

# The Economist

JUNE 8TH-15TH 2018

Xiaomi rewrites the rules of business

The gain in Spain

AI and jobs: the radiologist's tale

How to win the World Cup

## America's foreign policy



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### Politics this week

Print edition | The world this week Jun 9th 2018

**Italy** at long last got a new government. Nominally headed by a non-political lawyer, Giuseppe Conte, it is in reality an uneasy coalition formed from the populist left-wing Five Star Movement and the nationalist Northern League. It is promising both tax cuts and benefit increases, which could rapidly clash with the EU's budget rules. See [article](#).

**Spain** got a new government, too. Its prime minister, Mariano Rajoy, was ousted by a censure motion related to old corruption charges against his party. The new prime minister is Pedro Sánchez, of the Socialist party, which controls only 24% of the seats in the lower house. See [article](#).

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In **Slovenia**, an anti-immigrant party won the most seats in a snap election, but fell short of a majority. Forming a government may prove difficult or impossible, since other parties refuse to deal with it.

#### A volcanic disaster

Scores of people died and nearly 200 were missing after the eruption of the Fuego volcano in **Guatemala**. Fast-moving pyroclastic flows of gas, ash and lava engulfed nearby villages. The eruption sent plumes of ash 6km (3.7 miles) into the atmosphere. Guatemala declared three days of mourning. See [article](#).

**Nicaraguan** security forces killed nine people in the city of Masaya. That brings to at least 127 the number of people who have been slaughtered since protests began in April against the authoritarian rule of President Daniel Ortega. See [article](#).

A strike by lorry drivers in **Brazil**, which blocked roads and led to shortages of fuel and food, ended after ten days. The government agreed to subsidise diesel for 60 days to placate the drivers, whose strike was provoked by rises in fuel prices. Pedro Parente resigned as the chief executive of Petrobras, the state-controlled oil company, which sets fuel prices. See [article](#).

A **Mexican** federal court ordered the government to start a new investigation into the disappearance in 2014 of 43 students in Iguala in the state of Guerrero. The court said an earlier investigation by prosecutors, which found that police had turned over the students to drug gangs, had not been independent. The new one is to be overseen by a truth commission, which will be led by the victims' families and a human-rights group.

#### Taxing times

Thousands of people protested in **Jordan** against the government's plans to increase taxes and cut subsidies, part of an IMF-backed programme. King Abdullah responded by sacking the prime minister. He told the new government to review the entire tax system. See [article](#).

**Iran** is to build new centrifuges at the Natanz nuclear site, increasing its capacity to enrich uranium. But it said it would stay within the limits on enrichment set by the nuclear deal in 2015 with world powers, which America pulled out of last month. Highly enriched uranium is needed to produce nuclear weapons.

**Saudi Arabia** issued driving licences to ten women, weeks before a decades-old ban on female drivers is lifted. Meanwhile, Saudi prosecutors said 17 activists had been detained, with eight released "temporarily". Some had been campaigning for women's rights. See [article](#).

**Ethiopia's** government said that it will implement a peace deal, signed in 2000, that ended a bloody two-year war with **Eritrea**. Ethiopia had refused to withdraw its troops from disputed territories awarded to Eritrea in 2002 by a border commission that was created by the deal. Abiy Ahmed, Ethiopia's new prime minister, also lifted a state of emergency, which was imposed by his predecessor following protests. See [article](#).

More than 1,000 people in the Democratic Republic of Congo were given an experimental **Ebola** vaccine, as health workers try to stop the spread of the disease.

#### The golden prize

More primaries were held to choose candidates for America's mid-term elections. **California** held a "jungle" primary, where the top two vote-getters go through to November regardless of party. Despite a crowded field that threatened to split the party's vote, Democratic candidates in the seven seats it is targeting in the state made it through. Gavin Newsom, a former mayor of San Francisco, became the Democratic candidate for governor. See [article](#).

In a 7-2 decision, the Supreme Court ruled in favour of a **Christian baker** who refused to fashion a same-sex wedding cake (though he offered to sell the couple any cake off the shelf). The court found that officials in Colorado had not given the baker a fair hearing. But it did not spell out how lower courts should balance concerns about discrimination, compelled speech and religious freedom in future cases.

#### Getting ready for a date

**North Korea** removed three generals from their posts, prompting speculation that they opposed the forthcoming summit between Kim Jong Un, the country's dictator, and Donald Trump. The White House announced that the meeting will take place at a hotel on the Singaporean island of Sentosa. See [article](#) .

**Malaysia's** new government appointed an attorney-general. Tommy Thomas, an ethnic Indian, is the first non-Malay to hold the job. He promised there would be "no cover-ups" in the investigation into the 1MDB scandal, in which billions of dollars were siphoned out of a development fund. Separately, the governor of Malaysia's central bank resigned.

A court in **Hong Kong** sentenced two pro-independence politicians and their three former aides to four weeks in jail for trying to barge into a meeting at Hong Kong's Legislative Council in 2016. The politicians had been elected as legislators but had been barred from taking their seats for not taking their oaths properly.

Police in the **Chinese** city of Chengdu raided an underground church and detained its pastor and several other people to prevent a planned service in commemoration of the violent suppression of the Tiananmen Square protests of 1989. America's secretary of state, Mike Pompeo, called on China to "make a full public accounting" of the massacre.

Rodrigo Duterte, the president of the **Philippines**, drew howls of protest from feminists for kissing a woman on the lips at an event for overseas Filipina workers. Mr Duterte said it was his "showbiz" style. The woman in question said "it meant nothing."

## Business this week

Print edition | The world this week Jun 7th 2018

China offered to buy \$70bn-worth of American goods, including oil and gas, through its state-owned companies if America ditches its plan to impose tariffs on Chinese products. It was the latest move to avert a **trade war** between the two countries, submitted after talks between Chinese and American negotiators led nowhere. Meanwhile, trade hostilities broke out between America and its allies, after the Trump administration pressed ahead with tariffs on steel and aluminium. The European Union drew up a list of American products targeted for retaliation. Mexico got a head start, levying penalties on imports from America, such as pork and bourbon. See [article](#).

### Savvy Satya

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**Microsoft** agreed to buy **GitHub**, an online platform for developers to write and share code, for \$7.5bn. The deal underscores Microsoft's embrace of open-source software under Satya Nadella, something that was unthinkable under previous chief executives. Its pivot towards cloud-based computing and services has rejuvenated its share price, allowing Microsoft to use only stock to pay for GitHub. See [article](#).

The British government sold 925m of its shares in **Royal Bank of Scotland**, the biggest chunk it has offloaded since bailing out RBS in 2008, reducing the public's stake to 62%. The shares were sold at a much lower price than the government paid for them, representing a £2.1bn (\$2.8bn) loss to taxpayers from this sale alone. More tranches of shares are expected to be sold over the next few years. See [article](#).

**Commonwealth Bank of Australia** was fined A\$700m (\$535m) by Australia's financial-crimes agency for breaking rules on money laundering and financing terrorism. It was a record corporate penalty in the country. The bank admitted to lapses in checking 53,500 transactions at its "intelligent" cash machines, where money can be deposited anonymously.

David Drumm, the former boss of **Anglo Irish Bank**, was found guilty of dishonestly inflating the size of the bank's deposits before its collapse and subsequent bail-out during the financial crisis. It was a rare instance of a senior executive being held to account legally for events leading to the crisis. Mr Drumm's trial lasted for 81 days. The jury took just ten hours to convict him.

**South Africa's economy** shrank by 2.2% at an annual rate in the first quarter, the worst contraction in almost a decade. Agriculture, mining and manufacturing all recorded big drops in output, underscoring the broad-based nature of the decline. Cyril Ramaphosa, the president, has vowed to increase investment.

**Walmart** reached a deal by which a private-equity firm will take an 80% stake in its Brazilian operations. The supermarket chain expects to book a loss as a result of the transaction. Walmart entered Brazil in 1995, eventually becoming the country's third-largest retailer, but it has chalked up seven consecutive years of losses there.

Continuing the pain on Britain's high streets, **House of Fraser** said it was closing 31 of its 59 department stores, causing thousands of job losses. Its flagship store on London's Oxford Street is on the list to shut shop, one of the most visible casualties of the online disruption to retail.

### Ramping up

Elon Musk said that **Tesla** would probably reach its target of making 5,000 Model 3 cars a week by the end of June. Tesla's production glitches have worried investors. This week Mr Musk survived a vote at the annual shareholders' meeting to relieve him of the chairman's role, which he holds alongside the job of CEO.

SoftBank's Vision Fund unveiled a \$2.3bn investment in the division that is developing **autonomous cars** at General Motors. The carmaker hopes to roll out its first self-driving vehicles next year.

With his health deteriorating, **David Koch** stepped down from his role at Koch Industries, one of America's biggest privately held conglomerates, where his brother, Charles, is chief executive. David Koch is also ending all his political activities. The Koch brothers are most famous for creating a network of donors for conservative causes. See [article](#).

**Howard Schultz** announced his retirement as chairman of Starbucks, ending his management ties to a company that he bought in 1987, turning it into the world's most extensive chain of coffee shops. Mr Schultz, who gave up the CEO's job in 2016, has been mentioned as a potential Democratic presidential candidate.

### Environmentally friendly

**Monsanto** is no more. Bayer scrapped the name, which for decades invoked ire among green activists because of its development of genetically modified crops, when it completed its takeover of the company this week.

## **KAL's cartoon**

**Print edition | The world this week** Jun 9th 2018



### Trump's foreign policy

Demolition man

America and the world

## Donald Trump's demolition theory of foreign policy won't work

*Even if the president strikes a deal with North Korea, his approach will harm America and the world*

Print edition | Leaders Jun 7th 2018

PICTURE this: next week in Singapore President Donald Trump and Kim Jong Un crown their summit with a pledge to rid the Korean peninsula of nuclear weapons. A few days later America and China step back from a trade war, promising to settle their differences. And in the summer, as sanctions bite, the streets of Tehran rise up to cast off the Iranian regime.

These gains would be striking from any American president. From a man who exults in breaking foreign-policy taboos, they would be truly remarkable. But are they likely? And when Mr Trump seeks to bring them about with a wrecking ball aimed at allies and global institutions, what is the balance of costs and benefits to America and the world?

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### Don't you ever say I just walked away

You may wonder how Mr Trump's narcissism and lack of detailed understanding could ever transform America's standing for the better. Yet his impulses matter, if only because he offers a new approach to old problems. Like Barack Obama, Mr Trump inherited a country tired of being the world's policeman, frustrated by jihadists and rogue states like Iran, and worried by the growing challenge from China. Grinding wars in Afghanistan and Iraq, and the financial crisis of 2008, only deepened a sense that the system of institutions, treaties, alliances and classically liberal values put together after 1945 was no longer benefiting ordinary Americans.

Mr Obama's solution was to call on like-minded democracies to help repair and extend this world order. Hence the Iranian nuclear deal, choreographed with Europe, Russia and China, which bound Iran into the Nuclear Non-Proliferation Treaty. And hence the Trans-Pacific Partnership, which sought to unite America's Asian allies around new trading rules that would one day channel Chinese ambitions.

Mr Trump has other ideas. He launched air strikes on Syria after it used nerve gas in the name of upholding international norms—and thus looked better than Mr Obama, who didn't. Otherwise he treats every relationship as a set of competitive transactions. When America submits to diplomatic pieties, conventions or the sensitivities of its allies, he believes, it is negotiating with one hand tied behind its back.

If any country can bully the world, America can. Its total military, diplomatic, scientific, cultural and economic power is still unmatched. Obviously, that power is there to be exploited, which is why every president, including Mr Obama, has used it to get his way abroad even if that involves threats, intimidation and, occasionally, deception. But it is hard to think of a president who bullies as gleefully as Mr Trump. No other modern president has routinely treated America's partners so shoddily or eschewed the idea of leading through alliances. None has so conspicuously failed to clothe the application of coercive power in the claim to be acting for the global good.

In the short term some of Mr Trump's aims may yet succeed. Iran's politics are unpredictable and the economy is weak. Mr Kim probably wants a deal of some sort, though not full disarmament (see [article](#)). On trade, China would surely prefer accommodation to confrontation.

Yet in the long run his approach will not work. He starts from false premises. He is wrong to think that every winner creates a loser or that a trade deficit signifies a "bad deal". He is wrong, too, to think that America loses by taking on the costs of global leadership and submitting itself to rules. On the contrary, rules help deter aggressors, shape countries' behaviour, safeguard American interests and create a mechanism to help solve problems from trade to climate change. RAND, a non-partisan think-tank, has spent two years assessing the costs and benefits of the postwar order for America. It powerfully endorses the vision that Mr Trump sneers at—indeed, it concludes, this order is vital for America's security.

Mr Trump's antics would matter less if they left the world order unscathed (see [Briefing](#)). But four years will spread anarchy and hostility. The trading system will be unable to enforce old rules or forge new ones. Short of a war with, say, Russia, America's allies will be less inclined to follow its lead. In Europe more voices may complain that sanctions against Russia are harmful. In Asia countries may hedge against America's unreliability by cosying up to China or by arming themselves, accelerating a destabilising arms race. Countries everywhere will be freer to act with impunity. These changes will be hard to reverse. Sooner or later, America will bear some of the costs.

Worst of all, Mr Trump's impulses mean that China's rise is more likely to end in confrontation. He is right to detect a surge in Chinese ambitions after the financial crisis and the arrival of Xi Jinping in 2012. That justifies toughness. But Mr Trump's



dark, zero-sum outlook is destined to lead to antagonism and rivalry, because it refuses to see that China's rise could benefit America or to follow the logic that China might be content to live within a system of rules that it has helped devise.

### **I just closed my eyes and swung**

If the “master negotiator” so underestimates what he is giving up, how can he strike a good bargain for his people? He values neither the world trading system nor allies, so he may be willing to wreck it for the empty promise of smaller bilateral deficits. That could lead to retaliation (see [article](#) ). Iran could resume nuclear work, as ruling clerics ape North Korea's strategy of arming themselves before talking. Mr Trump may give Mr Kim the prize of a summit and an easing of sanctions in exchange for a curb on North Korea's long-range ballistic missiles. That would protect America (and be better than war), but it would leave Asian allies vulnerable to the North's nukes. America First today; in the long run America Alone.

America's unique willingness to lead by fusing power and legitimacy saw off the Soviet Union and carried it to hegemony. The world order it engineered is the vehicle for that philosophy. But Mr Trump prefers to fall back on the old idea that might is right. His impulses may begin to impose a new geopolitics, but they will not serve America or the world for long. Remember the words of Henry Kissinger: order cannot simply be ordained; to be enduring, it must be accepted as just.

*This article appeared in the Leaders section of the print edition under the headline "Demolition man"*

The gain in Spain

## What Spain owes the ejected Mariano Rajoy

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*And what Italy should learn from him*

Print edition | Leaders Jun 7th 2018

THOUGH only a few days old, June has been cruel to the European Union. In Italy, on June 1st, the first all-populist government was formed since the second world war. It brings together in bizarre conjunction the maverick left-wing Five Star Movement, a party founded nine years ago by a television comedian, and the hard-right nationalists of the Northern League. Also on June 1st Mariano Rajoy, Spain's prime minister, was dispatched in a confidence vote that has brought to power an even narrower minority government under Pedro Sánchez (pictured). His Socialists control only 24% of the lower house.

Not for the first time, Spain and Italy appear to shadow each other through economic and political tumult. Either or both governments may be short-lived. And nervous markets have pushed up the bond yields of both. But there the similarities end. Spain these days counts as a bright spot, unlike Italy, which has much to learn from its Iberian cousin.

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Of the two southern European states, Spain had by far the worse financial crisis of 2008. Its property bubble burst, crippling the banks and causing mass unemployment that peaked at 26%. In 2012 Spain was bailed out by its European partners, in contrast to Italy which managed to hold on. Despite these problems or, more likely, because of them, Spain has had the better recovery. It reduced its budget deficit, cleaned up its banks and freed its labour market. Thanks to growth that has exceeded 3% a year since 2015, Spain's output is now above its pre-crisis level. Italy, by contrast, has been slow to deal with the losses at its banks, and its labour-market reforms have been timid. Its recovery is among the weakest in the euro zone, and output still languishes below the pre-crisis peak.

### Bust and boom

The difference lies in political leadership. In many ways, Mr Rajoy has served his country well. Taking office in December 2011, in the teeth of the crisis, he administered tough medicine consistently. Until this month a remarkable political survivor, he had managed to hold on to power without a parliamentary majority for two and a half years.

He had his limitations. His pigheadedness meant that he could not stop the drama in Catalonia from turning into a crisis, culminating in a unilateral declaration of independence last October. That prompted direct rule from Madrid, lifted only now that the separatists, who won a regional election in December, have at last agreed on a new government. Above all, Mr Rajoy could never throw off the shadow of old corruption scandals in his People's Party. A court verdict on some of these triggered the censure motion that destroyed him.

Yet he leaves Spain in better shape than Italy—not just economically but politically. Italy's big problem is that the electorate has lost confidence in mainstream politics. Well over half the voters at the election in March chose parties from the political extremes. Italy has had no equivalent of France's president, Emmanuel Macron, to reconstitute the splintered centre.

In Spain, too, established parties have suffered at the hands of insurgents. One new lot, Podemos, is anti-capitalist and left-wing (it wants to scrap the labour reforms, among other things), but it has struggled to reach 20% in polls. By contrast, the other newcomer, Ciudadanos, is broadly liberal and somewhat technocratic. It belongs to the centre and has become its country's most popular party. Crucially, Spain has no significant movement on the nationalist right, unlike Italy, France and many others, including Poland and Hungary. Indeed, tolerance of refugees and migrants has been an impressive feature of Spanish democracy.

Difficulties lie ahead. Unemployment, and the debt stock, are still too high. The Catalan crisis continues to fester. But Mr Sánchez promises to maintain both the old government's budget and, it seems, its labour reform. He also looks a better bet than the stubborn Mr Rajoy to explore political solutions in Catalonia. In due course, these may require new constitutional changes. Progress will not be easy, and Mr Sánchez may not get far before his weak parliamentary position derails him. But Spain's politics look more stable than Italy's, with its fading mainstream parties and the pantomime-horse of populists in government. Hard reform and economic recovery have prevented greater political instability. For that, at least, Spaniards owe *muchas gracias* to dour Mr Rajoy.

*This article appeared in the Leaders section of the print edition under the headline "The gain in Spain"*

**Rules of war****America's allies should stand up to its reckless trade policy**

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*Retaliation is costly and risky. But rolling over would be worse***Print edition | Leaders** Jun 7th 2018

OF ALL President Donald Trump's assaults on multilateralism, his trade policy is the most relentless. On June 1st his administration expanded tariffs of 25% on steel and 10% on aluminium to include imports from allies: the European Union, Canada and Mexico. The tariffs are justified by "national security", a ruse to render them legal at the World Trade Organisation (WTO). The White House may not stop there. It is investigating whether imports of cars and car parts also pose a "threat". America's allies are brandishing their own lists of levies on American imports, as is China. Should they strike back?

The arguments against retaliation are clear. A tit-for-tat trade war will unleash destructive mercantilism, which lurks everywhere, not just in the White House. Even in good times, politicians usually forget that the main benefits of trade are higher productivity and cheap imports. Instead, they keep tariffs low chiefly to open foreign markets for their hard-lobbying exporters. The more barriers they encounter abroad, the less value they will see in supporting the global trading system. Decades of progress towards freer trade could unravel.

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But doing nothing entails costs, too. Mr Trump's goals go far beyond tariffs on a few metals. He seeks trade terms that will force supply chains to move to America, damn the economic consequences. For example, the administration wants the North American Free-Trade Agreement (NAFTA) to expire automatically after five years, robbing firms of the certainty they need to invest in Mexico. To roll over on tariffs today would invite further, more damaging assaults tomorrow.

There are no good options. But on balance, it is better to try to deter Mr Trump now, while the scale of the dispute is small. Countries should organise their response so that it has maximum effect at minimum cost.

They should act in unison and within the spirit of the rules-based system. Condemnation of America's actions by the rest of the G7 on June 2nd was a first step. Countries are also right to complain about the tariffs to the WTO. The rules may yet permit retaliation; the idea that Mr Trump's tariffs have anything to do with national security is laughable; and it would smack of double standards for retaliators to defend the multilateral system while circumventing it.

Any retaliation should be carefully calibrated. It is sensible to target symbolically important goods. Mexico has imposed tariffs on bourbon and pork, which are produced in states that are home to Republican leaders. Canada plans to tax imports from swing states, such as chocolate from Pennsylvania and orange juice from Florida. Mr Trump's trade policy is already unpopular among Republicans in Congress, some of whom are trying to curtail the president's power to act unilaterally on trade. America's allies should aim to weaken the remaining support for protectionism.

Retaliatory tariffs should be structured so as to do as little economic damage as possible at home. That means omitting goods for which there are few available substitutes, as well as parts and components. Otherwise, supply chains will be put at risk and governments will probably be drawn into the business of picking winners. To see how easily that happens, witness the thousands of requests by American importers for exemptions from Mr Trump's steel and aluminium tariffs.

**Bully pulpit**

*The Economist* was founded in opposition to tariffs and mercantilism. Barriers to trade distort economies and harm consumers, especially poor ones. Yet, in the long run, a measured show of strength in the face of Mr Trump's aggression offers the best hope for keeping markets open.

*This article appeared in the Leaders section of the print edition under the headline "Rules of war"*

Images aren't everything  
**AI, radiology and the future of work**

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*Clever machines will make workers more productive more often than they will replace them*

Print edition | Leaders Jun 7th 2018

RADIOLOGISTS, say the pessimists, will be first against the wall when the machines take over. Analysing medical images is a natural fit for “deep learning”, an artificial-intelligence (AI) technique which first attracted attention for its ability to teach computers to recognise objects in pictures. A variety of companies hope that bringing AI into the clinic will make diagnosis faster and cheaper. The machines may even be able to see nuances that humans cannot, assessing how risky a patient’s cancer is simply by looking at a scan.

Some AI researchers think that human beings can be dispensed with entirely. “It’s quite obvious that we should stop training radiologists,” said Geoffrey Hinton, an AI luminary, in 2016. In November Andrew Ng, another superstar researcher, when discussing AI’s ability to diagnose pneumonia from chest X-rays, wondered whether “radiologists should be worried about their jobs”. Given how widely applicable machine learning seems to be, such pronouncements are bound to alarm white-collar workers, from engineers to lawyers.

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In fact the application of AI to medicine suggests that the story is more complicated. Machine learning will indeed change many fields, allowing the rapid analysis of enormous piles of data to uncover insights that people might overlook. But it is not about to make humans redundant. And radiology, the very field that is used as a cautionary tale about the robocalypse, shows why.

One is the nature of AI itself. The field is suffused with hype. Some papers show artificial radiologists outperforming the ones in white coats (see [article](#)). Others, though, still put the humans ahead. The machines may eventually take an unambiguous lead. But it is important to remember that AI, for the foreseeable future, will remain “narrow”, not general. No human is as good at mental arithmetic as a \$10 pocket calculator, but that is all the calculator can do. Deep learning is broader. It is a pattern-recognition technique, and patterns are everywhere in nature. But in the end it, too, is limited—a sort of electronic idiot-savant which excels at one particular mental task but is baffled by others. Instead of wondering whether AI can replace a job, it is better to ponder whether it could replace humans at a specific task.

