently was to die, little by little.

Over her long lifetime—in which she was orphaned at six, took three partners, lost the best of them to lung disease, and had nine children, two of whom died early—her people were squeezed by the Chilean government into a smaller and smaller space, eventually Villa Ukika near Puerto Williams. There they lived in better houses, but as a remnant people. Among the 50 or so Yaghans now surviving, "Abuela Cristina" was the last of pure Yaghan blood.

As such, she was an object of affectionate curiosity to the world. Journalists sought her out, trailing this dumpy figure in her thick woollen leggings and cardigans as she knitted socks, her main source of income, or battled the endless wind to pick rushes to weave into traditional baskets. She looked vulnerable sometimes in her solitude, the last of the line. But appearances were deceptive. Just as she doggedly withstood the elements, so she was fighting to hand on her language and her culture.

For her first nine years she had spoken nothing but Yaghan. It was a vast language, catalogued by Thomas Bridges in the 19th century at 32,400 words. Many offered a tiny snapshot of Yaghan life: *ilan tashata* for the fierce winter storm from the south, carrying snow, which blew on the night she was born; *tuock-olla* for the act of hiring a man to carve bone to make spearheads. Some were extraordinarily concise, or caught nuances other languages did not even attempt: *mamihlapinatapai* meant "a look between two people, each of whom expects the other to do something that they both want but neither dares to start". Her own favourite words were two of the simplest: *januja*, the Moon, and *lamp*, the Sun.

Until Bridges, no one had tried to write them down; this was not a literate society. And until she took up the task, no one did anything more to record it. She and her grand-daughter, Cristina Zárraga, spent years compiling a Yaghan-Spanish dictionary, running language workshops and making recordings on which she spoke the melodious words. In 2005 she also published a book of Yaghan legends. Though her family were all mixed race, and the youngest members had no interest in learning this language, they encouraged her because she was still the heart of the community, carrying the Yaghan fire.

She did not pretend the past had been perfect. Life had been hard, so far down south that they almost touched Antarctica. It was also socially primitive. Men and women were meant to be equal, but she was forced at 15 to marry a man many years her senior, whom she did not know. When she protested, she was told that marriage was the only thing that could guarantee her food, clothes and a peaceful life; and she took that as true, as she remembered an unmarried aunt and a sister routinely going naked.

Yet Yaghan society was democratic, after a fashion. There were no chiefs. There was also no education except at the feet of the shamans, and little entertainment except the round of initiations and burials. She treasured a photograph of her father as a handsome young man in mourning, with his face-paint and his pure white headdress made of the feathers of wild geese. Such things had not been seen for a long, long time.

In very old age she would sit knitting amid a pile of crochet cushions in the fine white wooden house she had been given by the Chilean government. After years of suppression of the Yaghans, it had now declared her a national treasure. UNESCO had proclaimed her a treasure for the whole of humanity. She was still weaving her baskets, to show how it was done. She had left her language on recordings and her books in libraries. There was nothing more, practically, that she could do. As she gazed from her windows out across the Beagle Channel, she still saw the distant shapes of bark canoes setting out on the water. ■

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