### **The human touch**

That leads to a second reason for optimism: the nature of work. Most jobs involve many tasks, even if that is not always obvious to outsiders. Spreadsheets have yet to send the accountants to the dole queue, because there is more to accountancy than making columns of figures add up. Radiologists analyse a lot of images. But they also decide which images should be taken, confer on tricky diagnoses, discuss treatment plans with their patients, translate the conclusions of the research literature into the messy business of real-life practice, and so on. Handing one of those tasks to a computerised helper leaves radiologists not with a redundancy cheque, but with more time to focus on other parts of their jobs—often the rewarding ones.

A third reason for optimism is that automation should also encourage demand. Even in the rich world, radiology is expensive. If machines can make it more efficient, then the price should come down, allowing its benefits to be spread more widely and opening up entire new applications for medical imaging. In the Industrial Revolution the number of weavers rose as the work became more automated. Improved efficiency led to higher production, lower prices and thus more demand for the tasks that the machines could not perform. Medicine itself provides a more recent example. “Expert systems” were the exciting new AI technology of the 1970s and 1980s. They eventually made their way into hospitals as, for instance, automated diagnostic aids. That has been a boon, letting nurses—or even patients—undertake procedures that might previously have required a doctor.

No one knows how sweeping the long-term effects of AI on employment will be. But experience suggests that technological change takes longer than people think. Factory-owners took decades to exploit the full advantages of electricity over steam. Even now, the computer revolution in the office remains unfinished. Big tech firms such as Google, Facebook and Alibaba have the resources and the in-house expertise to begin making use of AI rapidly. Most other companies will proceed more slowly, especially in tightly regulated areas like medicine. If you happen to be training for a career in radiology—or anything else that cannot be broken down into a few easily automated steps—it is probably safe to carry on.

*This article appeared in the Leaders section of the print edition under the headline “Images aren’t everything”*

**The joy of football****For all its faults, the World Cup in Russia is worth celebrating**

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*And The Economist has ideas about how countries should go about winning it*

**Print edition | Leaders** Jun 9th 2018

“FOOTBALL is a simple game,” explained Gary Lineker, formerly the captain of England’s team. “Twenty-two men chase a ball for 90 minutes and at the end, the Germans always win.” Billions of fans will nonetheless pour their hopes into the World Cup, which begins in Russia on June 14th. Many people will join in even if their countries have not made it to the competition. Bangladeshis follow the World Cup fervently, ignoring killjoy officials who have tried to stop them flying flags. The flags of Argentina and Brazil, that is—Bangladesh’s national team is ranked 197th out of 207 in the world and has never qualified for the World Cup.

*The Economist* is looking forward to the competition, too. Not because we think the country that hosts our head office has much of a chance of winning it—we are too rational for that. But because, first, improbable athleticism, drama and heroism can elevate the game to the level of art (see [article](#)). And, second, because we see in the World Cup the fulfilment of some of our most cherished values.

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Admittedly, much about the tournament is distasteful. Its governing body, FIFA, has a woeful history of cronyism and corruption. This year’s competition will be a fillip for Vladimir Putin’s kleptocratic regime. (In March, after Russia tried to murder an exile and his daughter in the city of Salisbury, England briefly considered withdrawing from the World Cup, but then decided to express its disapproval by—horrors!—instructing Princes William and Harry to boycott the tournament.)

Yet the competition itself, as opposed to the murky process of deciding where it is played, showcases progress. Teams really are better than they used to be. It also rewards good government. Autocratic regimes such as China and Russia can ruthlessly drill track-and-field athletes—indeed, the Olympic games sometimes resemble an authoritarian pageant. But dictatorships are rubbish at football, which requires more creativity and flair. The contrast between the former East and West Germany is striking. The East trained massively muscled shot-putters; the West, sublime shot-makers. Only four countries rated “not free” by Freedom House, a charity, have qualified for this year’s World Cup, and none is likely to get far. The last country with an autocratic government to win the tournament was Argentina in 1978. The women’s contest has only ever been won by democracies (America, Germany, Japan and Norway), though China once made it to the final.

International football punishes inward-looking countries and rewards those with more cosmopolitan attitudes. When picking team managers, wise countries pass over their national heroes and appoint managers of any nationality who have proved themselves in western Europe’s tough football leagues. They also call upon their diasporas. African countries can field half-decent teams largely because so many of their players have refined their skills abroad. Rich-country teams also benefit from the talents of immigrants. Fully half of France’s victorious squad in 1998 were of migrant stock.

**Why nations fail**

Football can also teach countries how to spot and hone human capital. The best performers not only have systems for finding gifted children, but also ways of spotting late developers who failed to make the first cut. Their academies turn out intelligent, creative players rather than dribbling automatons. Then, if they are clever, they drop their best footballers into a competitive market. A simple model of countries’ aptitude for football, which weighs things like wealth and interest in the game, suggests that America ought to be doing better (see [article](#)). One possible reason for the failure of its men’s teams is that America’s professional soccer league is a cartel. Salaries are capped, and the lower-division teams in which domestic players might develop cannot be promoted.

So liberal internationalists should enjoy the World Cup, despite the Putinophile propaganda that will no doubt disfigure it from time to time. Football, like life, is gloriously unpredictable. For what it is worth, our model suggests that one country is best-placed to dominate the beautiful game; indeed, it has performed slightly worse than it should have done over the years. That country is Germany.

*This article appeared in the Leaders section of the print edition under the headline “How to win the World Cup”*

## On central banks, life insurance, work, Singapore, Prince Charles, hyphens

Letters to the editor

Letters

### Letters to the editor

*On central banks, life insurance, work, police, Singapore, Prince Charles, hyphens*

Print edition | Letters Jun 9th 2018

Letters are welcome and should be addressed to the Editor at [letters@economist.com](mailto:letters@economist.com)

#### The role of central banks

The Free exchange [column](#) in your issue of May 26th recommended that central banks grant the general public access to their digital currencies by offering accounts to everyone. Thus, in times of recession, the interest paid on these digital-currency accounts would become a potent tool for monetary policy. However, offering this service directly to the public raises fundamental questions. A central bank might become a superpower in retail banking, disrupting traditional commercial banking by refinancing the credit supply via deposits. Commercial banks would have to increase interest rates accompanied by a fall in their margins in deposit and lending, endangering financial stability. In periods of stress, there is a high risk of digital bank runs.

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The column also argues that accounts for everyone could distribute more “helicopter money”, or newly minted money, to the public. However, the distribution of a central bank’s money as a giveaway to the public is not merely an accounting problem. It would involve distributional decisions that are usually the domain of elected governments, not of independent central banks.

PROFESSOR JOACHIM WUERMEILING

Member of the executive board

Deutsche Bundesbank

Frankfurt

#### Data points

Another reason why the life-insurance industry is struggling (“[Declining years](#)”, May 19th) is that it is unable to quantify longevity risk fully in relation to the solvency of life-insurance portfolios. Life insurance is too dependent on actuarial statistics that extrapolate from the past and are rather poor in assessing this risk. The adage that past results do not guarantee future performance applies in this case.

A study by the IMF on life expectancy argued that mortality tables used by life-insurance actuaries exacerbated longevity risk within the industry by underestimating how long people will live. So rather than looking at the past, models on longevity risk need to take account of factors such as the pace and duration of improvements in life expectancy that can potentially occur in the future.

WEIMENG YEO

Newark, California

One emerging trend in the industry is “shared value insurance”. Because life insurers make more money when people live longer, their profits are aligned with their customers’ good health. Life insurance can encourage healthier lifestyle choices with financial incentives. The idea is to help customers overcome cravings for instant gratification and stop being over optimistic about their health, which behavioural economists say lead to unhealthy lifestyles.

The shift from infectious to lifestyle diseases has been significant. Just three choices— physical inactivity, an unhealthy diet and smoking—now cause more than 50% of deaths and 80% of the disease burden, according to the Oxford Health Alliance. This opens up a new role for life insurers, but one that is complementary and supportive of their core product of protecting people against the unplanned contingencies of life.

This model has been successfully implemented in South Africa, where demonstrable increases in life expectancy have been observed, and is now being adopted by a network of some of the largest global insurers in their market, including Ping An, AIA, Generali, John Hancock, Manulife and Sumitomo.

ADRIAN GORE

Group chief executive

Discovery Vitality

Johannesburg

#### Our new column on work



I look forward to reading more of Bartleby's reflections ( [May 26th](#) ). Many workers ponder day in and day out that if economic survival was possible without the wholesale occupation of employment, what would life involve and would there be meaning to it of the sort that Herman Melville's Bartleby wanted? As the growth of services, artificial intelligence and better redistribution make these a tangible reality, we have an unparalleled opportunity to spread the benefits of economic well-being that Westerners have enjoyed for over 100 years.

DEEP SAGAR

*Berkhamsted, Hertfordshire*

### **More bobbies on the beat**

\* I read your article on police recruitment with great interest ( " [Swot team](#) ", May 26th). Over the last four years Police Now have recruited and trained more than 650 exceptional graduates to join the junior ranks of the police service. Half of them would not previously have considered a career in policing, over half are female and in urban areas, and 21% identified as being black or ethnic minority—better reflecting the broader population. Police Now's graduate leadership development programme is successfully working within the traditional career path in the service to help drive genuinely needed positive change in forces and communities.

DAVID SPENCER

CEO and co-founder of Police Now

*London*

### **Politics in Singapore**

Your Banyan columnist ( [May 26th](#) ) notes that "voting is clean" in Singapore. Furthermore, that the ruling People's Action Party (PAP) has won 14 general elections since 1959 because it runs "the country competently". I thank Banyan for the compliment. After all, how many former British colonies are there where voting has always been clean and their governments consistently competent?

But Banyan insists there is more to the PAP's longevity: a "favourable electoral system" and a cowed electorate, among other things. The PAP won 70% of the popular vote in the last general election. Could a "favourable electoral system" have delivered that? Your correspondents have been stationed in Singapore for decades. Did Singaporeans strike them as a people easily brainwashed into believing that the PAP and Singapore are "synonymous"?

Singaporeans are well-travelled, well informed and some even read *The Economist*. They continue to vote for the PAP because it continues to deliver them good government, stability and progress. The PAP has never taken this support for granted. As Lee Hsien Loong, the prime minister, noted recently, the political system is contestable. We have kept it so. The PAP could well lose power, and would deserve to do so if it ever became incompetent and corrupt.

FOO CHI HSIA

High commissioner for Singapore

*London*

### **Some good advice**

Bagehot thinks that a good constitutional monarch is one who keeps his thoughts to himself ( [May 19th](#) ). Monarchs are not elected, so in a democracy they should not have the power to turn their opinions into laws. Fair enough. But denying royals the possibility of expressing well-informed, competent views takes this point too far, and deprives a country of a valuable source of independent thought, arguably like NGOs, which are also unelected and politically un beholden. Consider Prince Albert's soft-power contribution to industrial-age Britain.

Bagehot dismisses Prince Charles's views as unconventional, though admittedly prescient at times. Those are two qualities not in abundant supply in political soundbites. Perhaps it takes a monarchy to take up a certain kind of advocacy, where votes do not factor in. Agree with him or not, I fail to see why a thinking monarch is any less "dignified" for it.

EDWARD CECIL

*Madrid*

### **Peculiar politicians**

I suggest the hyphen is redundant in this line from your piece on "Cabinet splits and party twists" ( [May 12th](#) ) over Brexit: "the European Research Group consists of 60-odd backbenchers".

ANDREW BILLINGTON

*Marsden, West Yorkshire*

\* Letters appear online only



### Donald Trump and the world

Present at the destruction

Present at the destruction

## Donald Trump is undermining the rules-based international order

*There may be short-term wins for America but there will be long-term damage to the world*

Print edition | Briefing Jun 7th 2018

CANADA is a fairly laid-back place. On the morning of May 25th, a Friday, Justin Trudeau, the prime minister, looked relaxed, dressed in jeans, having walked to his office opposite the parliament building in Ottawa. Mr Trudeau talked to *The Economist* about the trade negotiations with the United States, explaining that his job was to stand up for Canadian interests, that President Donald Trump understood this, and that the two had “a very good working relationship”.

But Canada is also a place that depends on the United States for two-thirds of its trade. There was nothing relaxed about Mr Trudeau’s response when, a few days later, Mr Trump slapped tariffs on steel and aluminium from Canada, Europe and Mexico, ostensibly for reasons of national security. Mr Trudeau said the idea that Canada was somehow a national-security threat to the United States was “quite frankly insulting and unacceptable”. France’s president, Emmanuel Macron, called the tariffs “illegal” and warned: “Economic nationalism leads to war. That is exactly what happened in the 1930s.” When Canada hosts the G7 summit in Charlevoix, Quebec on June 8th-9th, it risks looking like the G6+1.

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Mr Trump came to power arguing that the world was a mess and American foreign policy an abject failure. His “America First” view was that it was no longer America’s job to clean up that mess, but to pursue its own interests. It was time for America’s enemies to fear it, for its allies to pay their fair share and for the country to be more selfish in pursuing what it wanted.

The American foreign-policy establishment he turned his back on returned the compliment, and was dismayed by his election victory. Some among its number nevertheless harboured hopes that having campaigned in bile, the president would govern in beige, constrained by the realities of office, “grown-ups” in his team and the persuasion of his allies.

It didn’t happen. Just over 500 days into his presidency, Mr Trump is up to his ears in foreign-policy controversy and showing no signs of being constrained. He has appointed his second secretary of state, the hawkish Mike Pompeo, and his third national security adviser, the ultra-hawkish John Bolton. In the past three months, in addition to imposing tariffs on his allies, he has abrogated the nuclear deal with Iran, set the stage for a trade war with China and offered Kim Jong Un of North Korea a summit, which is due to take place in Singapore on June 12th.

Trade experts, policy veterans and diplomats from almost all America’s allies have looked on aghast. Mr Trump’s voters are thrilled. In foreign policy, perhaps more than anywhere else, he is doing exactly what he said he would do: pulling out of the Paris climate agreement and the Iran deal, moving America’s embassy in Israel to Jerusalem, getting tough with China. Many in business are more or less on board, too; happy with growth at home, they give the president the benefit of the doubt overseas—and when it comes to China-bashing, plenty of them are all for it. Some allied governments, notably those of Israel and Saudi Arabia, are delighted.

There are three perspectives from which to look at this. The most prevalent in the foreign-policy establishment and the chancelleries of Europe is despair. The rules-based order ushered in after the second world war, which provided both the greatest-ever increase in human wealth and global trade and a whole human lifetime without worldwide armed conflict, is being dismantled. No good will come of it.

The second perspective could be called “Yes, but”. Yes-but-ism doesn’t exactly reject despair, but tempers it with various caveats: that Mr Trump’s outrages may not be as profound, unprecedented and permanent as they might seem; and that the old rules-based order was already failing in a number of respects.

The third perspective is openness to surprising success. This holds that Mr Trump’s one-off mixture of ambitions and style means he might be able to achieve things that people working in old ways within the old system simply could not.

These are perspectives, not camps. Those who despair, or think “Yes, but”, may also be open to surprise—indeed most of them are, to some extent. That said, few of them suspect the successes, if any, to be other than short-lived.

To look at Mr Trump from any of these perspectives requires first assessing who he is and how he operates. Mr Trump is incurious and profoundly narcissistic, which means he is also thin-skinned. He is often impetuous, with no taste for long-term strategy or the consideration of consequences. He lies as only someone can do who does not care about the truth.

### The lack of humility

Mr Trump appears to see the world as he saw the New York property market, a place of screw or be screwed. A deal where the other guy walks away happy is one where you could have got more. He sees international relations as he saw reality television:

unpredictability and absurdity raise the ratings, turnover in the characters keeps things fresh and you should never let anyone forget who is the star of the show.

“He’s entirely unpredictable day to day, to his own staff,” complains Nicholas Burns, a former American ambassador to NATO who is now at Harvard’s Kennedy School. “That’s a big problem.” This is largely true and renders joined-up policymaking and sustained effort more or less impossible. But the unpredictability is not total. The nature of Mr Trump’s goals hardly changes: you can expect him to try to press ahead with things mentioned on the campaign trail, to undo anything achieved by Barack Obama, and not to think hard, if at all, about consequences. You can expect angry and fatuous tweeting and weird personal touches, as in the remarkable, cloying letter to Mr Kim of May 24th. You can expect everything to be transactional. At every point Mr Trump wants to get something for himself—something which will look good.

The four major policy moves of the past three months—scrapping the Iran deal, offering a summit to Mr Kim, setting the scene for a trade war with China and slapping steel tariffs on his allies—all reflect who Mr Trump is and how he works. No other recent president would have undertaken one of these, let alone all four at the same time. To his undoubted pleasure, they have scandalised much of the foreign-policy establishment. So what is it like to look at them from the perspective of being open to the surprise of success?

First comes the on-off-on-again Singapore summit with Mr Kim (see [article](#)). Mr Trump has both been more threatening to the North Korean regime than any previous president and, in offering a summit that will show the two men as equals, more accommodating. The summit, which would not have come about without the efforts of the South Korean president, Moon Jae-in (himself a victim of Mr Trump’s bullying in other matters), will not achieve a rapid or total denuclearisation of the Korean peninsula. But it may offer a road to rapprochement where there was none before, and a lessening of tensions on the peninsula which, though exacerbated by Mr Trump, have been a serious long-standing security concern. The summit could look, at least, like a success.

Turning to the Middle East, Mr Trump’s ditching of the Joint Comprehensive Plan of Action (JCPOA), as the Iran deal is formally known, was part of a broader push to increase pressure on Iran; uncritical support for Saudi Arabia and Israel is another part. The ditching of the deal was followed by a tough speech by Mr Pompeo presenting a laundry list of demands to Iran. The split with the Europeans makes co-ordinating pressure on Iran harder and creates a “major disconnect between the objective and the means,” says Martin Indyk, a Middle East specialist at the Brookings Institution, a think-tank.

But the Iranian economy is chronically weak, and European companies may not choose to deal with it if they face American reprisals. Pressure on Iran could build. “For all those who say there’s no chance this can work, there’s a part of me that says: well, I wonder,” says Dennis Ross of the Washington Institute for Near East Policy. A new alignment of interests between Israel, Saudi Arabia and other Arab states helps. “If it’s properly handled there is a way to push back against the Iranians in the region,” says Mr Indyk.

Blunting the Shia crescent would be widely seen as a triumph. An even bigger triumph would be regime change in Iran—a far bolder, some would say foolhardy, policy aim, and one that would be very hard indeed to sell to America’s non-Middle Eastern allies.

Mr Trump’s suggestions that his deal-making skills might be applied to Israel and Palestine, meanwhile, remain far-fetched. The peace plan drawn up by his son-in-law, Jared Kushner, is said by one of those consulted on it to be “a really serious effort”; that this is seen as something one could not take for granted about a White House plan says a lot in itself. But any chance that it would be well received by the Palestinians was scuppered when Mr Kushner’s wife, Ivanka Trump, opened the Jerusalem embassy. The prospect of a deal is “a fantasy”, according to Mr Indyk.

It is hard to make progress on Israel and Palestine if you see everything in terms of winners and losers. The same is even truer on trade, where Mr Trump is completely driven by bilateral trade balances. But his willingness to do what others have not may get him a claimable victory here; it is possible that China might find ways to shrink its trade surplus. An economy that big can soak up a lot of Boeings, soya and liquefied natural gas.

There is almost no way to put a positive spin on the steel tariffs against America’s allies (see [article](#)). But a successful-looking North Korea summit, a cowed Iran and Chinese concessions on trade would look like winning to Mr Trump and his supporters, and to some other observers, too. His approach would have brought about what others dared not attempt.

### **Like a kid that’s found his dad’s gun**

Now look again, from the perspective of despair. There is no guarantee of anything which even resembles a success. But even if Mr Trump could claim a hat-trick, the potential downsides could more than offset any gains. With North Korea, for example, there is the disturbing possibility that Mr Kim might offer to give up his ICBMs, which look as if they can carry weapons to any part of America, but not, yet, all his bombs or all his shorter-range missiles. Thus South Korea and Japan would remain under threat—and feel betrayed by an ally interested in protecting only itself. That could open the way to a regional arms race.

North Koreans have told foreign contacts that the fate of the JCPOA means their country will not trust any deal offered it. This is one of the big downsides of pulling out of the Iran deal. It did not just put at risk a well-crafted plan that genuinely constrained Iran’s nuclear capacity and put in place unprecedented limits and safeguards—strictures from which Iran could now walk away at any time. It damaged America’s trustworthiness: the hegemon broke its word. That is why the Pentagon and many diplomats argued against it. Meanwhile some Iranian analysts warn that, as America piles on new sanctions, Iran is more likely to restart uranium enrichment than embrace democracy.

On trade, a Chinese move on the bilateral deficit which satisfied Mr Trump would do nothing to solve the genuine problems in the world trade system, nor, Mr Trump might be sad to learn, reduce America’s overall trade deficit much. And the damage

being done to the World Trade Organisation (WTO) by claiming that things such as car imports are a national-security matter will make things worse.

In all three cases there is another worry: that Mr Trump comes cheap, and can be played. The Kims have wanted the validation of a peer-to-peer summit for decades; this Mr Kim has so far paid very little to get one. Moving the embassy to Jerusalem was a very big deal for Israel, which might have been willing to do a lot to make it happen—but was not asked to. And a move on the trade balance Mr Trump makes so much of might spare China from having to take steps that would strike at its theft of intellectual property, its subsidies and its restrictions on foreign investment.

### **The pirates don't eat the tourists**

Thus it is possible to be open to short-term success and still gravely regret Mr Trump's rejection of the world order that a bipartisan consensus in American foreign-policy circles has long embraced. RAND, a think-tank firmly rooted in this consensus, recently completed a two-year project on the benefits to America of the international rules-based system. It concluded that the system has boosted the effectiveness of American diplomacy and military strength, and helped to advance American interests: "A strong international order is strongly beneficial for the United States."

Hence the despair at that order's weakening. "[Mr] Trump has fundamentally changed American policy for the worse," says Mr Burns. "He's the weakest president in my lifetime, and the most dangerous. I'm not alone. These are mainstream views." So they are. Richard Haass, the president of the Council on Foreign Relations, and a Republican, thinks people already view America differently. "The United States has knocked itself off the pedestal," he says. The effects are likely to be "lasting and corrosive". "We have yet to come to terms with the full extent of the damage he's doing to America's role in the world," says Michael Fullilove, who heads the Lowy Institute for International Policy in Sydney. "The leader of the free world doesn't believe in the free world."

It is against this background that one has to set the "Yes, but" perspectives: yes, but it is not all that new; yes, but it will not last; yes, but the world has changed.

Some of what Mr Trump is overturning is quite recent, and not all that popular; to walk away from it is simply to cross over to a path not taken but still clearly visible. The JCPOA had many enemies. The Paris climate agreement was carefully crafted so as not to need Senate ratification—which it had no hope of getting. Hillary Clinton told American voters that she would reject the Trans-Pacific Partnership (TPP) trade deal negotiated under Mr Obama, as Mr Trump has done—though for her it was a reluctant and not entirely convincing concession, while for him it was a proud boast.

Many of Mr Trump's bugbears were issues before. Anger at China's theft of intellectual property and restrictions on investment has been building for decades. Mr Obama pressed NATO allies to spend more on defence, too. He also kept troops in Iraq and Afghanistan that many of his supporters wanted to see brought home, just as Mr Trump is doing. "Historians will look back and see more in common between Obama and Trump," says Allan Gyngell, a doyen of Australian foreign policymaking at the Australian National University in Canberra.

There is also a case that Mr Trump is in fact part of a long tradition: "America First" was a slogan of four successive presidents from Woodrow Wilson onwards. Walter Russell Mead of Bard College identifies four guiding philosophies for American foreign policy: Jeffersonian, Hamiltonian, Jacksonian and Wilsonian. The cold war produced a hybrid between the Hamiltonian approach—international engagement favouring American interests, particularly those of business—and the internationalist and idealist Wilsonians. The unilateralist-isolationist heirs to Andrew Jackson went along with this, but when the Soviet threat was removed they soon saw all those foreign encumbrances as a pain. Mr Trump, who has a portrait of Old Hickory in the Oval Office, takes the same view. A 19th-century precedent does not make this a good approach to the 21st. But it does make Mr Trump look less aberrant.

### **They didn't stop to think if they should**

Another "Yes, but" point is to stress the resilience of the old apparatus. The State Department, which seemed to be going to pot under Rex Tillerson, is likely to see morale pick up under Mr Pompeo; the Pentagon provides continuity. Congress has tried to constrain Mr Trump on some things, as when he has tried to ease sanctions on Russia. The Europeans will grouse, but have no real alternative other than to stick with the NATO alliance. America's Pacific partners are at pains to keep what Roland Paris of the University of Ottawa calls a "docking bay" for the United States in TPP, should it one day wish to return.

What is more, the degree of Chinese competition to American pre-eminence can be overestimated, according to Joseph Nye, an expert on American power at Harvard's Kennedy School. America remains far ahead militarily. Convertibility for the yuan is for the future. Jake Sullivan, of the Carnegie Endowment for International Peace, recently wrote in *Foreign Affairs* that "rumours of the international order's demise have been greatly exaggerated."

And there is little evidence that the American public has taken a decisive Jacksonian turn. Polling by the Pew Research Centre shows them evenly divided between those who want their country to be active in world affairs and those who say it should concentrate on problems at home. The share of those favouring foreign activism has actually been rising, from 35% in 2014 to 47% last year. In 2016, 3m more voters chose Mrs Clinton, a much more internationalist, foreign-policy consensualist, than Mr Trump. This, though, is a one-term argument. If, seeing what he has wrought, America chooses Mr Trump again in 2020, the evidence for a decisive turn will be much stronger.

That leaves the biggest "Yes, but" of all: that the international system, somewhat ossified, faces a new world for which it was not designed. Both the astonishing rise of China's economic power and, more recently, its increased authoritarianism at home and assertiveness abroad under Xi Jinping, mark deep shifts in geopolitics. With India coming along behind, Europe looking troubled, and risks from climate chaos too, the changes seem set to continue.

For many experts, this is a reason to strengthen today's structure. But the idea that the old world order is not a good fit for the current and coming world can also be taken as meaning that a little creative destruction might helpfully broaden minds and reshape institutions.

Unfortunately, there is no reason to think that Mr Trump's destructive efforts will lend themselves to any creative aftermath. They have the consistent effect of weakening core alliances and alienating neighbours. "It's no longer the case that the United States will simply just protect us," the German chancellor, Angela Merkel, acknowledged last month. As yet, none of America's Western allies has found any way of getting concessions from Mr Trump.

If most of America's allies (which Mr Trump often refers to as competitors) are unhappy, its real strategic competitors, Russia and China, are making hay. The weaker the West, the less threatened Russia feels, and the more it sees a chance of encouraging European countries to break with the sanctions that hurt its economy; Italy, under its new government, is a tempting target. The fact that Mr Trump is trying to thwart efforts to discover the degree to which Russia attempted to undermine his opponent in the 2016 election does not just add to the distrust with which foreign-policy people see him. It may also encourage Russia in similar efforts elsewhere—or, indeed, renewed efforts in America.

### **Hold on to your butts**

China is startled by how rapidly American leadership has dwindled. Though Communist Party officials are somewhat wary of taking on great-power responsibilities, they see tempting opportunities to portray China as the defender of world order in matters such as climate change and trade. And China knows how to get its way with Mr Trump, at least on some things, as the case of ZTE, a telecoms-equipment company based in Shenzhen, recently showed. America punished ZTE for breaking laws on Iranian sanctions with a ban on semiconductor purchases in the United States—in effect a corporate death-sentence. China lobbied hard for a reprieve. Chinese requests for such special favours under Mr Obama were routinely dismissed by officials who explained that this was not how things worked in America, governed by the rule of law. But Mr Trump publicly ordered his government to lift the ban on May 13th.

The degree to which Mr Trump's policy decisions can be influenced by favourable treatment of the business interests from which he continues to benefit is not clear. If they can, it is a fair bet that a number of countries, including China, will seek such leverage. On May 10th a state-owned Chinese company made a deal with an Indonesian company that is the Trump Organisation's partner in a large development.

Might the individual, transactional elements of Mr Trump's policy add up to something grander, that might even be called Trumpism? If so, according to John Negroponte, a former ambassador and director of national intelligence, it probably looks something like this. Build up America's economy, freeing it from years of overzealous regulation (peace through strength). Maintain alliances (just about) and invest heavily in the country's military power (peace through might). Use that strength to make gains in chosen areas around the world, including in the long challenge from China.

Mr Trump, some say, would not be the first American president to be widely derided by the foreign-policy establishment yet prove surprisingly successful in bringing peace and prosperity. Ronald Reagan spoke in direct ways no one expected—"evil empire"—and was ready to intensify the cold war. He supported a huge deficit-backed increase in military spending, not to mention some unsavoury friends in Latin America. He was willing to pick trade fights and throw America's weight around. For all these reasons he was condescended to and disparaged by all sorts of experts in his first term. And that was before the ill-advised, illegal shenanigans of Iran-Contra came to light. Yet the cold war ended, America got richer, its military forces became more capable and the world-trade system was liberalised.

But Mr Reagan had values. He was an eternal optimist, a champion of America as an example to the world. He possessed a consistent world view and a moral compass—albeit one that occasionally erred. He knew stuff; he made notes; he believed there could be win-win deals. Although he, too, got through lots of national security advisers (six in all), for much of his time in office he had the consistent support of exceptional secretaries of state and defence, George Shultz and Caspar Weinberger. And he was lucky in his geopolitical adversary/partner, Mikhail Gorbachev—a man now taken by Mr Xi as history's greatest example of a precedent not to follow.

The chances of Mr Trump being looked back on as a latter-day Reagan are nil. The chances that he might achieve some of his short-term aims are real. Unfortunately, to the extent that Mr Trump succeeds, he, his followers and those of like mind elsewhere will feel that their scorn of the rules-based international order is vindicated, while continuing to do nothing to find a durable replacement. They are right that it is in some ways outdated and inadequate. They are wrong that it is unnecessary—as a world of trade wars, nuclear proliferation, fractured alliances and regional conflict may soon show.

*This article appeared in the Briefing section of the print edition under the headline "Present at the destruction"*

### The rule of law

Pardon me?

Pardon me?

## Donald Trump's powers are not quite as vast as his lawyers claim

*No, the head of state cannot do whatever he pleases*

Print edition | United States Jun 7th 2018

JUST as a frog in warming water cannot sense its own destruction, America is said to be increasingly inured to the harm President Donald Trump is doing it. The scandals and affronts are too many and too various to keep in mind—and also too confusing. It is hard to tell a toxic tweet from a major corruption scandal from an attack on the constitution. Just as the frog begins to suspect there is something seriously amiss, along comes a reason to think his pond is just a bit warmer than normal.

An extravagant legal row this week suggests there may be little time left for complacency. In a leaked 20-page letter written to Robert Mueller, the special counsel who is, among other things, investigating Mr Trump for possible obstruction of justice, John Dowd and Jay Sekulow, both lawyers for the president at the time, made a series of breathtaking claims for the powers of his office. It amounted to an argument last heard from Richard Nixon: that the president is above the law. Yet the Republicans who control Congress, and are therefore chiefly responsible for checking the president's ambitions, mostly played along. To extend the amphibian analogy, this illustrates a combination of executive activism and congressional dysfunction that has been simmering for decades. It has left America more vulnerable to a rogue president than at any time since Watergate.

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The president's lawyers made three broad claims for their client. They said he was not obliged to submit to Mr Mueller's request for an interview, on the basis that he had already provided the investigator with sufficient documentary evidence. That is surely wrong. The special counsel is believed to want to ask Mr Trump why he sacked James Comey. If he did so because he was dissatisfied with the FBI director's performance, Mr Trump acted within his power. But if he did so because Mr Comey was pursuing an investigation into Mr Trump's associates' ties to Russia, he abused it. As the president has offered both explanations, Mr Mueller reasonably wants oral clarification from him on the matter. And in a rule-of-law state, Mr Trump has no political grounds to refuse that request or the subpoena the special counsel could enforce it with.

The lawyers also claimed that Mr Trump was in any event incapable of obstructing the course of justice because, as America's chief law enforcement officer, he could do whatever he liked with Mr Comey's investigation. That is a more ticklish argument: the obstruction laws are complicated and the ambit of presidential power vast. Yet, again, it rests on the question of Mr Trump's motivation. The president is entitled to exercise his constitutional powers, but not for corrupt purposes, which is why Mr Mueller wants to ask Mr Trump what his purposes were.

### Uneasy lies the head

In case the special counsel had the temerity to press his request, Mr Trump's lawyers raised a third spectre. The president "could, if he wished, terminate the inquiry, or even exercise his power to pardon if he so desired." Two days after the letter was published, Mr Trump echoed that point on Twitter. "As has been stated by numerous legal scholars, I have the absolute right to PARDON myself, but why would I do that when I have done nothing wrong?"

It is unclear whether he really does have that power. No president has pardoned himself before. And the notion that one could seems to jar with the view, held by most legal scholars, that the president cannot be indicted in office. The nearest thing to an authority on the matter, though it has no legal force, is an opinion written in 1974 in which a justice department lawyer argued that the president did not have the power to self-pardon. Nixon resigned three days later.

Yet this was ultimately because Congress, belatedly but resoundingly, had turned on him. And that looks far less likely these days—even in the event that Mr Trump defied a subpoena from Mr Mueller or absolved himself of a crime. Freed by his decision not to seek re-election, Paul Ryan, the Speaker of the House of Representatives, did muster the courage to say he was not for presidential self-pardoning. His counterpart in the Senate, Mitch McConnell, kept silent. Meanwhile he refuses to allow a vote on draft legislation intended to protect the Mueller investigation from the attack Mr Trump has threatened. If Congress will not fulfil its duty to check monarchical ambitions, America can expect more errant presidents.

How far Mr Trump may be willing to test Congress's acquiescence is one of the most important questions of his presidency. It is possible to be optimistic. The president has a careerlong habit of making blustery threats that he does not follow through on, often in an effort to secure only modest advantages (as Kim Jong Un may be about to discover in Singapore). Mr Trump's former lawyers, having claimed vast powers for the president in a bid to spare him an interview with Mr Mueller, seem to have employed the same tactic. Legal scholars noted that the shabby quality of their legal argument also had a distinctly Trumpy

feel to it. The lawyers argued that Mr Trump's meddling with the FBI did not break a particular statute on obstruction. Yet they failed to mention a far more pertinent statute in Article I of the constitution.

A more pessimistic view is that, even if Mr Mueller were to call Mr Trump's bluff, the stakes are too high for the president to fold as he usually would. The presidency is not a deal he can easily walk away from. That this might even be a consideration presupposes, of course, that Mr Mueller has him on the hook for a serious offence. He may not. Though, it must be said, that is not the impression Mr Trump and his lawyers are giving.

*This article appeared in the United States section of the print edition under the headline "Pardon me?"*



Surf report

## Democrats avoid disaster in California's crazy primaries

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*A blue wave is building on the West coast*

Print edition | United States Jun 7th 2018

MIKE LEVIN has the perfect hair, wash-and-wear grin and firm yet unthreatening handshake of a seasoned politician. What he lacked, at least by the standards of California's wealthy 49th district, was money. Paul Kerr, a property investor and one of Mr Levin's 16 rivals in the primary on June 6th, spent more than \$4m of his own money. Another rival, Sara Jacobs, spent more than \$1.5m of hers. But one day before the vote, Mr Levin was unfazed. "There is no substitute for a grassroots campaign," he says in his nondescript office in a nondescript office park in San Clemente as he rattles off the number of phone calls made and homes visited.

Mr Levin finished in second place, slightly ahead of Ms Jacobs, and well behind Diane Harkey, a Republican former state representative. But in California's jungle primary—in which all candidates, regardless of party, appear on a single ballot, with the top two advancing to the election proper—second place is a victory. Total Democratic votes exceeded Republican; assuming he can consolidate his rivals' supporters, Mr Levin may well become the first Democrat in 15 years to represent the 49th. Across California and America, Democrats can breathe a little easier this week: they appear to have avoided a catastrophe born of their own enthusiasm and California's bizarre system.

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Introduced in 2010, jungle primaries were intended to encourage moderation. The thinking was that, by avoiding partisan primaries, candidates would have more incentive to play to the centre rather than the fringes. However well-intended, it was no match for America's toxic national polarisation. Rather than moderating, parties just gamed the system.

Seven of the 23 districts held by Republicans but won in 2016 by Hillary Clinton are in California. In two of them, Republican incumbents attracted viable Republican challengers, which probably would not have happened with a traditional primary. In most of them, Democratic challengers outnumbered Republicans.

A small Republican field facing a large one composed of first-time, relatively evenly matched Democrats threatened "lock-outs", in which the top two finishers by vote-share both come from the party that receives fewer total votes. To flip the House in November, Democrats need to pick up 24 seats; lockouts would have made their road back to a majority significantly rockier.

Although the official results may not be known for weeks (California accepts mail-in ballots postmarked on election day), all seven Republican-held Clinton districts look likely to feature two-party general match-ups. Democrats are unlikely to win a clean sweep, but our model suggests they will take Mr Levin's 49th, and party workers like their chances in the nearby 39th and 48th. Orange and San Diego Counties have grown more diverse, and their relatively wealthy, well-educated Republicans are not President Donald Trump's core constituency. Mr Trump's elimination of the state-and-local tax deduction is an albatross for Republicans in high-tax California.

Republicans found themselves locked out of a California Senate race for the second straight cycle. Dianne Feinstein, the 84-year-old incumbent, will face Kevin de Leon, a progressive state senator, in November. But Republicans avoided a lockout in the governor's race. John Cox finished second to Gavin Newsom, the lieutenant-governor. Mr Cox has little chance in November, but his presence gives Republicans an incentive to go to the polls and vote for downballot candidates.

Overall, Democrats emerged from America's biggest primary night in good shape. In New Jersey they drew more voters and chose electable candidates in the three districts they most want to flip. Bob Menendez, the scandal-ridden incumbent senator, saw off a primary challenge by a thin margin. In New Mexico's safely Democratic first congressional district, Deb Haaland saw off five challengers; in November she will probably become the first Native American woman elected to Congress. And in Missouri Democrats flipped their 42nd state legislative seat since Mr Trump took office. His approval ratings may have gone up a bit, but he is still driving Democrats to the polls.

*This article appeared in the United States section of the print edition under the headline "Almost blue it"*



Freedom and pharmaceuticals

## Experimental treatments offer hope to ailing libertarians

*Political philosophy, rather than treating patients, is behind new legislation that gives the right to try*

Print edition | United States Jun 9th 2018

ON May 30th, surrounded by patients and their families, President Donald Trump signed into law the spectacularly mis-named “right to try” legislation. The new law appears to offer terminally ill patients the right to get experimental new drugs that might save their lives. In fact, it does no such thing. Sitting at his desk in the Oval Office, pen in hand, Mr Trump predicted it would save “hundreds of thousands” of lives. It will not do that either.

The main point of right-to-try laws is to cut the Food and Drug Administration (FDA) out of the picture when terminally ill patients want access to an unproven medicine. The FDA is already fairly gung-ho about providing this. It receives about 1,000 applications a year and approves all but 1%. The agency makes sure there is sound science behind the request, and no obvious indication that the medicine would harm the patient. Sometimes its drug experts are able to recommend better ways of getting the treatment.

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Thankfully these irritating bits of bureaucracy have been duly dispatched. This victory comes courtesy of campaigning work by a libertarian think-tank, the Goldwater Institute, based in Arizona. It has been pushing right-to-try legislation for around four years, and it can now be found in 40 states. Speaking about the impact of these laws on patients, Arthur Caplan, a professor of bioethics at NYU School of Medicine in New York, says he can think of one person who may have been helped.

Starlee Coleman, a policy adviser for the Goldwater Institute, is clear that the motivation behind the federal law is, in good measure, philosophical. The institute believes that dying patients, who know the risks, should not have to ask the government’s permission to try a medicine.

The law does offer pharma firms legal cover in situations where a patient is given an experimental drug and this ends up killing or harming them. But Dr Caplan says pharma firms are more concerned over how such “adverse” events damage them on Wall Street, something the law cannot address. Irrespective of right-to-try legislation, some pharma firms simply will not give away drugs until they are at a late stage and have FDA approval, as there is too much risk involved. Even firms willing to take those risks may not be in a position to help. This can be because supplies of drugs are limited, or because a right to try could make it harder to recruit patients for trials that use a control group.

Even those rare patients who have the financial means to get experimental drugs, which are not covered by insurance, are unlikely to benefit. Only one in ten drugs that go into trials end up proving safe and effective. Of those, most offer incremental improvements. All these things raise concerns that the new law could mainly benefit those looking to make a quick buck from the desperate and the dying.

Many believe the Goldwater Institute is only just getting warmed up in its attempts to limit the FDA’s powers. Ms Coleman disagrees, saying the new law isn’t an “opening salvo”. However, she does say the institute is working on another proposal. This is to allow pharma firms to talk to doctors about using medicines for ailments for which they have not been approved. There are known harms to such “off label” promotion, so the FDA prohibits it. “We think that is silly,” says Ms Coleman.

*This article appeared in the United States section of the print edition under the headline “Right to apply”*

Kochtopus's garden

## David Koch's retirement and the conservative movement

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*The most infamous source of campaign finance is turning to philanthropy*

Print edition | United States Jun 7th 2018

THE Koch brothers are to the left what George Soros is to the right: villains accused of using their billions to subvert the will of the people. Charles Koch and his younger brother David are fabulously rich thanks to the success of Koch Industries, an oil, gas and commodities conglomerate based in Wichita, Kansas, that is America's second-biggest private company and employs more than 120,000 people. Yet like Mr Soros, who made his billions as a hedge-fund manager and supports liberal causes on both sides of the Atlantic, they are better known for their political activism, which has made them heroes in conservative circles and the favourite bogeymen of liberals. On June 5th Charles announced in a letter to employees of Koch Industries that his brother was stepping down from his political and business interest because of poor health. David was diagnosed with prostate cancer over two decades ago and has battled the illness ever since. What will David's retirement do to the conservative movement?

While the professorial Charles runs the family company out of Wichita, the more urbane David settled in New York and became the public face of the brothers' political activities. He was the vice-presidential candidate of the Libertarian Party in 1980 and an outspoken (and munificent) supporter of Scott Walker, the Republican governor of Wisconsin, when he faced a recall election after a fight with public-sector unions. He is a driving force at the Cato Institute, a libertarian think-tank; Americans for Prosperity (AFP), a free-market group he started in 2004; Freedom Partners, a network of donors fostered by both Kochs; and other outfits promoting the libertarian credo. Together, they form what critics dub the "Kochtopus". They will now have to do without him.

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The brothers' activism reached fever pitch during the presidency of Barack Obama, whom the Koch brothers considered a seriously misguided socialist. In a newsletter sent to his employees, Charles even compared the Obama administration to the regime of Hugo Chávez, Venezuela's authoritarian leader. As they became the biggest backers of Tea Party organisations and helped to raise an estimated \$400m to prevent the re-election of Mr Obama in 2012, the brothers transmogrified from libertarian outsiders to influential conservative power-brokers.

The price they paid for their often opaque activism was steep: an end to their privacy (until they took on the Obama administration, the Koch brothers were virtually unknown) and widespread vilification. Greenpeace published a report calling Koch Industries the "kingpin of climate-science denial". An exposé in the *New Yorker* described how the Kochs gave millions of dollars to non-profit groups that promote scepticism about climate change, criticise environmental regulation and welfare programmes and support minimal taxes for industry—ostensibly in the name of their libertarian ideals which, conveniently, aligned with their corporate self-interest. David Axelrod, Mr Obama's chief political strategist, singled out the Kochs in an op-ed in the *Washington Post* as billionaire oilmen secretly funding the Tea Party while pretending it was a grassroots movement for change. The Kochs received death threats that require the brothers to travel with security guards. "They became the caricature of capitalists," says Daniel Schulman, author of "Sons of Wichita", a book on the Koch clan.

In the past couple of years the Kochs have toned down their activism, in part because they could not bring themselves to back Donald Trump's run for the presidency. (Charles once likened the choice between Mr Trump and Hillary Clinton to choosing between cancer and a heart attack.) They differ from Mr Trump on trade and immigration, explains Grover Norquist of Americans for Tax Reform, a lobby group. Three organisations financed by the Kochs, including AFP and Freedom Partners, announced on June 4th the launch of a multimillion-dollar campaign against Mr Trump's tariffs on imports.

The Kochs' political organisations, as well as the professorships they finance, will endure even without David's active involvement, as long as the funds are flowing. They are run by seasoned political operatives who have become more eclectic in their choices. AFP recently paid for an advertisement thanking Heidi Heitkamp, a senator from North Dakota who is one of the most vulnerable Democrats up for re-election, for helping to pass legislation loosening some of the key provisions of Dodd-Frank, a stringent set of banking rules. And the Charles Koch Institute, which does public-policy research, is now focused on criminal-justice reform to fight what Charles calls the "overcriminalisation of America". It is a cause espoused by liberal heroes such as Cory Booker, a senator from New Jersey—and by Mr Soros.

*This article appeared in the United States section of the print edition under the headline "Kochtopus's garden"*

Magic city

## How a small town in North Dakota got its groove back

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*Racked by change, a community takes control of its future*

Print edition | United States Jun 7th 2018

FEW places have seen as much change in as short a period of time as Minot, a town of about 50,000 in North Dakota (slogan: “We’re ready for you”). Much of the city is descended from Norwegian stock. The biggest event on its cultural calendar is a celebration of Nordic culture (slogan: “Pure Scandimonium!”). Until about a decade ago, it was the sort of place where people left their homes unlocked and their car keys in the ignition.

Then came the oil boom, spurred by the discovery of new oilfields in the Bakken rock under the ground to the west of the town. That brought with it money and migrants, but also crime and inflation. In the four years to April 2012 the median house value in America fell by a fifth. In Minot it jumped by nearly a third. In the same period Minot’s population grew 14%, compared with 3% for America as a whole. The Hispanic population grew even faster. “The shock for this community came from the diversity of colour and language,” says Tom Barry, the city manager.

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After oil, the deluge. In 2011 the Souris river burst its banks and flooded the valley in which the town sits. Overnight 12,000 of the city’s then 40,000-odd residents found themselves homeless. “There wasn’t a spare couch in town,” says Thomas Schmidt, a retired high-school teacher whose house was flooded. It took weeks for the waters to recede, and several months more before people could move back into their homes. The after-effects can be felt to this day. Empty, water-damaged homes still dot the landscape. In March the city broke ground on a new flood wall.

The people of Minot had barely recovered from these twin shocks when they faced another test: the car park debacle. In 2011 the city council approved a \$10.5m project for a developer to build parking downtown. It was meant to take three years, but work stalled and in 2015 the city paid the developer another \$2.5m. The parking lots were eventually completed, at twice the original budget.

Like much of the Western world, Minot was reeling from rapid change, immigration and inefficient government. For a deeply conservative town in the middle of North Dakota, it was all too much. In 2016, a few months before a political tidal wave hit America, Minot took a radical step of its own. Spurred by a citizens’ initiative, the city voted to overhaul its government, halving the size of the council to seven. Previously only four of the 14 aldermen had to contest their seats and Chuck Barney, the mayor, ran unopposed. That has changed.

It seems to have worked. The new council is younger and more dynamic, emphasising the importance of being able to walk around, of making Minot more pleasant and reviving its centre. Despite grumbling by a few older residents about changes—a plan for new rubbish bins echoed previous grievances—the city seems upbeat.

“People are more optimistic today because of the change in the nature of city government,” says Michael Sasser, the editor of the Minot *Daily News*, a conservative local paper. The long-awaited car parks are functional and local elections on June 12th are attracting competition: three candidates are running for mayor and three open council seats are being fought over by six contenders.

Oil prices are rising again, which could lead to a boomlet, but the town is keen not to repeat the mistakes of the past. It is investing in its downtown and hopes, if not to attract office workers from elsewhere, at least to offer a life vibrant enough to persuade its own educated young people to stay put. Bars and cafes have started popping up. And it is more diverse. Grocery stores selling foreign foods have proliferated, says one councillor proudly, and foreign languages no longer elicit surprise. Minotians once travelled to the Chinatown in Winnipeg, Manitoba—not exactly a metropolis—to shop, says Josh Wolsky, an alderman. But “now everything you can get in Winnipeg you can get here.”

*This article appeared in the United States section of the print edition under the headline “Scandimonium”*

Lexington  
**Berned out**

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*Democrats will soon decide that Bernie Sanders is an indulgence they cannot afford*

Print edition | United States Jun 7th 2018

THE little smile, hastily suppressed, said it all. Bernie Sanders is a grim, almost mirthless, figure. Yet a cry of “Bernie for president!”—echoing around Los Angeles’s docklands like a portent—caught the 76-year-old senator from Vermont off-guard. One moment his craggy face was glowering over the mistreatment of the local truckers, fleeced of job security and benefits; the next it had melted, like frost in spring, into a joyful smirk. Mr Sanders, the runner-up to Hillary Clinton in the 2016 Democratic primaries, still burns with ambition. But are Democrats still feeling it?

A recent day on Mr Sanders’s tail in southern California, where he fired up a trio of left-wing crowds, suggested many are. At a gathering of unionised workers at Disneyland, the “Happiest Place on Earth”, he raised cheers by angrily endorsing their demand for a \$15-minimum hourly wage. (But he had bad news for their children: “Ducks don’t talk, mice really don’t talk,” said Mr Sanders, taking no prisoners. “That’s fantasy, this is reality.”) In a stirring rally in downtown Los Angeles, he was later feted by the leaders of the Black Lives Matter movement who once derided him. In 2016 Mr Sanders appeared to have given little thought to their cause. Now, burnished by a new campaign for criminal justice, he was welcomed by some of America’s foremost civil-rights activists as a visiting prophet. “I believed that he could beat Donald Trump and I still believe he could!” hallooed Shaun King, a campaigner with a million followers on Twitter.

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This is a kind of fervour the centre-left, retreating in America and across the West before the populist right, rarely conjures. It recalls Mr Sanders’s thrumming, thrown-together campaign rallies, so unlike Mrs Clinton’s dull appearances. No wonder many hope he will reignite in 2020. Polls suggest Mr Sanders is the most popular politician in America. Betting markets make him the favourite for the next Democratic nomination. If the contest were held next month, his superior name-recognition and lists of small-time donors might see him home with ease. Yet the vote is two years off, and the punters are probably mistaken. Mr Sanders’s following, influence and prospects have all been exaggerated.

Set aside, for now, his crotchety-great-uncle charisma, and the idea that Mr Sanders is a major force rests on two myths. The first is that he almost won the Democratic nomination: had he not been stiffed by the party establishment, which assisted Mrs Clinton, Sandernistas say, he would have done. President Donald Trump says the same. It is nonsense. Mr Sanders won 4m fewer votes than Mrs Clinton and none of the most populous states. He won quirky, liberal hotbeds like New Hampshire, or through the caucus system that mimics them. He was considered competitive chiefly as a result of bored journalists’ efforts to inject drama into the yawnathon of Mrs Clinton’s slow-walk to the nomination.

The most fervent Sandernistas tended not to be Democrats at all. They were college kids and independents, many of whom subsequently drifted off to a third-party nominee. A middle-aged Sandernista in the crowd in Los Angeles, Jacinta, said she voted for the Green candidate in 2016, considered Democrats and Republicans as birds of a feather, and was frustrated that neither backs free movement across the southern border. Most Sanders voters, by contrast, were loyal Democrats who simply didn’t much like Mrs Clinton. Having little attachment to Mr Sanders’s statist ideas, they nonetheless swung grumblingly behind her. This helps explode the second myth: that the Democrats have veered to the left, where the rumpled Mr Sanders awaits them.

There are, to be sure, signs of a long-running leftward drift in the party, as it loses its last conservative whites to the populist right. But there are also counter-signals. Mr Sanders’s demand for “universal health care” has been taken up by almost every Democratic candidate in the mid-terms—but there is such ambiguity about what it entails as to make this no more meaningful than civil rights among other distant aspirations. None of Mr Sanders’s other big ideas—including free college and massive public works—is getting much play. Nor have Sanders-endorsed candidates fared well in the primaries. Our Revolution, a group Mr Sanders formed to promote his acolytes, has been a failure. “It doesn’t do anything,” gripes a strategist for one of its candidates.

**Rumpled, crumpled, Trumpled**

The energy on the left is focused on opposing Mr Trump’s attack on liberal democracy, not on carrying forward Mr Sanders’s revolution. The success of moderate candidates in the Democratic primaries suggests this is making the party more pragmatic and mindful of party unity than Mr Sanders, an ideologue who is not a Democratic Party member, might like.

This illustrates how asymmetrical the extremist drift in American politics is. While the right gallops towards the ethno-charged edge of reason, the more diverse, heterodox left yo-yos between defining itself against its governing wing, as Sandernistas did in 2016, and swinging back to moderation to stave off the latest Republican attack. Put another way, the Democrats, unlike their counterparts in Europe’s multiparty systems, are often spared the burden of having to work out what they stand for beyond opposing the right. Despite a lot of blather about liberals and progressives, to be a Democrat under Mr Trump is mainly

to be pro-liberal democracy and protective of immigrants, minorities and other targets of the president. That leaves little free time to feel the Bern.

Mr Sanders still has a chance in 2020. His odd charisma, name recognition and ability to work up a devoted crowd are real advantages. His genuine concern for the underdog is all the more attractive set against Mr Trump's counterfeit concern. But if Democrats picked Mr Sanders, it would not be for his ideas, which have little support within their party, let alone America. It would also be delightful to Mr Trump, who fancies his chances of destroying "crazy Bernie". If only for that reason, it is good that Mr Sanders's moment in American politics has probably passed.



### Brazil

Too soon to party

Too soon to party

## How a strike by lorry drivers will shape Brazil's elections

*The stoppage has made sober fiscal policies more necessary, and less likely*

Print edition | The Americas Jun 9th 2018

A SEMBLANCE of normality returned to São Paulo, Brazil's biggest city, after a ten-day strike by lorry drivers that had paralysed traffic, shut down petrol stations and emptied grocery-store shelves. The annual gay-pride parade, held on June 3rd, brought 3m people to Avenida Paulista, the city's main street. Football fans packed bars to watch Brazil's team play a World Cup warm-up game against Croatia.

But this resumption of ordinary life is deceptive. The drivers' strike, called to protest against higher fuel prices, marks an ominous beginning to a political season that will culminate in national elections in October. It has demonstrated Brazilians' taste for irresponsible policies and boosted the prospects of the most extreme candidate in the presidential race, Jair Bolsonaro, a right-wing former army captain.

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It also showed that the next president will have a hard time enacting the reforms needed to maintain economic stability. The strike ended only after Michel Temer, the country's unpopular president, agreed to subsidise diesel for 60 days and to adjust its price monthly rather than daily. That prompted the resignation on June 1st of Pedro Parente as chief executive of Petrobras, the state-controlled oil company, which had raised prices in response to higher international oil prices and a weaker real. The strike could prove to be a watershed moment for the elections, says Pablo Ortellado, a professor of public policy at the University of São Paulo.

Although the lorry-drivers' rebellion made life miserable, 87% of Brazilians supported it, according to Datafolha, a pollster. As well as calling for cheaper fuel, many drivers demanded a crackdown on corruption and crime, which have dominated headlines under recent administrations, including that of Mr Temer. Petrobras has been a byword for graft. Under earlier bosses it was the conduit for enormous bribes paid by construction companies to politicians. Celso Rogerio Gomez das Neves, a mechanic taking a break at a corner bar in São Paulo, admits that Petrobras raised prices to compensate for higher costs, but also thinks that its executives were "stealing from the Brazilian people".

### Fear of Jair

Some drivers hung banners from their cabs demanding "military intervention" to deal with crime and corruption. Far-right groups dominated online discussion of those themes during the strike, according to an analysis by a data lab run by Fabio Malini, a scholar of internet culture at the Federal University of Espírito Santo. The digital savvy of the strikers, who organised through thousands of interconnected WhatsApp groups, foreshadows the role that social media are likely to play in the presidential election, says Mr Malini.

Both the ideology and the techie tactics have echoes in the campaign of Mr Bolsonaro, whose Social Liberal Party counts for almost nothing but whose Facebook page has 5.5m followers. He tweeted support for the drivers but distanced himself from appeals for political intervention by the army. Military rule might "return by the ballot", meaning through the generals that he plans to appoint to his cabinet if he is elected, he told reporters at an evangelical "march for Jesus" on May 31st.

No candidate reflects better the electorate's anti-establishment mood. The proportion of Brazilians saying that "traditional political parties do not care about people like me" jumped from 69% in November 2016 to 86% in March this year, according to IPSOS Global, a pollster. The share who think Brazil needs "a strong leader who will break the rules" rose from 48% to 89%. Mr Bolsonaro "feeds off fear and hopelessness", says Cláudio Couto, a political scientist. His view that "a gay son needs a beating" appeals to some social conservatives. His iron-fisted approach to crime (he would give police a "blank cheque" to shoot miscreants) is popular with a bigger group. Like Donald Trump, or Rodrigo Duterte in the Philippines, he gets points for supposedly plain speaking. "He says what he thinks," says a taxi driver in São Paulo as he drops off a carful of revellers clad in rainbow colours at the pride parade.

In the first nationwide poll since the strike of voting intentions for the first round of the presidential election, Mr Bolsonaro came out ahead against three different lists of potential rivals, with 21-25% of the vote. Three-quarters of his supporters say they will not change their vote before election day. The only politician who outpolls him is Luiz Inácio Lula da Silva, a left-wing former president. But he is in jail for corruption and is unlikely to be able to run.

Mr Bolsonaro's closest rival is Ciro Gomes, a centre-left former governor who occasionally sounds like a populist. He gets the support of 11-12% of voters. That would rise if Lula endorses him. Geraldo Alckmin, the centrist former governor of the

state of São Paulo, is backed by just 6-7% of voters. His Facebook page has 900,000 followers, about a sixth of the number that Mr Bolsonaro's has.

Mr Alckmin's supporters argue that he will do much better than the polls suggest. His Party of Brazilian Social Democracy (PSDB) has a large number of seats in congress, which will entitle him to lots of free advertising time on television and public money for his campaign. The PSDB can add to that by forming coalitions; last week it opened negotiations in congress with centre-right parties. By early August, Brazilians will come to realise that Mr Alckmin, who trained as an anaesthesiologist, is a "doctor" for the country's economic and political ills, says Luiz Felipe d'Avila, an adviser. Voters "are more rational than irrational", he believes.

The financial markets hope that is true. Mr Alckmin is the only one of the leading candidates with any enthusiasm for the programme of economic reforms begun by Mr Temer, which helped pull Brazil out of its worst-ever recession. Mr Temer pushed through a constitutional amendment to freeze government spending in real terms and liberalised the labour market. But he has failed to curb pension spending, the main long-term threat to the budget. His cave-in on diesel prices will add to the fiscal burden that the next president will inherit. The lorry drivers have made it more urgent that Brazil elect a reformer as president in October. They have also made that less likely.

*This article appeared in the The Americas section of the print edition under the headline "Too soon to party"*



Of rosaries and ovaries

## Argentina moves closer to legalising abortion

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*A bill to liberalise the country's restrictive law may fail in congress. The next attempt will probably succeed*

Print edition | The Americas Jun 9th 2018

WHEN María Florencia Alcaraz discovered that she was pregnant in 2015 she was unprepared for motherhood. The contraceptives she was taking hadn't worked. Aged 30, she was employed as a journalist in the justice ministry. With a general election in the offing she worried that she would lose her job under a new government. Unable to end the pregnancy legally in Argentina, she turned to friends for advice. One gave her misoprostol, a stomach-ulcer drug often used to induce abortions. At 13 weeks into her pregnancy she popped the pills alone at home and spent a day in bed. The DIY abortion gave her "a sense of relief and autonomy", she recalls.

Like many countries in Latin America, where mores have been shaped by the Catholic church, Argentina outlaws most abortions (see map). Women who undergo them can be jailed for four years (or longer if the baby is deemed to be viable outside the womb). The law makes exceptions for pregnancies that are the result of rape or that endanger the mother's health or for fetuses that are malformed. Despite Argentina's restrictive rule, nearly a half-million abortions a year take place there, say campaigners for less restrictive laws.

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On June 13th the lower house of Argentina's congress will vote on a bill to legalise elective abortions within the first 14 weeks of gestation. A Yes vote, followed by approval in the senate, would have repercussions beyond Argentina. Elective abortion is now legal for just 3% of women in Latin America and the Caribbean. If Argentina votes to allow it, that will rise to 10%. Women from neighbouring countries might come to Argentina for abortions. Other countries might follow Argentina's lead.

In practice, Argentina has a two-tiered abortion regime. Rich and middle-class women can get relatively safe (but illegal) abortions by taking misoprostol, which costs about 2,800 pesos (\$112). Although prescriptions can be hard to get, instructions are available on the internet. Women who want a surgical abortion, which causes less bleeding, can usually find private doctors willing to perform them. That can cost \$1,000—far more than most poor women can pay. Even misoprostol may be out of their reach, especially for teenagers or for women whose husbands or boyfriends control the cash. Some resort to backstreet abortions or unsafe medication sold online. Argentina's health ministry counted 31 deaths from abortions in 2016, which may be an underestimate.

The biggest problem for many comes after the procedure. Whereas rich women can go to their doctors if something goes wrong, the poor must seek treatment in public hospitals, where staff might report them to the police. In 2014, the latest year for which official figures are available, 47,000 women were hospitalised for complications. Although the vast majority are treated and sent home, a few high-profile punishments have frightened many women. In 2016 a 27-year-old woman who miscarried was sentenced to eight years in prison for murder after hospital staff accused her of inducing an abortion. Her conviction was overturned on appeal.

Tragedies and injustices have changed Argentines' conservative attitudes towards abortion, says Maxine Molyneux, a sociologist at University College London. In 2004 two-thirds of Argentines opposed liberalising the law. According to a poll published in March this year, the same proportion now favour legalisation.

Feminist groups such as Ni Una Menos (Not One Less), formed in 2015, have campaigned with increasing vigour against domestic violence and the macho culture that encourages it. That has spilled over into demands for more liberal abortion laws. A younger generation of women has helped that cause. On this year's International Women's Day, March 8th, tens of thousands of women wearing green scarves, many of them teenagers, marched in support of legislation. "Get your rosaries off our ovaries", their banners demanded. The same month a smaller crowd responded by carrying a huge papier mâché fetus through the centre of Buenos Aires, chanting "yes to life, no to abortion".

Congressional opinion has not shifted as much as voters' attitudes have. The vote in the lower house is expected to be very close. If the measure passes, it will move on to the senate, where most legislators have already said they will vote against it. Argentina's president, Mauricio Macri, who is personally against liberalisation, says legislators should vote according to their consciences. He says he will not veto a law that loosens restrictions. Even if the measure fails, campaigners believe that legalisation will soon happen. "It's inevitable," says Sabrina Cartabia, a pro-choice activist. "The country has moved on."

*This article appeared in the The Americas section of the print edition under the headline "Of rosaries and ovaries"*

Built on Sandinismo

## Time is running out for Nicaragua's President Daniel Ortega

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*A slaughter of the president's opponents will not keep him in power*

Print edition | The Americas Jun 9th 2018

MAY 30th was Mothers' Day in Nicaragua. On that day hundreds of thousands of people marched in Managua, the country's capital, in solidarity with mothers of students who had been killed in protests against the government of Daniel Ortega, the authoritarian president. By the end of the day more mothers had cause to mourn. Masked men fired on the crowd at sundown, killing 16. In Masaya, a town near Managua, nine people, including a 15-year-old boy, were killed by security forces on June 2nd. Human-rights groups are investigating claims that a plane sprayed cypermethrin, an insecticide, on citizens.

By the count of the Inter-American Commission on Human Rights, at least 127 people have been killed and 1,000 injured in protests that began in April. They started as a reaction to cuts in pensions, which Mr Ortega imposed after his regime had frittered away much of the national pension pot. He later reversed the cuts, but other grievances, including corruption, presidential power grabs and the elevation of Mr Ortega's wife, Rosario Murillo, to the vice-presidency, continue to inspire protests. State media suggested that the killings were caused by protesters to stir up anti-government sentiment.

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The repression has disrupted an alliance with business formed by Mr Ortega, who led the left-wing Sandinista revolution against a thuggish dictatorship in the 1970s and returned to power after an election in 2006. Business leaders gave him a free hand in politics, which he used to take control of independent institutions, subvert opposition parties and rig subsequent elections. In return, Mr Ortega adopted business-friendly policies. That led to economic growth of better than 4% a year on average from 2007 to 2017; inflows of foreign investment more than trebled over that period.

Mr Ortega's brutality has exposed that bargain as morally bankrupt and politically unstable. The unrest since April has cost the economy \$600m, about 4% of GDP, says José Adán Aguerrí, the head of Cosep, an employers' association. Hundreds of millions of dollars have left the country. Nicaragua's three most powerful businessmen called for early elections in interviews with newspapers. "The model that got us here is exhausted," said Carlos Pellas, Nicaragua's only dollar billionaire. Business leaders now talk openly of a post-Ortega era and of a "permanent consensus-seeking dialogue" between the government and such groups as students, farmers and representatives of civil society.

Hoping to end the turmoil Mr Ortega agreed to participate in talks with his foes, mediated by Catholic bishops. This has not allayed his opponents' anger. In televised meetings last month the president listened impassively as teenage students called him a murderer and read out a list of the dead. Opposition groups want the negotiations to be about restoring democratic institutions and holding early elections. Mr Ortega refused to talk about that. The bishops withdrew from the talks, in effect ending them. Then came the Mothers' Day deaths, which destroyed the trust that might have allowed them to prosper if they resume.

This leaves Mr Ortega with few choices. To become an outright dictator, like Nicolás Maduro in Venezuela, may not be possible. Nicaragua's private sector is more powerful than was Venezuela's in 2013, when Mr Maduro became the country's president, points out Mateo Jarquín, a graduate student in political science at Harvard University. No one knows how the armed forces would respond to an imposition of dictatorship. Mr Ortega has largely abandoned the left-wing ideology that helps sustain Mr Maduro's tyranny.

The alternative to continued repression is to accede to the opposition's demands for an early election, probably in 2019, two years before it is due. A fair vote would probably end Mr Ortega's rule. His foes will not participate in an election if he runs. His candidacy would only be legal because the national assembly scrapped presidential term limits at his bidding in 2014. The opposition would also boycott the vote if Mr Ortega nominates his wife, Ms Murillo, to run in his stead.

Before any election the opposition will demand the dismantling of the machinery that Mr Ortega set up to perpetuate his power. The changes needed include replacing all seven members of the electoral council, says Juan Sebastián Chamorro, the director of Funides, a think-tank financed by the private sector. If Mr Ortega does not agree to such demands, calls for his immediate resignation will grow louder. Some opponents favour a national strike, like the one that brought Mr Ortega to power in 1979, as a last resort.

The last time he lost an election, in 1990, the Sandinistas did not go quietly. On the eve of the transition the central bank transferred millions of dollars to government loyalists on Mr Ortega's orders. As bureaucrats vacated their offices they carried desks and chairs with them. Nicaraguans call that episode of asset-stripping *la piñata*. The carnage of Mother's Day shows that the price of getting rid of Mr Ortega this time will be even higher.

*This article appeared in the The Americas section of the print edition under the headline "Ortega's last act"*

Fuego's fury

## The deadly eruption of a Guatemalan volcano

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*The strongest one in 44 years*

**Print edition | The Americas** Jun 7th 2018

Parts of Guatemala's lush green countryside became deathly grey after the Fuego volcano, 25km (16 miles) south-west of Guatemala City, started its strongest eruption in 44 years on June 3rd. The volcano sent ash billowing 6km into the air, closing the capital's airport. It set off lahars—fast-flowing mixtures of rock, debris, ash and water—and red-hot pyroclastic flows, which buried several nearby villages. The confirmed death toll has climbed to 99. Around 200 people are still missing. Guatemala's president, Jimmy Morales, declared three days of mourning.

*This article appeared in the The Americas section of the print edition under the headline "An eruption in Guatemala"*

## The Trump-Kim summit

Pushing the envelope

Pushing the envelope

## Talks between America and North Korea might succeed—at a terrible price

*Would Donald Trump sell America's allies down the river?*

Print edition | Asia Jun 7th 2018

WHEN a great power promises a smaller country a “win-win” deal, diplomats mordantly joke, that means the great power plans to win twice. Yet the summit between America and North Korea in Singapore on June 12th may prove an exception: a negotiation that could conceivably allow not only the two main protagonists to preen and claim victory, but that might also please several interested observers. Both South Korea and China have high hopes for the meeting. Japan is more suspicious. But the biggest loser, if a deal is struck, is likely to be totally obscured by the flashing cameras and swooning anchors: the American-led security architecture that has brought decades of stability to Asia.

The summit is taking place in a posh hotel on Sentosa Island, a resort district connected to the rest of Singapore by bridge, cable-car and monorail. Close at hand are many golf courses, beaches, a wax museum and a Universal Studios theme park, complete with a space ride billed as an “intergalactic battle between good and evil” and “Revenge of the Mummy”, which promises a “plunge into total darkness”.

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“Sentosa” is a Malay word meaning “peace” or “tranquility”. This is seen as a good omen in South Korea, where fortune-tellers and pregnant symbolism are held in high regard. The island only acquired its current name in 1972, however, with help from Singapore’s tourism board. Before that, it was known as “Pulau Blakang Mati”, which translates as “Island of death from behind”.

Diplomacy between America and North Korea has always had a surreal edge. At a powwow in 2000 in Pyongyang, the North Korean capital, Madeleine Albright, then America’s secretary of state, was greeted with mass callisthenics and bayonet drills. The two sides have been negotiating over the North’s nuclear-weapons programme since 1992, when Kim Il Sung, the grandfather of the current despot, Kim Jong Un, was in power (see timeline). The North has broken many promises to forgo nuclear arms. Korea-watchers have long debated whether the Kim regime sees nuclear weapons as vital to its survival, or rather as useful leverage over the outside world. After all, the North’s ability to pound the capital of the South, Seoul, with thousands of dug-in artillery pieces has given it decades of deterrence without nukes.

Either way, the “complete, verifiable and irreversible disarmament” that America seeks is probably out of reach. But the summit could still be declared a success, as both President Donald Trump and the young Mr Kim seem keen to make it so. Simply meeting face-to-face will allow them to crow about their fortitude and foresight in forcing the other to the table.

The White House staked early bragging rights on June 4th. Team Trump marked the boss’s 500th day in office—or as aides put it, “President Donald J. Trump’s 500 days of American Greatness”—with an assertion that the American-led campaign to tighten UN sanctions on North Korea over the past 18 months is responsible for pushing the North closer than ever before to giving up its deadly arsenal. Under Mr Trump, America has pursued a policy of “maximum pressure” on the North, including threats to rain “fire and fury” on it should it persist in its intransigence.

Back in his Stalinist dystopia, Mr Kim has peddled a conflicting but equally stirring story, says a scholar from a Chinese government-sponsored think-tank who travels to North Korea several times a year. “Kim Jong Un has told the North Korean elites that when they kept testing nuclear weapons and missiles last year, the aim was to force the United States to the table,” the scholar says. “So the North Korean people think this is a victory for Kim Jong Un.”

**Kodak moment**

Beyond the immediate photo-ops, however, it is not clear what the summit will yield. American veterans of Korea talks have aired all sorts of possible inducements to get Mr Kim to disarm: the loosening of sanctions, big dollops of aid and investment, a formal peace treaty to end the Korean war, establishing diplomatic relations in the form of “interests sections” (one step short of embassies). Mr Trump has talked of offering “very strong” guarantees that the Kim regime will be safe from American attack if it agrees to disarm.

The problem is that all this has been tried before. The two Koreas first forswore nuclear weapons in a solemn agreement in 1992, shortly after America removed tactical nuclear weapons from its bases in South Korea. But in 1994 the ageing “Great Leader”, Kim Il Sung, kicked out international inspectors and threatened to divert plutonium from a nuclear reactor into half a dozen primitive bombs. Under an “Agreed Framework” in late 1994 the North promised to abandon illicit work on plutonium weapons, in return for American aid, oil and civilian nuclear reactors. In 1999 the North was bribed with sanctions relief to give

up missile testing, and in 2000 a summit between leaders of the two Koreas prompted talk of a visit by President Bill Clinton (in the end, he only made the trip after leaving office). By 2002 North Korea revealed it had a secret uranium weapons programme and expelled international inspectors, leading to a multilateral peace drive called the “six-party talks”. Those lasted until a nuclear test in 2006. The North tested five further nuclear devices between 2009 and 2017. North Korea also defied the UN Security Council to test ballistic missiles of increasing range, culminating last year in several tests of devices capable of hitting the American mainland.

Christopher Hill, a former American diplomat, recalls stirring language about working towards a “permanent peace regime on the Korean Peninsula” in an agreement signed by America, China, Japan, North Korea, Russia and South Korea in 2005, as part of the six-party talks. That agreement also included North Korean promises to give up nuclear weapons, submit to international inspections, and rejoin the Nuclear Non-Proliferation Treaty (NPT) from which it had earlier stalked.

Back then, America offered explicit security guarantees that it had no intention to attack or invade North Korea with either nuclear or conventional weapons and guaranteed that it had no nuclear weapons deployed in South Korea. Even the idea of exchanging interests sections has been tried, at China’s urging, Mr Hill recalls. He worked mightily to convince a sceptical Bush administration to agree to the idea, then took it to the North in 2007. “They rejected it on the spot,” the former ambassador sighs. “The North Koreans tend to want something until they don’t want it.”

### **Just maybe**

There are reasons to imagine, however, that the North may be more eager for a deal this time than it has been in the past. Though nuclear weapons remain the pillar of Mr Kim’s regime and are popular with ordinary North Koreans, the elites have also become attached to the minor economic boom over which Mr Kim has presided, says Andrei Lankov of Kookmin University in Seoul. Mr Kim has even promised to embrace growth as well as defence, after years of putting weapons-building first.

Mr Kim has gone further than his forebears in giving priority to economic development, tolerating a big, semi-legal “grey market” and allowing the running of de facto private enterprises within state-owned firms. He has even encouraged private investment by his subjects. One government regulation calls for the “utilisation and mobilisation of the unused funds of residents”. Since Mr Kim took over in 2011, the economy has grown in the low single digits every year bar one, according to statistics compiled by South Korea’s central bank. Although those numbers are unreliable, they mark a striking departure from the economic collapse and widespread famine over which Mr Kim’s father presided. North Korean officials have told foreign visitors that Mr Kim hopes to emulate Vietnam, which has grown rapidly after making peace with America, in part to hedge against a rising China.

At a minimum, Mr Kim will be keen to secure some easing of sanctions. Imports of solar panels from China, which had been rising rapidly until last year as well-to-do residents of Pyongyang tried to become independent of the unreliable power supply, fell to zero in March for the first time in eight years, according to Chinese customs statistics analysed by NK News. Fuel prices spiked in early April, and NGOs have begun to notice shortages of fertiliser in the countryside. None of this will have improved the mood of North Korea’s quasi-capitalists. “These people like making money, and if they stop making money or suffer discomfort, that will be a problem for the leadership,” says Mr Lankov.

What is more, Mr Kim may see a chance of a breakthrough. North Korea has made great efforts to understand American politics in the Trump era. North Korean officials have been asking foreign contacts about such arcana as the implications of the recent Republican loss of a Senate seat in Alabama. According to the Chinese academic, the regime has decided that Mr Trump has no firm ideology and is a dealmaker unlike any president they have encountered. Against that, his recent pull-out of the Iran nuclear deal makes him look like a deal-breaker. On balance, he says, Mr Kim’s side senses opportunities worth testing. The current rivalry between America and China provides another opportunity, to play them off against each other.

Mr Trump, meanwhile, seems determined to be emollient. Despite declaring in late May that he was calling off the summit because of the North’s “open hostility”, Mr Trump warmly received one of Mr Kim’s henchmen at the White House, bearing an absurdly large letter from his boss. Soon afterwards, Mr Trump reinstated the meeting, despite the lack of any clear public commitments from the North on disarmament, for example. (The contents of the giant letter have not been disclosed.) John Bolton, Mr Trump’s national security adviser, has been kept in the background, after he infuriated the North by citing Libya’s complete dismantling of its nuclear programme as a model, even though the Libyan leader who agreed to this, Muammar Qaddafi, ended up dead in a ditch.

Most importantly, Mr Trump seems to be backing away from his all-or-nothing talk. He says he no longer wants to use loaded phrases like “maximum pressure”, given how well things are going. As June 12th nears he has played down the prospects of swift success on disarmament and talked up the chances of a symbolic win, involving a peace deal formally ending the Korean war after nearly 65 years of uneasy truce. That could lead to more protracted negotiations on weightier issues—a prospect Mr Trump has endorsed by calling the summit a “get to know you” meeting.

According to the Chinese academic, Mr Kim cannot give up his entire nuclear weapons programme without pushback from the armed forces, which do not trust American security guarantees. On June 4th reports emerged that he had replaced three senior defence officials, prompting speculation that he was trying to quell opposition to his new foreign policy.

Instead, one theory holds, Mr Kim will offer Mr Trump a choice: either an immediate scrapping of missiles capable of hitting America, or a slower, step-by-step programme of the sort previously attempted, leading to the eventual dismantling of the North’s nuclear programme. That would be a trap, albeit an open one. In all likelihood, the step-by-step process would go the way its predecessors have, with North Korea benefiting from the easing of sanctions before pulling out in time to preserve its nuclear capacity. One possible fudge (and source of future disputes) would be for the North to give up nuclear weapons but to retain nuclear facilities that could be depicted as civilian. Mr Trump might find a limited deal on missiles appealing, by contrast: it would allow him to say he had kept his promise to protect America.

But a deal of that sort is a nightmare for America's closest allies in the region, South Korea and Japan, who would be left at the mercy of North Korea's short- and medium-range missiles, possibly tipped with nuclear bombs. Such bald proof of America's willingness to sell out its allies, in turn, would alter the strategic balance in Asia in the long run. Friends would begin to question whether America would stand up for them in disputes with China, for example. The natural response would be to hedge bets and to reach an accommodation with China, dramatically diminishing America's clout in the region.

China can see several ways to end up ahead after a Kim-Trump summit. If North Korea reduces its nuclear capabilities, that eases a security headache in China's backyard. Even if North Korea may have partly faked the recent demolition of an underground nuclear test site, as American officials have claimed, China has reason to cheer Mr Kim's promise to stop nuclear tests, which took place alarmingly close to the border between the two countries. If concessions from North Korea are matched by a reduction in America's military presence in South Korea, "that would be double good news for China," says Zhao Tong of the Carnegie-Tsinghua Centre for Global Policy, a think-tank in Beijing.

Even if Mr Trump balks and walks away from negotiations, as he has repeatedly threatened to, America's interests are likely to suffer. The summit seems bound to dissipate the pressure on the North, especially if it is seen to have failed because of Mr Trump's obstreperousness. Mr Zhao says that as soon as Mr Trump agreed to meet Mr Kim, America lost the bargaining power painstakingly built up over recent years as international sanctions have tightened. According to Mr Zhao, Chinese officials believe that even if the Kim-Trump talks fall apart, "there is very little chance that the US could now launch a disarming military strike." South Korea would be the first to protest against any such "bloody nose" attack, and China and Russia would also be loudly opposed, he predicts.

Nor do experts in the region see much chance that North Korea will face additional international sanctions, even if the summit ends in rancour. "North Korea can live with the consequences of a failed summit with all the sanctions staying in place. That's fine. Sanctions are not going to get tougher," says Mr Zhao. China, notably, never really believed that sanctions alone could bring about the American goal of forcing North Korea to disarm, and only strengthened them reluctantly. This week it allowed flights to resume between Pyongyang and Beijing. They had been suspended last year at the height of tensions over the North's weapons-testing.

South Korea, too, seems likely to try to preserve its detente with the North, even if America reverts to hostility. Last week the two sides agreed to reopen a liaison office in the Kaesong industrial complex, which was shut down after a nuclear test by the North in 2016. South Korean companies have been buying up land near the demilitarised zone that divides the two countries. Some have set up their own offices for inter-Korean co-operation. "The South Koreans," says Mark Fitzpatrick of IISS, an international think-tank, "may well find ways to work around sanctions or interpret them in a way that allows them to re-up economic engagement."

In other words, Mr Kim has very little to lose from the summit. Mr Trump may feel that he, too, is likely to get good press from the event. But America could come out worse off, even if its president does not.

*This article appeared in the Asia section of the print edition under the headline "Pushing the envelope"*



No room at the inn

## Tourists are arriving faster than Japan can accommodate them

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*Foreign workers may be needed to serve the foreign visitors*

Print edition | Asia Jun 7th 2018

ON A sunny day in May it is not hard to see why the Japanese island of Ishigaki, some 2,000km from the capital, Tokyo, is becoming a tourist magnet. This year the crystal-watered, coral-reefed island was named the world's hottest destination by TripAdvisor, a travel website. It is already popular with Asians from nearby Taiwan and Hong Kong, and increasingly with Westerners looking for a counterpoint to temple-touring and tea ceremonies in Kyoto. Last year 1.4m foreign and local tourists visited, twice the number in 2013, when a new airport opened.

But there is trouble in paradise. Karry Kanko, a bus company, has new vehicles sitting idle for want of drivers. It has already cut some routes. Taxis are hard to find. At Art Hotel the manager sometimes doubles as a chamber maid. Guests are offered a discount to forgo the daily cleaning of their rooms, to reduce staffing needs. "We are struggling," admits Yoshiharu Takamine, who stepped down as head of the local tourist-information centre in May.

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In 2016 the Japanese government set ambitious targets for foreign visitors as a way to generate economic growth as the population ages and shrinks. It reckoned that tourists might also help to reinvigorate struggling rural communities. There is definitely room for growth; inbound tourism accounted for just 0.8% of GDP in Japan in 2016, compared with 2.1% in France and the United Kingdom, 12.9% in Thailand and 17.6% in Cambodia. The plan is working. The government is on track to reach its goal, revised up this year, of 40m visitors (a 67% increase on 2016) by 2020, when Tokyo will host the Olympics.

But the rapid growth has brought problems. Akihiko Tamura, the head of the government tourism agency, acknowledges that the industry faces "many challenges", most obviously a shortage of labour. In the town of Nikko, a tourist spot close to Tokyo, one of Japan's most storied inns, Kanaya Hotel, is hiring pensioners because it cannot recruit enough working-age staff, let alone those with the right skills, says Yasuo Mine, the (himself ageing) chairman.

Relatively few Japanese have both the ability and confidence to converse smoothly in English or other foreign languages. Tobu Railway, a sprawling company that runs hotels as well as tourist trains between Tokyo and Nikko, has employed some foreign staff to help visitors, but still has problems communicating with non-Japanese, says Kenji Aoyagi, who heads its foreign-tourism department. Most companies rely on point-sheets, translation apps or telephone services to communicate with guests.

There are cultural barriers, too. Shizue Usui, the head of Nikko's association of *okami*—female hosts at inns—says they tend to think "tradition should be maintained." That often boils down to rigid rules about check-in, meal times and other services.

Infrastructure is also a concern. There are limited international flights to cities other than Tokyo and Osaka. Landing slots are in short supply in Tokyo, where the government recently approved the construction of a new runway at Narita airport. There are not even enough beds. Tokyo is reckoned to have a shortage of 3,500 hotel rooms. This month a new law will explicitly legalise the rental of private rooms, via platforms such as Airbnb, to help reduce the shortage of accommodation.

Marketing is yet another problem. The government wants more people to make repeat trips, and to visit places beyond the three big hubs of Tokyo, Osaka and Kyoto. It would also like to attract more tourists from Europe and America, since it reckons they stay longer and therefore spend more. (About 85% of visitors are Asian.) Many Westerners consider Japan for a holiday but only a small proportion actually end up going, says Tasuku Kuwabara of McKinsey, a consultancy. They worry that Japan will be expensive and do not realise the variety of attractions it offers.

There is an obvious solution to the labour shortage, at least: import more workers. Hotel Royal Marine Palace on Ishigaki has hired nine Chinese employees, including three this year. But their visas are limited to short periods. The local tourist office has been asking the government to ease visa rules to make it easier for tourist businesses to employ immigrants. But the idea is a political hot potato. If more foreigners were allowed to work, even more foreigners would be able to come as tourists.

*This article appeared in the Asia section of the print edition under the headline "No room at the inn"*



Revolution rocks

## Stone-carving villagers make Indian officials jittery

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*Neglected “tribals” are inscribing monoliths with declarations of independence*

Print edition | Asia Jun 7th 2018

AT A crossroads outside the hamlet of Hakadua, in the state of Jharkhand, a small and solemn group of villagers gathers around a slab of rock erected near a sacred grove. Under the noon blaze a white-whiskered priest and a troupe of young women in red saris murmur, sing and place cups made of folded leaves at the base of the rock, which is covered on both sides with inscriptions. These include passages from the constitution and the PESA act of 1996, which is supposed to ensure self-governance for people living in “tribal” areas, such as this. An elderly participant has trouble reading the text, but no difficulty explaining the locals’ grievances. First, to the extent the state is present in the area at all, it is incompetent, corrupt and domineering—in effect abrogating PESA and other laws meant to protect tribal interests. Second, they fear their land is being stolen. Mining companies, keen to get at coal and other riches underground, run circles around tribal leaders in court. The upshot is that the villagers want no part of India any more: the inscribed monolith is, in effect, a declaration of independence.

Hundreds of such monoliths have been erected outside tribal settlements in recent months. The consecration of one near the village of Omto is followed by a rally of some 2,000 tribal men carrying primitive weapons. Most shoulder bows and arrows fletched with chicken feathers. Others bear wicked-looking axes and spears, and a few have fashioned crossbows out of surgical tubing and bamboo bolts.

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These men see themselves as descendants of Birsa Munda, a 19th-century tribal leader who fought a brief but fierce guerrilla war against the British. Independent India has adopted him as a nationalist; Jharkhand’s main airport is named for him. But Omto’s headman hails these modern-day Mundas with cries of “Our village, our rule!” and “Out with India!” The current leader of the monolith-raising movement, Joseph Purti, waves a thick copy of the constitution above his head as he speaks. “They are imposing citizenship on us,” he says of the Indian state, urging a boycott of all government institutions.

Tribals, arguably the most neglected of India’s many minorities, make up almost 9% of its 1.3bn people. Between 1947 and 2000 roughly a quarter were displaced. Some 40% of those living in tribal villages are malnourished. Many live along the line that separates north India from south, and regard themselves as the aboriginal inhabitants. Their ancestors somehow managed to live in India for thousands of years without becoming culturally Indian. Many of their languages are primordially distinct, as different from Hindi as Basque is from French. Some tribals are Hindu and others Christian, but many persist in forms of worship that predate both religions—such as erecting large stones to mark undertakings of great significance.

Jharkhand’s chief minister has promised to crush Mr Purti’s movement (two days after the rally, a criminal complaint was filed against everyone present). Its previous leader has been arrested on charges that include making “assertions prejudicial to national integration”. The government has accused the activists of wanting to cultivate opium poppies and of propagating Maoist revolution.

For years the authorities have conflated the campaign for tribal rights with India’s long-running Maoist insurgency. The terms “Red Corridor” and “the tribal belt” are used interchangeably. But the insurgency has largely been suppressed over the past decade by a ferocious military campaign, without snuffing out tribals’ complaints of injustice. Maoist ideology plays no visible role in the monolith movement.

Meanwhile stone slabs have started catching on in the neighbouring states of Chhattisgarh and Odisha. The security services can hardly be happy about that. It may be fair to label the movement “anti-national”, a favourite term of abuse these days. But at least it is not violent, if “not exactly non-violent”, in the words of an intellectual sympathiser. Indeed, all the angry tribals are asking is that the government respect its own laws and undertakings. The ferocious response to such an innocuous request is telling in itself.

*This article appeared in the Asia section of the print edition under the headline “Revolution rocks”*

Banyan

## Malaysia's ruling party may be gone, but its racial policies survive

*The new government has promised to preserve affirmative action for Malays*

Print edition | Asia Jun 7th 2018

THE headquarters of the United Malays National Organisation (UMNO), a party founded to defend the interests of Malays, Malaysia's biggest ethnic group, feels stuck in the past. Defeated sofas and tired photographs speak to glory days now gone. In the lobby is a collage of pictures of the great and good of the party, which had run the country for 60 years before losing an election last month. A baby-faced Najib Razak, the prime minister ousted just a few weeks ago, appears close to Mahathir Mohamad, his successor. But although Dr Mahathir once ran Malaysia as the leader of UMNO, these days he relies on the backing of a coalition of UMNO's adversaries, known as Pakatan Harapan (PH).

Times have changed, in other words. The same police who used to bully the luminaries of PH are now concentrating their attention on Mr Najib. Raids on his properties have yielded jewellery, cash and 284 boxes of handbags, all impounded as evidence in an investigation into alleged embezzlement. Mr Najib himself has been barred from leaving the country. But even as Malaysian politics has been turned upside-down, there has been little questioning of the premise on which UMNO had governed Malaysia since independence: that Malays deserve special privileges.

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Race has dominated Malaysian politics since colonial times. Indeed, the British fomented racial discord as a means of maintaining control. Malays were kept toiling in the fields, whereas ethnic-Indian and -Chinese merchants and labourers were welcomed into cities. Affirmative action on behalf of Malays began soon after the British left in the 1950s, and their "special position" was recognised in the constitution. Race riots in the 1960s led to the adoption of the "New Economic Policy" in 1971, which instituted an elaborate system of preferences for Malays and other indigenous groups in university admissions, hiring in the civil service, government contracting and so on. Originally introduced as a temporary measure, the policy helped shape a corrupt system of patronage politics that proved predictably durable.

In many respects PH marks a break with all this. The coalition that UMNO led was composed almost exclusively of racially defined parties, including the Malaysian Chinese Association and the Malaysian Indian Congress. The biggest party in PH, in contrast, is the Parti Keadilan Rakyat (PKR), which is proudly multiracial, although led by another former UMNO grandee, Anwar Ibrahim. The second-biggest is the Democratic Action Party (DAP), which is supported by Chinese and Indian voters—ie, the victims of racial preferences—and unsurprisingly argues against them. Voters united across racial and religious divides to support the coalition, which also includes explicitly Muslim and indigenous parties. But the government is not seizing its opportunity to undo racially discriminatory policies. The coalition hangs together partly because all parties have agreed on a binding principle: that the constitution and its privileges for Malays are supreme.

Nurul Izzah, daughter of Mr Anwar and a champion of reform in PKR, advises caution when it comes to changing affirmative action. "You shouldn't push too hard," she says, "your efforts must gain traction with the electorate." She worries that the assault on racial privileges that urban types want will alienate voters in rural areas, where many Malays live. If provoked, they could turn back to UMNO or to PAS, a conservative Islamic party. Saddiq Abdul Rahman, the head of the youth wing of Dr Mahathir's new party, Bersatu, which limits membership to Malays and other indigenous people, has no doubt that "a more multiracial, inclusive Malaysia" approaches. But he admits that race will prove "a tough discussion" within the governing coalition.

The government has struck a few small blows for equality. Dr Mahathir selected an Indian as attorney-general, the first time the job has gone to a non-Malay. Better yet, after a brief delay, his choice was approved by the king, a job held in rotation among the country's nine sultans, who are the leaders of Islam in their respective states. The finance minister, Lim Guan Eng, is Chinese—another appointment that caused palpitations among Malay chauvinists. And Azizah Ismail, wife of Mr Anwar, is the country's first female deputy prime minister.

These encouraging developments are unlikely to be followed by anything more audacious. The government's best chances for reform will slip away as the election grows more distant and voters less euphoric. A tweaking of affirmative action policies is possible, perhaps to ensure that benefits go more to poor Malays, rather than government cronies. But discrimination will persist.

Instead the new administration will focus on quick wins. So far these have included abolishing a hated goods-and-services tax (the government reduced the rate from 6% to zero on June 1st), investigating the scandal at 1MDB (a state investment vehicle from which \$4.5bn disappeared on Mr Najib's watch) and reviewing huge infrastructure projects (a planned high-speed rail link between Kuala Lumpur and Singapore has been cancelled).

### Why so glumno?

How UMNO responds to its defeat, and to the more diverse political culture of the new government, hangs in the balance. Many in the party doubt soul-searching is needed at all. "The politics of ethnicity is still very strong," explains Khairy Jamaluddin, the party's greying youth chief and a candidate to become its vice-president (as well as a former intern at *The Economist*).

“People are averse to offering radical ideas right now.”

More liberal members fear that a strong multiracial message from PH may leave UMNO in the dust, particularly with younger voters, unless the Malay party can embrace change too. The last attempt to foster diversity within UMNO was made by a leader who took over in 2009. The campaign in question, 1 Malaysia, called for reforms to affirmative action in the name of national unity. It was soon discarded. No one in the party now wants to emulate the man who dreamed it up: the disgraced Mr Najib.

*This article appeared in the Asia section of the print edition under the headline "One country, two systems"*

## Hospices

Loved to death

Loved to death

### Taboos make it hard to discuss mortality in China

*That makes it tough to provide good of end-of-life care*

Print edition | China Jun 7th 2018

WHEN Li Songtang was 17, officials overseeing Mao's chaotic Cultural Revolution sent him from Beijing to Inner Mongolia, a northern province where he became a "barefoot doctor"—a medical worker with rudimentary training. His patients included an academic whom the government had expelled in disgrace from the capital, and who had become terminally ill. The patient grew sicker and increasingly troubled by his political black mark. Unable to console him, Mr Li eventually lied that he had persuaded authorities to wipe the slate clean. The patient grabbed his arm with relief and gratitude, recalls Mr Li. "I can still feel it today."

Mr Li's experience of caring for the dying man eventually resulted in the hospice he runs in a three-storey building in Beijing's outskirts. The facility is home to about 300 people, most of them elderly and with late-stage cancer (a patient there is pictured with a nurse). On a weekend the bright corridors are busy with volunteers who have come to chat with patients. Zhang Zhen'e, a smiley 76-year-old who shares her room with six other women, says she tries to stay cheerful because days spent worrying are "days lost". A nearby ward for dying babies, painted green and decorated with mobiles, is less easy to visit. Eight children snooze there, asleep in mismatched wooden cots.

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Founded in the 1980s and bearing his name, Mr Li's Songtang Hospice was one of China's first end-of-life care centres. There are still far from enough of them. In 2015 the Economist Intelligence Unit, a sister-firm of this newspaper, ranked support provided to the dying in 80 countries. It placed China 71st, noting that specialised end-of-life care was available to less than 1% of its population and only in the biggest cities. Yet demand is growing as China ages and a growing number of its elderly people suffer from drawn-out diseases (the annual number of cancer diagnoses has doubled since 2000). Younger people, many of whom have no siblings, are often too stretched to provide care for those for whom cure is impossible. Few countries face so wide a gap between the need for hospices and their supply (see chart).

One reason for the lack of care facilities is that cash-strapped hospitals have strong incentives not to create hospice wards, given that palliative treatments create much less revenue per patient than expensive curative ones. Some health workers think the best hospitals have an ethical duty to reserve their limited resources for people who have a chance of getting better.

Cultural inhibitions also impede the development of end-of-life care. Talking about death has long been taboo. People often feel that it is their filial duty to ensure that sick parents receive curative treatment, even when doctors advise that there is no chance of recovery and the treatment will be painful. Applications to build hospices are sometimes challenged by local residents who resent the presence of death on their doorsteps. Mr Li says neighbours' objections have forced Songtang Hospice to move six times.

A tendency to hide grave diagnoses from sick relatives may make some families reluctant to move patients into care that is clearly aimed at easing the pain of dying. Such covering up is widely considered to be a kindness, even though it deprives patients of the ability to choose for themselves how they wish to spend their remaining time alive. A few years ago, the mother-in-law of Zhang Li (who asked that, to spare her family, her real name not be used) was diagnosed with terminal bladder cancer. The sick woman's relatives agreed to keep quiet about the diagnosis. They hoped that doing so would make her final months as carefree as possible. Learning the truth might have killed the patient, says Ms Zhang: "She would probably have died of depression, not the disease."

In some cases it is the healthy who are kept in the dark. Wang Ying of Hand in Hand, a charity that tries to encourage more open discussion of death, says she has heard of orphaned children being told by grandparents that their parents are not dead but on holiday. Her charity organises casual gatherings, called "death cafés", at which the young and healthy are encouraged to have frank discussions about their inevitable demise.

The government is eager to improve the country's dismal ranking in the provision of care. Last year it released guidelines on hospice treatment that it hopes will encourage more of it. The authorities later launched trials of new hospice wards in five cities, including Beijing and Shanghai. They also want to promote hospice treatment that is supervised by community clinics, including at home.

In theory, hospice care should help save money that is spent on costly and ineffective "cures". China's national health-insurance system caps reimbursements, so patients sometimes have to pay a lot to have serious chronic illnesses treated. But the insurance scheme deters families from considering hospice care for their dying relatives. It only covers such care at a few

approved facilities (not including the Songtang Hospice), and even then does not cover the full cost. The government's efforts to improve the regulation of hospice-care providers should eventually allow many more of them to be funded through national insurance.

Luo Jilan of the China Life Care Association, a research and awareness-raising outfit, is optimistic. She says that doctors and nurses are gaining expertise in palliative care, that powerful painkillers are becoming more readily accessible and that officials have become more understanding of dying patients' spiritual needs (the officially atheist Communist Party is wary of religious activities, especially outside registered places of worship). But changing the attitudes of patients and their families will be tough. Mr Li of the Songtang Hospice says that, even when they are admitted to his facility, some people are unaware of the severity of their conditions. He says he and his staff try to help families who want to hide the truth from the dying.

Since 2013 an NGO in Beijing, the Living Will Promotion Association, has been encouraging people to decide in advance how they wish to be treated at the end of their lives. But relatives and doctors sometimes ignore such instructions. Shi Baoxin, a doctor at a medical university in the port city of Tianjin, says that education about dying should begin at primary school to help people gain a "reasonable and scientific" understanding of it in later life. Change will take time but some people, at least, are beginning to call for it.

*This article appeared in the China section of the print edition under the headline "Loved to death"*

## Dividing up the spoils

**Will-writing is becoming more popular in China**

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*But the rich worry about recording their wealth***Print edition | China** Jun 7th 2018

IN THE past few decades China's rapid economic growth has enabled many of its people to amass fortunes, big and small. The country is home to nearly 400 billionaires, second only to America. But with the population now ageing, a growing proportion of China's citizens are grappling with a related problem: what should be done with this dosh after they die?

China has no tradition of writing wills. Scholars have found only a smattering of examples of ones made during the country's 2,000 years of dynastic rule. After the Communists seized power in 1949, wills became redundant. The wealthy fled or had their assets confiscated. Under Mao, private property was banned. It was only in the 1980s that the Communist Party gave its approval for people to get rich.

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Will-writing is now coming into vogue. Last year notary offices in Guangzhou, a southern city, handled over 24,000 wills, up 20% from 2016. The numbers have been rising at a similar rate in Shanghai. According to the Ministry of Justice about 1.4m wills are lodged at notary offices around the country, five times as many as there were two decades ago.

In imperial China, the first son normally inherited his father's titles. Property was divided among the deceased's offspring, with sons getting far more than daughters. These days a common motive for writing a will is to preserve such patriarchal values in the face of what some people see as an assault by freewheeling lifestyles and soaring divorce rates which have made family relationships more fluid and complex. A study in 2015 by the China Notary Association found that families overwhelmingly favoured sons over daughters in allocating wealth. The Chinese Will Registration Centre, which functions like a national notary office, says many parents use wills to try to make it clear that assets should be kept within the bloodline rather than passed on to their children's spouses.

The actual number of wills may be far higher than official figures suggest because many people choose not to involve notaries. Legally, wills are private. But some people worry that officials could still gain access to them in order to work out how much income tax they really owe (dodging the tax authorities is a national pastime, see [article](#)). They could also be used one day to calculate death duty, they fear, should the government decide to introduce such a tax. Officials have long been debating whether to do so. For now, they appear reluctant, knowing that levying one would arouse considerable opposition, even if only the richest were affected. The government worries that more people would simply move abroad, taking their wealth and their wills with them.

*This article appeared in the China section of the print edition under the headline "Dividing up the spoils"*



### Peace and privatisation

Reformer-in-chief

Reformer-in-chief

## Ethiopia's new prime minister wants peace and privatisation

*Abiy Ahmed has made an impressive start*

Print edition | Middle East and Africa Jun 7th 2018

THE speed of events caught Ethiopians off guard. When Abiy Ahmed took office as prime minister on April 2nd he did so as the head of a deeply divided ruling coalition. The inexperienced 42-year-old, who came from the Oromo wing of the ethnically based coalition, was viewed with deep suspicion by many of his establishment colleagues. He was taking charge of a country under a state of emergency after more than three years of anti-government protests and ethnic unrest. Few expected him to achieve much soon.

The past few weeks have pleasantly surprised. After an inaugural address in which he called for unity and apologised for the government's killing of protesters, the former army officer toured the country to muster support. At mass rallies and town-hall meetings he adopted a strikingly different tone from that of his two most recent predecessors. Hailemariam Desalegn, who resigned in February, was timid and aloof. Meles Zenawi, who ruled as a strongman from 1995 to 2012, was stern and cerebral. Mr Abiy, by contrast, presents himself as a friend of the country's young protesters. "We want to work hand-in-hand with you," he told cheering crowds in Oromia, the centre of unrest.

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Exiled opponents have been invited home. Representatives of dissident media outlets based abroad have been encouraged to set up shop in Addis Ababa, the capital. Terrorism charges against dozens of activists have been dropped, including against a British citizen, Andargachew Tsige, who had been on death row.

Mr Abiy says he plans to amend the constitution and introduce term limits for his position. On June 2nd his cabinet said the state of emergency would be lifted two months earlier than planned. Then, on June 5th, the politburo of the ruling coalition, the Ethiopian People's Revolutionary Democratic Front (EPRDF), said it would at last implement a peace agreement, signed in 2000, that would hand over disputed territories to Eritrea and put a formal end to the war the two countries fought (and Ethiopia won) from 1998 to 2000. That could pave the way for reconciliation and, perhaps, give Ethiopia renewed access to Eritrea's ports.

### Busy, busy Abiy

Until this week Mr Abiy appeared to be paying less attention to Ethiopia's troubled economy. His few remarks suggested that he planned to leave untouched the state-led development model pursued by the EPRDF since it came to power in 1991. At a meeting with business leaders in April he said that the government would preserve its monopoly in key sectors such as infrastructure, banking and telecoms. Few regarded him as an economic liberal.

So the news that the EPRDF would in fact liberalise swathes of the economy to boost growth and exports came as another shock. The plan, according to a statement released on June 5th, would see the government opening state-owned telecoms, electricity and logistics, as well as the highly profitable national airline, to foreign investors for the first time. It would also allow full or partial privatisation of railways, sugar factories, industrial parks, hotels and some manufacturing firms.

Recent economic indicators seem to have jolted the government into action. A vast programme of public investment propelled annual GDP growth to around 10% for most of the past decade, albeit from a low base. But the IMF reckons that growth will slow by more than two percentage points this year (to a still respectable 8.5%). Public debt, most of which is in foreign currency, has hit almost 60% of GDP. There has been a spate of defaults on Chinese loans in recent weeks, and local contractors complain the government is not meeting its obligations. Earlier this year the IMF raised Ethiopia's risk of debt distress to "high" because of the possibility that it will not earn enough foreign currency to pay its debts.

Export revenues have barely budged for five years. In some important industries that the government is trying to promote, such as garments and leather goods, they have even declined. As a result, Ethiopia's foreign reserves are thought to cover just over a month's worth of imports. Businesses say the shortage of foreign exchange is the worst in recent memory; many have waited more than a year to receive their allocation from state-owned banks. Pharmacies are running low on basic medicines such as antibiotics. Solomon Mulugeta, general manager of the metal manufacturers' association, says factories are lying idle for want of raw materials. Inflation is running at nearly 15% a year.

The planned sell-offs should ease some of the hard-currency strains. The announcement also sends an important signal to foreign investors that the government is now serious about economic reform. But Getachew Teklemariam, a consultant and former government adviser, argues that simply selling minority stakes in public monopolies is insufficient. "It's only the



ownership structure which will change,” he says. “The rules of the game are the same.” Others fret that hasty privatisations might be marred by corruption.

The question is whether Mr Abiy has a vision for the economy beyond the part-sale of public enterprises. Ethiopia still has no stockmarket. The banking industry, which will remain off-limits to foreigners, is overdue a shake-up, for instance by allowing management contracts with foreign banks. The foreign-exchange regime, which allocates currency to industries the government wants to support, is riddled with graft. Businesses are hobbled by red tape. Conglomerates owned by the army and party dominate much of the economy.

Market reforms, as well as a new approach to peace with Eritrea, had been under discussion within the ruling coalition for many months before Mr Abiy took office. But he has brought an urgency to decision-making that had been lacking ever since the death of Meles six years ago. “These are pretty much the decisions of the politburo taken five months ago,” says one Ethiopian analyst. “The difference is the pace of change.”

*This article appeared in the Middle East and Africa section of the print edition under the headline "Reformer-in-chief"*

Mayhem in the Middle Belt

## Fighting between Nigerian farmers and herders is getting worse

*An age-old rivalry has grown deadlier, thanks to climate change, bad government and plentiful guns*

Print edition | Middle East and Africa Jun 7th 2018

MARIS GIDWELL unwinds the bandage from her forearm and removes a wooden splint. Two fingers are missing. Her arm shakes as she tells how, as dawn broke, she heard shouts warning the residents of Lawaru, in Adamawa state in north-east Nigeria, to flee. She ran towards a neighbouring village with her 25-year-old son. Tragically, men wielding machetes caught them. They robbed and wounded Ms Gidwell, and murdered her son.

The attack on Lawaru and its surrounding villages was probably carried out by nomadic Fulani herdsmen, a group that is scattered across much of west Africa's semi-arid Sahel, from Mali to the Central African Republic. Many of those killed were sedentary farmers, mostly from the Bachama tribe. The incident is part of a growing wave of violence between nomads and farmers that has ebbed and flowed across Nigeria's central "Middle Belt" since at least 2011.

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Although strife between herdsmen and farmers dates back centuries, it has escalated sharply as climate change pushes herders south. Clashes are deadlier, too, thanks to guns looted from the arsenals of Libya's former dictator, Muammar Qaddafi, and smuggled around the region.

The fighting is stretching a government that is also trying to contain a jihadist insurgency in the north-east and banditry in the oil-rich Niger Delta. Violence in the Middle Belt, which is about a third of Nigeria's land mass, is every bit as brutal.

In the past year armed Fulani groups have surpassed Boko Haram, a jihadist group, as the deadliest threat to civilians. The Armed Conflict Location & Event Data Project (ACLED), a non-profit organisation, estimates that armed Fulani men have killed almost 1,000 civilians this year; Boko Haram have slaughtered 200 or so.

The fighting aggravates religious tensions in a country with a perilous north-south, Muslim-Christian divide. Most Fulani herders are Muslim; most of the farmers they attack are Christian. In April two Catholic priests were killed in Benue state, along with 17 congregants. The massacre provoked national protests. "One spark could ignite a flame that no one can extinguish," says an aid worker trying to reduce intercommunal violence.

That spark may well come from the government. Ms Gidwell says that, after her village was attacked on December 4th, residents who tried to help her were fired on by a Nigerian military helicopter. The chief of a neighbouring village says his palace was destroyed in an air strike after the herdsmen had left. Amnesty International, a watchdog, says that Nigeria's air force killed at least 35 people fleeing Fulani attacks. An air force spokesman initially claimed that only "warning shots" were fired. Later he said that a helicopter and fighter jet had returned fire at "hoodlums".

That Nigeria is using the air force to separate warring communities suggests that the police cannot cope. It would help if they sorted out their priorities. On paper Nigeria has about 300,000 police, but perhaps half of them guard the homes, offices and convoys of political bigwigs.

The general lack of security also afflicts Fulanis, who say they have taken up arms to protect themselves. Indeed, just weeks before the raid on Lawaru that injured Ms Gidwell, at least 50 unarmed Fulanis, most of them children, were killed in an attack they blamed on farmers.

Nigeria's government is often bad at easing tensions. Some states, such as Benue, have passed laws that ban herdsmen from grazing cattle on open land. Prominent southern Christians such as Wole Soyinka, an author and Nobel laureate, think the ban does not go far enough. They want Fulani herdsmen to be declared terrorists. That would give the police greater powers to restrict their movement. Many northerners think such a ban would infuriate herders and fuel further conflict.

A more promising approach is being tried in states such as Plateau, where officials are attempting to revive and protect traditional grazing reserves and routes. Many of these date back centuries but have been encroached on by farmers as Nigeria's population has expanded. Plateau state has also been praised for organising peace talks and mediating between hostile groups. Things do not have to fall apart. But the government needs to urge people to talk rather than reach for their guns.

*This article appeared in the Middle East and Africa section of the print edition under the headline "Wild fire"*

Vulture, departed

## **Ely Calil, backer of a farcical coup plot, died on May 28th**

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*The man behind the “Wonga coup” in Equatorial Guinea reportedly fell down some stairs and broke his neck*

**Print edition | Middle East and Africa** Jun 9th 2018

THE sudden, violent death of a man who had prospered for decades from oil brokering in Africa is not necessarily suspicious. Ely Calil was Nigerian-born, of Lebanese descent, and well known to African presidents, European ministers and Western oil firms. He died on May 28th, reportedly from a broken neck after falling down the stairs of his large London home.

Mr Calil amassed a fortune thanks largely to his chumminess with two Nigerian dictators of the 1980s and 1990s, Ibrahim Babangida and the flagrantly corrupt Sani Abacha. He was one of a breed of “fixers”, or “bagmen”, who flit between Africa and Europe, cultivating ties with politicians and taking a cut from “facilitation payments” from investors bidding for licences to drill for oil or dig for gold.

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Although softly spoken, he was brazen. He once let a journalist from *Harper's* observe his negotiations over gourmet dinners in Paris. Until recently laws in several European countries—unlike America's more stringent Foreign Corrupt Practices Act—did not punish bribery in third countries. Mr Calil was detained by officials in Paris in 2002 as they investigated embezzlement and backhanders paid to Abacha. He was not charged, but later conceded that his actions might be considered illegal under new laws.

These days Western fixers must compete with rivals from China and other countries with less fussy rules. Last year America imposed sanctions on Dan Gertler, an Israeli with a business empire in the Democratic Republic of Congo. The American Treasury described Mr Gertler's fortune as the result of “opaque and corrupt mining and oil deals”. He is close to Joseph Kabila, the country's president.

Mr Calil stood out in one respect: whereas others merely cultivated the powerful, he once sought to overthrow a president who displeased him. He was a leading backer of the “Wonga Coup”, a farcical plot by British and other mercenaries to topple the government of Equatorial Guinea in 2004. The hired guns identified Mr Calil as their “Cardinal”—though they also dubbed him “Smelly”. They said he recruited their Old Etonian frontman, Simon Mann, and helped finance the scheme. Phone records and other evidence corroborated this account. Mr Calil introduced the plotters to Severo Moto, an exiled priest who was being flown towards Equatorial Guinea on the night the plot was foiled—and would have become president had it succeeded.

“His big mistake was getting involved in a big and dangerous game, the worst-conducted coup plot in years,” says Nigel Morgan, an ex-spy who helped to thwart the Wonga Coup and who interviewed Mr Calil afterwards. According to Mr Morgan, Mr Calil offered to betray the other plotters, promising information about the scheme to South Africa in an effort to stave off prosecution. Do fixers like Mr Calil do anything useful for Africa? “They're vultures, pure and simple,” says Mr Morgan.

*This article appeared in the Middle East and Africa section of the print edition under the headline “Vulture, departed”*

**Austerity and fury in Jordan**

**Jordan's King Abdullah tries to calm an angry public**

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*Sacking another prime minister is not going to be enough*

**Print edition | Middle East and Africa** Jun 7th 2018

TO LAND a job in Jordan's public sector is to land a job for life—unless you are the prime minister. Starting on May 30th thousands of Jordanians came out to protest against subsidy cuts and new taxes planned by the government of Hani Mulki. On June 1st King Abdullah tried to appease them by cancelling increases to fuel and electricity prices. When that failed he sacked Mr Mulki, the sixth prime minister to lose his job since 2011. But on June 4th protesters were back in the streets.

Few Jordanians will miss Mr Mulki, a maladroitness politician. But he was arguably Jordan's most reform-minded prime minister. Before he took office in 2016 the kingdom was careering towards insolvency, with a debt-to-GDP ratio that had soared from 62% in 2011 to 93% four years later. Mr Mulki halted the slide by raising revenue and reducing energy subsidies. The debt ratio has stabilised at 95%. The government also accepted a \$723m loan from the IMF with promises of further reforms.

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Those changes are long overdue. Jordan acts like an oil-rich Gulf state, with generous subsidies and a public sector that employs one in three workers. But it has no natural resources. The economy grew by a paltry 2% last year. Wars in Syria and Iraq, and a recession in Saudi Arabia, have hurt Jordanian exporters. Regional turmoil has also scared off tourists.

Jordan can no longer count on Gulf largesse, like a \$5bn grant offered in the first days of the Arab Spring in 2011. "Saudi Arabia kept the Jordanian economy afloat," says a Western diplomat. But the Saudis are upset with Jordan's reluctance to send troops to Yemen and its refusal to join an embargo of Qatar. They have not offered a rial since 2016. Though America will give Jordan \$6.4bn over the next five years, a 28% increase over the last aid package, this will not fill the gap.

The IMF wants Jordan to lower its debt-to-GDP ratio to 77% by 2022. Officials hope to achieve that through growth. But since 2010 the growth rate has been stuck at 3% or less, and the IMF expects it to stay there until 2022.

Instead, Jordan will need to balance its budget. But this will hurt an already struggling population. One in five Jordanians lives below the official poverty line of 70 dinars (\$99) per month. That is hard to survive on anywhere in Jordan, especially in Amman, the expensive capital. One of the protest slogans is *ma'nash*, or "we have nothing". It is only a slight exaggeration.

The poorest Jordanians get help from the National Aid Fund, a state-run body that makes payments to 92,500 families. A recent study found that most beneficiaries get less than 50 dinars each month. The latest budget also introduced a new \$250m cash-transfer scheme. It will cover public-sector employees who earn less than 18,000 dinars per year, and other Jordanians who meet a lower income threshold. The average recipient will get around 30 dinars each month. A huge portion of Jordan's welfare spending goes on inefficient subsidies, but cutting them provokes fury. Fuel prices have increased five times this year; electricity rates are up by 55%. Bread prices nearly doubled in January.

A proposed income tax worries Jordan's middle class. For all the controversy it has caused, the draft law being discussed in parliament is quite cautious. It would lower the minimum taxable income to 8,000 dinars per year for individuals and 16,000 for families (from 12,000 and 24,000). Those are still generous exemptions in a country with an average salary of around 5,400 dinars. MPs wager that the bill would expand the tax base to 10% of the population, up from 3%, and raise a modest 300m dinars a year. But trade unions say it would harm members. Many took part in a general strike on June 6th.

King Abdullah has told the new government to review the entire tax system. But the new prime minister, Omar al-Razzaz, a former World Bank economist, will have little room for manoeuvre. Jordan cannot afford to step back from fiscal reforms. More unrest seems likely. The Islamic Action Front, the local wing of the Muslim Brotherhood, wants early elections. A few protesters have even chanted slogans against the monarchy. For decades Jordanian leaders could count on wealthy allies to pay for short-sighted economic policies. The bill is coming due.

*This article appeared in the Middle East and Africa section of the print edition under the headline "Uneasy lies the head"*

Loosening up and cracking down in Saudi Arabia

## The calculations of Muhammad bin Salman

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*The powerful crown prince has granted his subjects more social freedoms, while taking away political ones*

Print edition | Middle East and Africa Jun 9th 2018

THE holy month of Ramadan used to be an occasion for royal amnesties in Saudi Arabia. But instead of granting pardons, Muhammad bin Salman, the crown prince and power behind the throne, has added to the 2,000 or so political prisoners detained since September. Over the past month his goons have arrested 17 liberal activists. Nine are women, some of whom campaigned for the right to drive.

Prince Muhammad has loosened the kingdom's social restrictions. The decades-old ban on female drivers will be lifted on June 24th. But when citizens demand new rights, instead of waiting patiently to be granted them by royal decree, they are often locked up. The effect has been stifling. Before talking politics over the phone, Saudis take precautions, such as using virtual private networks and encrypted dialling services. Many have purged their Twitter accounts or closed them. "Sorry. I'm not ready to talk," writes a once-verbose activist. They are all terrified, says a diplomat.

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Prince Muhammad sees no contradiction in all this. His social contract apes that of the United Arab Emirates, which grants subjects social freedoms provided they forgo political ones. In less than a year as crown prince, he has taken direct control of media outlets and big businesses, or appointed his men to their boards. Once-powerful clerics and princely challengers have been squashed. Gone is talk of holding elections for the Shura council, a royally appointed proto-parliament.

The prince has also overhauled the state security police, recruiting former Egyptian officers to hound dissidents. Activists used simply to disappear into custody. Now they are named and shamed after being arrested. Photos of female campaigners appear on the front pages of the press, stamped in red with the words "spies", "traitors" and "agents of embassies". Twitter bots spread the allegations. Spyware, delivered as text messages, combs phones for fresh suspects.

Western firms, skilled in secret psychological operations, have been hired to help shape public opinion. They include SCL Group, the parent company of Cambridge Analytica, the political-data firm that claims to have helped President Donald Trump win election. Before Prince Muhammad's economic- and social-reform drive, SCL Group, a British firm, conducted dozens of focus groups with ordinary Saudis and found evidence of widespread discontent with the monarchy. It advised the regime on how to stay in power.

Prince Muhammad's strategy of suppressing dissent while loosening up in some areas appears calculated. He has made many enemies by sidelining fellow royals, shaking down businessmen, locking up liberals and alienating religious leaders. But few question his rule. Saudis seem to be adapting to the likelihood that one unaccountable man will rule them for decades to come.

*This article appeared in the Middle East and Africa section of the print edition under the headline "Loosening up and cracking down"*

How to make things worse in Yemen

## Yemen's main port could become the next battleground

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*An attack on Hodeida would cause a humanitarian disaster, warns the UN*

Print edition | Middle East and Africa Jun 9th 2018

YEMENI forces backed by Saudi Arabia and the United Arab Emirates (UAE) have been on a roll lately. Over the past month the coalition has pushed 80km north (see map), repelling the Houthis, a group of Shia rebels that chased the government out of Sana'a, the capital, in 2015. It is now 12km from Hodeida, the main port, which is held by the Houthis.

Were it to take Hodeida, the coalition could further squeeze Houthi-controlled areas, where most Yemenis live. The port is Yemen's primary conduit for humanitarian aid, which 22m people, or 80% of the population, depend on. War would disrupt the flow, leaving 8m people at risk of starvation, says the UN.

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The UN and some Western governments have urged the coalition to stop. Six times over the past two years, humanitarian appeals and American pressure have staved off an Emirati-led attack on Hodeida. But control of the port would bring the coalition closer to its goal of regaining the entire coastal plain, landlocking the Houthis and giving it more leverage in peace talks.

The main fighting force is led by the UAE, which has already taken several Yemeni ports in the south. It commands a force comprised of three Yemeni groups. The largest consists of southern fighters, often with Salafist and separatist leanings. They have been joined by northern fighters once loyal to Ali Abdullah Saleh, a former dictator whom the Houthis killed in December when Saleh broke off their alliance. Local Sunnis, who call themselves the *Tihama* (coastal plain) resistance, also lend support. All told, they number over 20,000.

The Houthis, meanwhile, are showing signs of attrition. Many were demoralised by the death of Saleh al-Sammad, the head of their political council, in a Saudi air strike in April. Warlords have swept down from the mountains to reinforce Houthi positions. But many Yemenis feel alienated by the zealous highlanders. Sunnis in the coastal plains are particularly disgruntled. Should Hodeida fall, they could provide the coalition with fresh recruits.

Martin Griffiths, the UN envoy to Yemen, hopes a deal on Hodeida will lead to new peace talks. As *The Economist* went to press, he was heading to the UAE with a Houthi promise to leave the port if the UN runs it. In return, the UN hopes the coalition will allow the central bank to resume paying civil servants in rebel-held areas.

One man could stand in the way. Muhammad bin Salman, the crown prince of Saudi Arabia, entered the war in 2015 at the invitation of the government. With a chance finally to hobble the Houthis, and stick it to their Iranian backers, he may not want peace.

*This article appeared in the Middle East and Africa section of the print edition under the headline "How to make things worse"*



### Spain

A smoothly executed takeover

*A smoothly executed takeover*

## Spain's new prime minister, Pedro Sánchez, assembles a reassuring team

*He tries to combine change, stability and a fragile mandate*

Print edition | Europe Jun 7th 2018

WITH unforeseen suddenness, a new political era has begun in Spain. Having ousted Mariano Rajoy, the long-serving conservative prime minister, in a parliamentary censure by 180 votes to 169, this week Pedro Sánchez, the Socialist leader, formed a new government. It will be weak, commanding an even smaller minority in Congress than its predecessor, but not necessarily brief: a general election may not come for at least a year.

Mr Sánchez, a 46-year-old economist, has appointed a cabinet that mixes old faces from previous Socialist administrations with new figures, several from regional governments that his party runs. Its make-up sends three messages. Some are designed to rebut the charge by Mr Rajoy's People's Party that the new prime minister is a hostage to the Catalan nationalists and Podemos, a populist leftist party, whose parliamentary votes helped to bring him to office.

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The first message is stability and commitment to Europe. Mr Sánchez has made a virtue of his limited support by pledging to stick to Mr Rajoy's budget (and its target of cutting the fiscal deficit to 2.3% of GDP). This would "guarantee the governability of our country at an extraordinarily complex moment", he said in Congress. Raising more than a few socialist eyebrows, he named Nadia Calviño, currently the European Commission's director-general for budgets, as his economy minister.

The new prime minister has not offered to repeal Mr Rajoy's liberalising labour-market reform, as the unions would like. This reform has helped to spur a rapid fall in unemployment during the past four years of strong economic recovery from the euro crisis. All this means that the political shake-up has caused scarcely a ripple among investors, who are more concerned with Italy's political crisis.

Second, the new foreign minister, Josep Borrell, is an experienced former minister and president of the European Parliament, and also a Catalan. Mr Borrell campaigned against the drive for independence by Carles Puigdemont, Catalonia's former regional president. His appointment signals that the new government will uphold the constitution (which bars secession) and will be more active in making that case abroad.

Third, in a country where feminism is gaining ground, 11 of the new cabinet's 17 members are women. It is a cabinet "in the image of Spain", Mr Sánchez said, committed to social and gender equality as well as economic modernisation, with science and innovation as motors.

Such gestures will be an important part of Mr Sánchez's rule, because his scope for bringing about radical change is small. His Socialists, who have only 84 of the 350 seats in Congress, will govern alone. Mr Rajoy's PP had 134 seats and could count on Ciudadanos, a liberal party, with 32.

### The ghost of the past

Before calling an election—due in the summer of 2020 at the latest—Mr Sánchez promises to roll back several measures (such as restrictions on freedom of assembly) imposed by the PP when it had a majority, and to which most of the current parliament is opposed. He promised a law requiring equal pay for equal work for women and men, and more efforts to help the long-term unemployed.

Above all, Mr Sánchez brings a breath of fresh air. Polls show that the country had tired of Mr Rajoy. He doggedly hauled Spain out of a deep economic slump with reforms of the broken financial system as well as of the labour market. But the constitutional crisis over Catalonia took its toll on his government. Above all, Mr Rajoy failed to grapple with, investigate or apologise for a steady stream of corruption cases and scandals involving his party.

On May 24th a court found that the PP had run an illegal financing scheme, and that Mr Rajoy's evidence denying this lacked credibility. Since he had often highlighted, in the Catalan context, that Spain's judiciary is independent and the rule of law paramount, that made his position untenable, as Mr Sánchez quickly grasped. Mr Rajoy, a great survivor whose stolid appearance hides sharp political instincts, had been outwitted at last. This week, in a tearful farewell, he resigned as the PP's leader, a post he has held for the past 15 years.

Mr Sánchez is nothing if not daring. Just 19 months ago his political career seemed over, after he was deposed as leader of the Socialist party by its regional barons. They had turned against him following two election defeats, and because he was prolonging a parliamentary deadlock by refusing to allow the formation of Mr Rajoy's minority government. His response

was to get into his ancient Peugeot and travel round the country, rallying the party faithful. In May 2017 he got his revenge by unexpectedly winning back his old job in a party primary election.

His position is not without risks. The PP still controls the Senate; it thinks it has been unfairly bundled out of office without an election and promises the incoming government a rough ride. Mr Sánchez said he would try to get a more generous budget passed for next year, but that depends on maintaining his heterogeneous base of support. Nevertheless, it is hard to unseat a Spanish prime minister, since the constitution requires a parliamentary majority for an alternative. Mr Rajoy was the first to suffer this fate in 40 years of restored democracy. If necessary, a government can roll over a budget for a second year.

The biggest challenge remains Catalonia. Mr Sánchez supported Mr Rajoy's imposition of direct rule after Mr Puigdemont's unilateral declaration of independence. This week that was lifted as the separatists formed a new government. The prime minister said he wants dialogue, as did Quim Torra, his Catalan counterpart. Mr Sánchez can try to lower the tension, for example by appointing a less militant attorney-general. But creating common ground will take time.

The risk for Mr Sánchez is that his government is seen as a last gasp of the old political duopoly, discredited during the economic crisis as well as by corruption (which has spattered the Socialists, too). The unspoken reason for the success of the censure was that Ciudadanos, riding high in the polls, is the only party wanting an immediate general election; the rest want to avoid one. The Socialists are becalmed at around 20%. Mr Sánchez hopes he will be able to lift that number before going to the country. It is his biggest battle yet.

*This article appeared in the Europe section of the print edition under the headline "A smoothly executed takeover"*

Bashing migrants

## Italy's new government wants to deport 500,000 people

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*Matteo Salvini wastes no time*

Print edition | Europe Jun 7th 2018

SOMETIMES silence speaks louder than words. Italy's interior minister, Matteo Salvini, did not utter a word of condemnation of the murder of Soumaila Sacko, a 29-year-old Malian trade unionist, on June 2nd. Mr Sacko was campaigning to improve the miserable conditions of thousands of African day-labourers who pick fruit and vegetables in Calabria, the "toe" of Italy. Some, like Mr Sacko, are legal residents. Others are not. Mr Sacko was helping two other immigrants find metal sheets to use as roofs for their shacks when a man opened fire from a car. It was left to the prime minister, Giuseppe Conte, to express his condolences three days later in a speech asking the Senate for a vote of confidence in Italy's new, populist government (he duly obtained the backing of the upper house and, on June 6th, that of the lower house, the Chamber of Deputies).

Mr Conte, a law professor, belongs neither to the Northern League, which Mr Salvini leads, nor to the Five Star Movement (M5S), the senior partner in the coalition. He was originally proposed by M5S, and his somewhat more sensitive approach reflected differences between the two parties over immigration that could yet undermine their collaboration.

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No sooner had Mr Salvini been sworn in than he was proclaiming his eagerness to kick out the 500,000-600,000 immigrants who are reckoned to be living without authorisation in Italy. "The good times for illegals are over," he declared. "Get ready to pack your bags." The NGOs who save migrants from drowning in the Mediterranean and land them in Italian ports (so far with the full permission of the Italian authorities) he branded as "substitute people-smugglers". And he announced that immigrants who are refused humanitarian protection would henceforth be shut into closed encampments.

That sort of talk has helped to push the League's poll ratings up to 26% from less than 18% at the general election held on March 4th. But it can be counter-productive. On the day that at least 60 migrants, most of them Tunisians, drowned trying to reach the Italian island of Lampedusa, Mr Salvini claimed Tunisia "often and willingly exports convicts". The government in Tunis summoned the Italian ambassador to convey its "profound astonishment".

It is true that in the year to June 6th, Tunisians made up the largest national contingent among migrants reaching Italy, accounting for 21% of the total. Two factors, however, explain that. A controversial deal made by the previous government in Rome with the UN-recognised administration in Libya, and allegedly with some of the country's powerful militias, has drastically reduced the flow of arrivals via Libya. The overall number of migrants reaching Italy this year has fallen to 13,768 from 61,201 in the same period last year. Meanwhile, the number of Tunisians ready to risk their lives to seek work abroad because of the economic crisis in their country has risen sharply. But Mr Salvini appears to have believed a rumour that the increase was due to an amnesty (in reality, an annual pardon that led to the release of only around 400 prisoners).

One reason that Italy cannot expel its illegal immigrants is that most of their countries of origin refuse to have them back. Mr Salvini said that he intends to negotiate more repatriation agreements. Italy has more than 20 of these, but Mr Salvini's ill-judged words have jeopardised one of the few of them that works. So far in 2018, Tunisia has taken back 1,224 of its citizens. Mr Salvini's blunder signalled a looming doubt: whether poor countries of origin will be any readier to co-operate with the leader of a xenophobic, hard-right party than they have been with previous, moderate Italian governments.

In his speeches to parliament, Mr Conte vowed to lobby for new EU rules on immigration, including the "compulsory and automatic" distribution of migrants from Italy to partner states. But the latest attempt to hatch a deal, at talks in Luxembourg, was failing as he spoke. Mr Salvini has mooted an alliance with Hungary. Yet it is the government of Viktor Orban and others in eastern Europe that constitute the main obstacle to a compromise.

Paradoxically, Mr Salvini may get a more receptive hearing further west in countries that are the ultimate destination of many of the migrants crossing the Mediterranean. The prospect of a government in Rome keen to tighten border control should be welcome there. Austria's interior minister, Herbert Kickl, a member of the right-wing Freedom Party, greeted Mr Salvini as an ally. More significantly, Germany's chancellor, Angela Merkel, took a more sympathetic line than before in an interview in which she said Italians had felt left alone to cope with the migrants who began to pour out of Libya after the fall of its late dictator, Muammar Qaddafi, in 2011. Her remark did not go unnoticed in Italy. Sometimes words speak louder than silence.

*This article appeared in the Europe section of the print edition under the headline "Bashing migrants"*

Starving the beasts

## A Dutch park that mimics nature angers animal-rights activists

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*In the wild, cute creatures sometimes die of hunger*

Print edition | Europe Jun 7th 2018

ON A cloudy night Anderijn Peeters, a horse-trainer turned environmental protester, parks at a wildlife preserve 30km east of Amsterdam. The back of her van is full of hay. Two more cars of activists pull up, after driving circuitously through neighbouring suburbs to confuse police. Their mission: to feed the wild animals. They sling a bale of hay over the fence. Suddenly, a pickup truck driven by off-duty park rangers speeds into the lot, fog lights blazing. Angry words are exchanged. Soon the police arrive. "This is something I'm prepared to go to jail for," says Ms Peeters. But the officers leave it at a scolding.

Ms Peeters and thousands of others are up in arms over the government's policies in the Oostvaardersplassen, a park of 56 square km reclaimed from the sea in the 1960s. In 1995 the forest service adopted a plan inspired by a maverick ecologist, Frans Vera, who wanted to recreate what he believed was the diverse pre-human ecosystem of the Netherlands. Rangers introduced red deer, wild horses and Heck cattle, a German breed created to mimic the ancient aurochs, and let them roam. The result is a landscape of plains, wetlands and forest roamed by thousands of hooved mammals. Some call it the Dutch Serengeti.

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The problems begin in winter. With no predators, the herds are limited only by the food supply. (Mr Vera wanted to reintroduce the wolf, but residents were not enthusiastic.) In December, the animals begin to go hungry and edge up to the fences. Passers-by watch them starve. But the Netherlands has one of the world's strongest animal-rights movements (the Party for the Animals has five seats in parliament). Its outrage has led the forest service to compromise: rangers now shoot animals that are too far gone. Feeders prefer to intervene.

Activists like Ms Peeters say the Netherlands is too small for a wild park, and that fencing animals in makes humans responsible for them. But Joke Bijl, a forest service spokeswoman, says this is a misunderstanding: all animal populations run up against barriers. A cull may be on the cards, but the animal underground expects to be back next winter, dodging the rangers with bales of hay.

*This article appeared in the Europe section of the print edition under the headline "Starving the beasts"*

## Playing politics with refugees

**Bosnia's politicians are arguing about a mysterious wave of arrivals***October elections may have something to do with it***Print edition | Europe** Jun 7th 2018

THEY have been living in tents in parks and community centres, and the authorities are straining to care for them. But 23 years after the end of the Bosnian war, which saw 2.2m people, or half the population, displaced, the new refugees in Bosnia are Syrians, Afghans, Iraqis and others. Some 500 a week have recently been crossing into the country, on what they hope is their way to western Europe.

The Balkan route to Europe from Syria via Turkey closed in 2016, so it has been a big surprise that so many refugees have suddenly started turning up. Some are fleeing recent fighting, but most are not. According to Peter Van der Auweraert, of the International Organisation for Migration, the majority of the new arrivals are people who have been stuck in Serbia or Greece and, frustrated by their situation, are trying this new route. Refugee centres in Serbia are rapidly emptying out. Others come via Albania and Montenegro.

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Last year only 755 new refugees were registered in Bosnia; this year the number has already reached almost 5,000, of whom half may have already left for Croatia, an EU member since 2013 and formerly, with Bosnia, part of Yugoslavia. On May 30th Croatian police opened fire on a van carrying migrants crossing from Bosnia, injuring two children. Ministers from the region are due to hold a meeting on the mounting crisis in Sarajevo, the Bosnian capital, on June 7th.

In an effort to halt the flow, Bosnia has sent extra police to its borders with Serbia and Montenegro. Hungary, which built a highly effective fence on its border with Serbia to stop illegal crossings, has promised 23km of razor-wire fencing to Montenegro to help seal parts of its border with Albania. Among the refugees are a new category. Some 10% are Iranians. Last year Serbia and Iran stopped requiring visas for each other's citizens. In March cheap direct flights between the two countries began.

The new arrivals, most of them Muslims, have stirred up political arguments. When Bosnia's bloody war ended in 1995, the country was divided into two: the mainly-Serb Republika Srpska and the Bosniak (ie, Muslim) and Croat Federation. Milorad Dodik, the president of Republika Srpska, claims that Bosniak politicians have a secret plan to import Muslim migrants to change Bosnia's demography and thereby take control of the whole country. In fact, few if any of them want to stay. But with elections looming in October, facts are not likely to stand in the way of political point-scoring.

*This article appeared in the Europe section of the print edition under the headline "Playing politics with refugees"*

The Kurdish kingmaker

## A jailed Kurdish leader could sway Turkey's elections

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*Selahattin Demirtas says the election is between "democracy and a dictatorship"*

Print edition | Europe Jun 9th 2018

HUNDREDS of new apartment blocks are rising from the rubble of Nusaybin, a city in Turkey's Kurdish south-east. The government is doing its best to concrete over the devastation. But traces of the horrific clashes between the Turkish army and insurgents of the Kurdistan Workers' Party (PKK), which claimed thousands of lives nationwide in 2015 and 2016, are easy to find. A third of the city, including some 6,000 buildings, was destroyed by helicopters and tanks during the siege. Debris still lines some of the streets. Bullet holes pepper outlying houses and the minaret of a mosque. Only last October, workers unearthed another dead body. Few locals speak openly of any of this. The fighting, accompanied by a series of PKK terror attacks, has ended. But the fear persists.

On June 24th Turkey will hold snap elections, and towns like Nusaybin may determine the fate of the entire country. Whether the opposition can wrest control of parliament from the ruling Justice and Development (AK) party, and the presidency from the strongman Recep Tayyip Erdogan, depends largely on Kurdish votes.

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The Kurds in Turkey number some 15m. Those in the south-east, as well as secular Kurds elsewhere, tend to vote for the Peoples' Democratic Party (HDP), a group also backed by some leftists and liberals. Those elsewhere, the children and grandchildren of villagers displaced by war in the 1980s and 1990s, many of them assimilated into Turkish culture, have frequently voted AK, as have some religious Kurds.

The HDP is locked out of an alliance formed by the rest of the opposition, so under Turkey's electoral rules it needs at least 10% of the vote to enter parliament. Unless it does so, Mr Erdogan's AK will almost certainly retain its long-held majority. If the HDP gets past the magic number, though, parliament may be up for grabs. And that could prompt a political showdown with a re-elected President Erdogan.

The Kurdish vote may even prove decisive in the presidential election, too. In the first round, the vast majority of Kurds are sure to vote for the HDP's candidate, Selahattin Demirtas, who has spent the past 19 months in prison, facing dozens of flimsy "terror propaganda" charges and up to 142 years behind bars. Assuming the contest goes to a run-off, as the polls suggest, they and the rest of Turkey will probably end up choosing between Mr Erdogan and the opposition front-runner, Muharrem Ince, the candidate of the secular Republican People's Party (CHP). Mr Erdogan remains the favourite by a large but narrowing margin.

For the Kurds, the choice is not as straightforward as it might seem. Some continue to see Mr Erdogan as a symbol of reform: the leader who made it easier for them to use their own language and follow their own customs without being harassed by the police. Others hope Mr Erdogan might revive negotiations with the PKK, which he launched a decade ago but disowned in 2015. (That was when he unleashed the army against the insurgents who had holed up in towns like Nusaybin.) Most Kurdish voters, however, no longer give him the benefit of the doubt, says Vahap Coskun of Dicle University in Diyarbakir, the south-east's largest city. Mr Erdogan himself has ruled out new peace talks. Earlier this year, he launched an offensive against Kurdish insurgents in Syria's Afrin. Officials now suggest that a new operation against PKK bases in northern Iraq is only a matter of time.

The government insists it is fighting terror. But its crackdown has respected few boundaries. Some 95 Kurdish mayors have been sacked and replaced by state appointees. Nearly 5,000 HDP officials and nine MPs, including Mr Demirtas, as well as dozens of Kurdish journalists, have been arrested. Earlier this year, police detained over 800 people for protesting against the Afrin incursion. A Kurdish artist, Zehra Dogan, was sentenced in March 2017 to nearly three years in prison for a painting of Nusaybin's smouldering ruins in which she depicted army vehicles as scorpions.

Just because they have tired of Mr Erdogan does not mean Kurdish voters are sure to back Mr Ince. Since the early 1990s, when the CHP formed an alliance with one of the HDP's predecessors, the secular opposition has done little to endear itself to the Kurds, says Gonul Tol of the Middle East Institute, a think-tank. Nationalists within the party have long had the upper hand over progressives, she adds.

But if any secular politician can make inroads in the Kurdish south-east, it is the affable Mr Ince. Unlike most of his colleagues, he opposed stripping Mr Demirtas and other HDP parliamentarians of their immunity. He also made a point of visiting the Kurdish leader in prison and called for his release before the election. His party's manifesto now promises more autonomy for local governments, a key Kurdish demand. "Between him and Erdogan, people here feel closer to Ince," says Ferhat Kut, an HDP official in Nusaybin.

For Mr Ince to have a chance in a run-off against Mr Erdogan, he would probably need a clear endorsement from Mr Demirtas. The Kurdish candidate will not endorse anyone before the first round, but he would plainly like to see the back of Mr Erdogan. Turkey is facing a choice between "a democracy and a dictatorship", he told *The Economist* through his lawyers. For



the Kurds in particular, the past few years have been a preview of the kind of regime Mr Erdogan has in mind, he adds. Mr Demirtas refers to himself as a political hostage. He might be a kingmaker soon.

*This article appeared in the Europe section of the print edition under the headline "The Kurdish kingmaker"*

Charlemagne

## France's plans for euro-zone reform get a lukewarm German response

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*And that is (probably) as far as Angela Merkel will go*

Print edition | Europe Jun 9th 2018

WHEN it came, it was everything and nothing at the same time. For over half a year Emmanuel Macron, France's president, waited for a German response to the grand ideas for Europe's future he had laid out at the Sorbonne last September. Governments rose and fell while Mr Macron drummed his fingers; the transatlantic bond stretched, and came close to snapping. When Angela Merkel finally gave her answer, on June 3rd, it came not in a big speech or a government statement, but in an interview with the *Frankfurter Allgemeine Sonntagszeitung* (FAS), a conservative broadsheet. How very like the German chancellor.

The responses to Mrs Merkel's interview were like descriptions of the same object viewed through opposite ends of a telescope. For those sympathetic to French ambitions, the chancellor's offers were weak, offering only baby steps towards the strengthened euro zone Mr Macron urges, constrained by the same old German red lines about rules and risk. Others were excited by what appeared to be the start of a genuine conversation, after months of waffle and delay. Some noted that Mrs Merkel went into considerably more detail than Mr Macron on matters like reform of the euro zone's bail-out fund. So was this the start of something beautiful, or a great big German nothingburger?

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It was both, and neither. Consider the ideas Mrs Merkel offered the FAS. She supported Mr Macron's proposed European military intervention force, widely mistrusted in Germany—but wants it folded into the ponderous EU structures Mr Macron is keen to circumvent. The chancellor backed a euro-zone investment fund, but on the condition that it remain tiny. She called for a centralised European asylum system in which the authority to grant refugee status would shift from national to EU officials, a proposal so radical that it has no chance of becoming law. Some see ambition in all this. Others, the exact opposite.

Mrs Merkel often seems to channel the view of her compatriots that Europe faces no systemic crisis. Germany feels rich and secure; if other countries are in difficulties, the remedies lie at home. Mr Macron speaks a different language, of urgency and “European civil war”. The euro zone needs action. Europe must have an intervention force limited to members able and willing to deploy assets, including Britain, not one burdened by minnows in the name of “inclusivity”. And Donald Trump's assault on the global order requires a European response. Tellingly, it was French diplomatic muscle that was deployed in the (vain) attempt to squeeze concessions from the Iranian government that would convince Mr Trump not to abandon the nuclear deal.

Mrs Merkel may have more to say in the weeks ahead, perhaps at a Franco-German meeting on June 19th, just before an EU summit that has long been trailed as a milestone for decisions on the euro zone. Germany hates isolation, and right now, as Jan Techau at the German Marshall Fund in Berlin puts it, the country “is on everyone's shit list”. Faced with the threat of tariffs on its car exports, Germany wants to negotiate a way out of the trade spat with America, but France and others resist bowing to Mr Trump. Separately, Germany's security establishment fears the government's miserly defence spending will place it in Mr Trump's crosshairs at a NATO summit next month.

But it is hard to guess at Germany's intentions. Where Mr Macron telegraphs his plans early, loudly and clearly, Mrs Merkel is reactive and inscrutable. She has not made a single consequential speech as chancellor. Her memorable moments are instead improvised: the selfie with a Syrian refugee in 2015 that came to stand for her open-door immigration policy; the declaration to journalists as she left a car in 2013, amid the revelations that American spooks had tapped her phone, that there can be “no spying among friends”. To add to the confusion, she has a habit of creating expectations that she leaves unfulfilled. She notes that Germany erred in letting refugees fester in the Middle East before they swept into Europe, or that Mr Trump's unilateralism obliges Europe to master its own fate. But rarely are such words translated into deeds. The questions are simply left hanging in the air.

### Après Macron, le déluge

What might shift the chancellor? Two possibilities from abroad suggest themselves: one French, one Italian. On economics and security the chancellor faces domestic constraints. Her centre-right Christian Democratic Union is on hair-trigger alert to block any moves towards a euro-zone “transfer union”; its coalition partners, the ailing Social Democrats, have alighted on scepticism towards military spending as a vote-winning strategy.

The new ingredient is France. Mr Macron says all the right things to please Germany, but also puts forward an argument it fears is right: that an unreformed Europe is exposed to destructive populism. That may be why Berlin and Paris are abuzz with rumours of a looming grand bargain: German concessions on the euro, and perhaps slightly less grudging support for Mr Macron's military plans, in exchange for French agreement that the EU can negotiate with America before the tariffs are lifted. (Such rumours, admittedly, do not come overburdened with evidence.) Mr Trump's tough line on trade and defence may be splitting France and Germany, but that creates opportunities for deals.

The darker scenario is a crisis sparked in Italy. The conventional wisdom is that the outlandish fiscal plans of the populist government that took office last week will further harden German hearts against proposals to spread risk in the euro area. This is certainly true for now. But if an Italian showdown with Brussels appears to threaten the integrity of the euro zone as a whole, Mrs Merkel will shed her caution and act to contain the damage, for instance by deliberately turning a blind eye if the European Central Bank turns on the money tap. This is plainly no way to run a fragile currency union. But Mrs Merkel has only ever acted when staring into the abyss.

*This article appeared in the Europe section of the print edition under the headline "Angela plays it cool"*

## Mental health

### The long shadow

A year later

## Grenfell's long shadow

*The fire, and its aftermath, have put many local residents under unbearable strain*

Print edition | Britain Jun 9th 2018

FOR two weeks, the families of those who died came to tell their stories to the Grenfell Tower Inquiry. The father who was flying home from Egypt while his family burned; the parents whose daughter had moved from Italy to London to make a life; the young man who stood and watched the flames as his mother and sister were trapped inside. Translators muttered live renderings of the speeches to friends and family unable to speak English. Sir Martin Moore-Bick, the judge who is leading the investigation, sat on stage and listened, seldom speaking except to offer words of condolence.

Since the fire at Grenfell Tower last June 14th, which killed 72 people and injured 70, official investigations have made slow progress. A review of building regulations produced cautious recommendations last month. Sir Martin's inquiry into the causes and aftermath of the fire published preliminary findings on June 4th. A criminal investigation, which is considering personal and corporate manslaughter charges, will probably conclude no earlier than 2019.

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Less noticed than these legal proceedings is a parallel effort to tend to the minds of the many people affected by the fire. Such was the scale of the horror, the local arm of the National Health Service estimates that 11,000 people may end up suffering from mental-health problems. Most will be cases of post-traumatic stress disorder (PTSD), but others will suffer from anxiety, depression and the exacerbation of existing conditions. As John Green, the psychologist leading the NHS mental-health response, notes, "it wasn't just the fire". What followed may have made things worse.

In the immediate aftermath, survivors struggled to find the support and quiet they needed to deal with what had happened. In the absence of co-ordinated assistance from the government, charities rushed in to help people, but often overwhelmed them. The area buzzed with volunteers bringing absurd quantities of clothing and food, as well as journalists looking for stories. In the end, says Cathy Long, who lives locally and is writing a report on the fallout of the fire for the London School of Economics, "we needed a relief effort to deal with the relief effort."

A year on, 129 of the 210 households that survived the fire remain in temporary accommodation or hotels. Many have yet to be offered somewhere they consider suitable; others struggle to make big decisions about where to live. It is a worrying situation, says Alex Diner of the North Kensington Law Centre, which offers free legal advice, as there is a well-established link between housing and mental health. "They face the most difficult housing situation imaginable," he says. With residents absent and a school beneath the tower forced to move away from the neighbourhood, businesses are struggling, too. Of the 50 or so he is working with in the area, at least three have shut and four have moved away since the fire, says Allen Pluck of the Portobello Business Centre. "The place is a little bit like a ghost town." Many residents work in the gig economy, so lack the support and stability offered by salaried jobs.

In response to these circumstances, locals have turned to one another. Grenfell United, a community group, organises a monthly silent walk, which "provides a chance to reflect and remember in a dignified manner," says Natasha Elcock, who lived on the 11th floor. Religious establishments have provided support, and work together more closely than before the fire. The Al-Manaar mosque, a short walk from the tower, now runs children's holiday camps with the West London synagogue. Such is the sense of community, "People pop into the mosque like it's the pub," says one local (meaning it as a compliment).

But charities and community spirit can only do so much. NHS psychologists are studying the response to other disasters, including the Aberfan landslide in 1966 and the earthquake in Christchurch, New Zealand in 2011. Many people in the area knew someone who lived in Grenfell Tower, or had once lived there themselves, which made the fire "far more traumatic" than, say, a terrorist attack in a big city, explains Dr Green. People with PTSD often try to ignore their problems and do not seek support. So teams of nurses have gone door-to-door to assess residents for symptoms. Around 1,000 people have been treated for a mental-health problem, many referred by these outreach efforts. The number is expected to rise.

There is now a focus, among charities and the NHS, on reaching those unlikely to seek treatment. Following conversations with Grenfell United, the NHS rebranded its "mental health" services as "health and well-being", to avoid stigma—which is particularly common among first-generation migrants, says Lydia Giblin, a psychotherapist working with bereaved families. At the Al-Manaar mosque, imams lacked training to deal with traumatised people, so the mosque brought in counsellors used to dealing with Muslim clients, says Abdurahman Sayed, head of the trust that runs the mosque. The Curve, a support-centre led by the council, provides knitting groups, yoga and English-language classes, as well as therapy. It has had to overcome antipathy from locals, many of whom hold the council responsible for the fire.

The anniversary, along with the memories stirred up by the inquiry, is proving to be particularly anxious. The government has assured locals they will have the final say over what happens to the site of the fire, with a memorial the most likely option. For now, the blackened tower juts against the skyline, sheathed in white plastic. It is, says Mike Long, the minister at Notting Hill Methodist Church, “a visible scar”. There are many more invisible ones.

*This article appeared in the Britain section of the print edition under the headline “The long shadow”*

Offski?

## Russian oligarchs may matter less to Britain's economy than many think

*Lawyers and Chelsea fans are among the few who would lose out if they left*

Print edition | Britain Jun 9th 2018

STAMFORD BRIDGE, home to Chelsea football club, is hardly a slum. But it has fallen behind the glitzy new stadiums of its nearest rivals in England's Premier League. And that is how things are likely to remain, for on May 31st Chelsea announced that it had shelved a £1bn (\$1.3bn) scheme to redevelop its west London stadium. The club's billionaire owner, Roman Abramovich, has not had his British visa renewed; this, it seems, was his response. The club pointedly cited the "current unfavourable investment climate" for its decision.

Mr Abramovich appears to be a casualty of Britain's deteriorating relationship with Russia, which has worsened since the poisoning of Sergei Skripal, a former GRU agent, in March. As Britain's most famous oligarch, Mr Abramovich was an obvious target for the government to demonstrate a tougher attitude to those with ties to Russia's president. He has since acquired citizenship of Israel, and is reportedly planning to move there. Many Londoners wonder what would happen if more rich Russians were to follow suit.

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There are around 65,000 Russians in Britain, mostly in the capital. Only a small percentage are very rich, says Katia Nikitina, the publisher of *Zima*, a magazine for Russians in London. Last year 48 Russians came to Britain on Tier 1 visas, which allow holders and their families to stay for three years and four months if they invest £2m in government bonds or companies. Only the Chinese were more numerous.

But the number of visas has dropped sharply since the minimum investment sum was raised and money-laundering checks tightened in 2015. In the eight years before that—which Transparency International, an anti-corruption watchdog, calls the "blind faith" period—705 Russians arrived, making up 23% of the total. According to TI, Russians have invested more than £700m under the scheme.

Some of those with most to lose from a Russian exodus may be lawyers. Oligarchs' big deals and bigger personal bust-ups have brought in business over the years for home-grown law firms and the London offices of American ones. Last month Linklaters was ticked off by MPs for its work on deals involving Russian companies, after it refused to answer questions about the flotation of En+, a holding company for Oleg Deripaska, a businessman under American sanctions. Figures from Dealogic, a data provider, show that Britain's "Magic Circle" of law firms have advised on 25 listings of Russian companies on London's exchanges in the past two decades, a tenth of the total listings they oversaw.

London lawyers have also helped oligarchs embroiled in litigation. Russian litigants accounted for a tenth of cases heard in the London Commercial Courts between March 2017 and April 2018. Six years ago Mr Abramovich was unsuccessfully sued by a fellow oligarch, Boris Berezovsky, for breach of contract. Fees were estimated to have come to £100m.

Yet the high profile of London's high-rolling Russians belies the relatively small role that their money plays in the wider economy. Foreigners hold roughly £10trn of British assets. Russia's share of that is just 0.25%, a smaller proportion than that of Finland and South Korea.

Parts of west London have acquired many new Russian residents, and shops to serve them (including an outfitter of armoured luxury cars). Yet even in "prime" London—that is, the top 5-10% of the market—buyers from eastern Europe and the former Soviet Union account for only around 5% of sales, according to data from Savills, a property firm. Outside the capital's swankiest districts, Russians' influence is minuscule. The departure of oligarchs might affect prices on some streets in Kensington, but not beyond.

The same is true of Britain's private schools. Some have done well out of Russian parents. But of the 53,678 foreign pupils who attend schools that belong to the Independent Schools Council, only 2,806 are Russian. China, by contrast, sends 9,008 pupils from its mainland, and a further 5,188 from Hong Kong.

In all, if more oligarchs like Mr Abramovich decide to leave, the impact might be less than widely thought—at least outside Chelsea.

**Correction (June 20th, 2018):** A previous version of this piece said that Sergei Skripal, poisoned in Salisbury in March, was a "former KGB agent". In fact, he worked for Russian military intelligence, the GRU.

*This article appeared in the Britain section of the print edition under the headline "Offski?"*



Galileo's middle finger

## A Brexit row over Galileo could damage broader co-operation on defence

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*The European Union wants Britain out of its satellite project. That could lead to a wider rift*

Print edition | **Britain** Jun 7th 2018

MOST diplomats hoped that the Brexit vote in June 2016 would not impinge on security. After all, the issue had hardly featured in the campaign. All sides have a strong interest in continuing to work together. And European defence co-operation makes little sense without Britain, the biggest spender and one of Europe's only two global military powers. Yet a row over Britain's participation in the Galileo satellite positioning system could now upset all such calculations.

The British were for years hostile to Galileo, which they saw as unnecessarily (and expensively) duplicating America's global positioning system (GPS). But once work on Galileo began, Britain became more enthusiastic, not least because its firms secured some of the juiciest contracts. The British are paying some 12% of the total cost of Galileo, which is expected to exceed €10bn (\$12bn) by its completion in 2020. British-based firms have won back around 15% of this. Indeed, Galileo has become a driver of the thriving British space industry, which has an annual turnover of £14bn (\$19bn)—half of it accounted for by satellite broadcasting companies—and entertains hopes of becoming the world's biggest after America's.

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Galileo is run by the European Space Agency, which is not part of the EU and includes non-members such as Norway. But the European Commission provides the money and takes the key decisions on how it is spent. Its lawyers say these preclude contracts with providers outside the EU, so the commission wants to stop Galileo work by British-based firms after Britain leaves the union next March. It is also ensuring that non-members cannot block Galileo procurement decisions. After all, Brexit means Brexit, jokes one Eurocrat.

The commission also insists that, as a non-member, Britain cannot have full access to Galileo's "public regulated service" (PRS), a militarily secure, unjammable part of the project. Norway and America have asked for access to the PRS. But the EU is resisting it, on the argument that letting non-members into such sensitive areas would undermine the club's "strategic autonomy", a new concept of questionable value. If Britain were allowed in, others would demand the same treatment.

This legalistic approach has proved a red rag to British ministers. Unless the EU changes its views on contracts and the PRS, the government threatens to pull out of Galileo altogether. Some continental companies might pinch contracts from British competitors. But losing their expertise would delay the project and could add as much as €1bn to the bill. Losing access to British ground-stations on Ascension Island and in the Falklands would be an annoyance. Britain's suggestion that it might try to recoup the money it has invested in Galileo is unlikely to get far. But the threat that, if it is cut out of the programme, Britain might build a satellite positioning system of its own is more serious.

At least technically, it would be feasible, says Bledwyn Bowen, a space expert at Leicester University. He reckons it could be done at a cost of some £3bn-5bn. Some enthusiasts talk of sharing this cost with Australia or Japan, and getting a new system up and running almost as soon as Galileo itself. But Mr Bowen thinks the idea is essentially a bluff. The benefits from creating yet another satellite positioning system would be marginal, and the cost seems prohibitive when the defence budget is under immense pressure.

More worrying, says Sophia Besch of the Centre for European Reform, a think-tank, are the implications of going it alone for wider defence co-operation. In January 2017 Theresa May was criticised when she hinted that Britain's future defence relations with Europe might be affected by the terms of any Brexit deal. The prime minister later backtracked by promising that Britain's defence commitments were unconditional. But the threat to exclude Britain from Galileo has reopened the question. The government now says participation in Galileo is a strategic choice that "will have a permanent effect on our future defence and industrial co-operation."

For in the end it is a question of trust. Britain is the closest military and security ally that many EU countries have. France and Germany want to involve Britain more deeply in building up Europe's military capacity. If lawyers can obstruct future co-operation with the British over Galileo on security grounds, that sends a deeply unhelpful message for working together in other areas. That is why some EU countries think the commission is going too far in demanding British exclusion from the project. Joschka Fischer, a former German foreign minister, says Brussels is being "stupid" over Galileo.

The row could also worsen the legal and practical difficulties over broader co-operation on domestic security. The EU argues that post-Brexit Britain cannot remain a full member of Europol, the policing agency, or the European Arrest Warrant process for extradition. EU countries suspect that Britain may not always share their commitment to data privacy. Mrs May's insistence on escaping from the jurisdiction of the European Court of Justice is another obstacle. Security was once thought to be one of the simplest parts of the Brexit negotiations. Now even it is proving to be trying.

*This article appeared in the Britain section of the print edition under the headline "Galileo's middle finger"*

Culture wars

## Brexit v Bernard-Henri Lévy

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*Remainers' secret weapon: a play by a French philosopher, in Chelsea*

Print edition | Britain Jun 7th 2018

SINCE the vote to leave the European Union, a striking number of Britons have exhibited symptoms of a new medical condition, “Brexit derangement syndrome”. BDS has afflicted some of the country’s most prominent figures. Lord Adonis, a former Labour minister, has argued that Brexit is “largely the creation of the BBC”. Alastair Campbell, Tony Blair’s former spin-doctor, took to the seafront in Brighton to blast out “Ode to Joy” on the bagpipes.

This week Bernard-Henri Lévy demonstrated that BDS is not just a British phenomenon. BHL, as he is known, styles himself as one of France’s leading public intellectuals. He sports expensive suits, white shirts unbuttoned nearly to the waist, and elegantly sculpted hair. He is regularly quoted on a wide range of subjects, from genocide to gastronomy. Brexit, he is convinced, will make Britain more insular and deprive the EU of its “liberal heart”. So far, so sensible. But BHL has also persuaded himself that he is the man to stop this popular revolt.

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On June 4th at the Cadogan Hall in London he performed a one-man play called “Last Exit Before Brexit”. French was the most common language at the bar, followed by German. The few who spoke English did so with the plummiest of accents. The play consisted of a 90-minute monologue, culminating in the rousing peroration: “Please remain; yes you can; last exit before Brexit.”

The notion that a Frenchman standing on a stage in Chelsea and berating the British could change people’s minds about Brexit was always far-fetched. But BHL’s performance was even odder than this suggests. He played himself, in a hotel room in Sarajevo preparing a speech on Brexit. He strode around the room, called up images on his computer, talked to people on the phone (Salman Rushdie made a guest appearance), jumped fully clothed into a bath and spent the last half-hour soaking wet.

BHL served up a bit of red meat for his bejewelled audience, denouncing Boris Johnson, the foreign secretary, as a bigot (loud applause), proclaiming that Brexit would reduce Britain to a small island (louder applause) and calling for “the annulment of this disaster” (even louder applause). But he devoted most of the time to his hobby horses: Europe’s betrayal of the Balkans, the ugliness of euro notes (“Give us faces, not bridges!”), the excesses of the #MeToo movement, the wonders of his own hair, and his remarkable ability to make women go rigid during orgasm. It may not have been great drama, but it was the greatest example of BDS yet seen.

Rebels with a cause

**Theresa May faces defeat on parts of her Brexit bill**

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*The House of Commons is likely to approve some of the Lords' amendments. Then what?***Print edition | Britain** Jun 7th 2018

A MAIN motive for the vote to leave the European Union was a desire to return powers from Brussels to Westminster. It is thus paradoxical that Brexiteers should be so upset that Parliament may force Theresa May to rethink her Brexit plans. A big test will come in a marathon session on June 12th-13th, when the Commons will vote on 15 amendments made by the Lords to the EU withdrawal bill. Mrs May wants MPs to reject the lot, shoring up her rocky negotiating position at the EU summit later this month. Yet if the opposition votes solidly against her, it will take just a dozen Tory rebels to defeat the government. For some mostly procedural issues, this may not matter. But five amendments would, if accepted, change the negotiations.

The most likely to pass calls for a government statement on steps to negotiate a customs union with the EU. This crosses one of Mrs May's red lines. Still, demanding its rejection is a bit rich when her cabinet is so divided on its own customs plans. Some Tory advisers argue that merely requiring a statement will signify little. But stronger amendments calling explicitly for a customs union are due on the customs and trade bills this autumn.

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Next is an amendment to make any new border arrangements in Ireland subject to agreement with the Irish government. Despite her opposition to the customs union amendment, Mrs May's preferred backstop plan to avoid a hard border with Ireland envisages Britain staying in a customs union for many years. Indeed, her Brexit secretary, David Davis, is threatening to quit unless this backstop is time-limited. Brexiteers are also unhappy that Dublin may get a veto over any deal.

Third is an amendment to make a Commons vote on the eventual Brexit agreement more meaningful. If accepted, it would give Parliament, not the government, the power to decide what would happen if the Commons were to reject the deal. That would make it impossible for Mrs May to argue that a vote against the deal this autumn would inevitably mean Brexit with no deal at all.

A further amendment strikes out of the bill the date of March 29th 2019 for Brexit. This seems symbolic, since the date is already fixed by the two-year deadline for Brexit triggered when Mrs May invoked the Article 50 withdrawal process last year. But the amendment may leave open the option of extending the Article 50 deadline, which is anathema to Brexiteers.

The fifth key amendment requires the government to join the European Economic Area. That would mean staying in the EU's single market, with Norway and other EEA members. The amendment will not pass, because Jeremy Corbyn, the Labour leader, does not support it, to the chagrin of many of his own MPs. Labour frets that EEA membership means accepting free movement of people and EU constraints on its policy objectives. Instead, Mr Corbyn has put forward his own proposal, to retain "full access" to the single market. He claims that Britain can get a better deal than Norway (Brussels and Oslo both insist this is impossible). But his plan will fail as no Tory MP will back it.

Mrs May makes much of Labour's fuzzy position and internal divisions on Brexit. Yet her party's are as bad, and not just over customs. A much-touted white paper has been deferred *sine die*. Moreover, Mr Corbyn's amendment was never meant to pass. Instead the gradual Labour shift towards a softer Brexit than Mrs May plans is designed to justify the party's voting down the Brexit deal this autumn. That vote should be the full performance, for which next week's are dress rehearsals.

*This article appeared in the Britain section of the print edition under the headline "Rebels with a cause"*

Skimmed milk and honey

## Scottish nationalists face up to the economic challenges of independence

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*The Scottish National Party is laying the groundwork for another referendum*

Print edition | Britain Jun 7th 2018

THE Scottish independence referendum of 2014 was lost because nationalists could not convince enough voters that breaking away from Britain would benefit them economically. Survey data suggest that hardly anyone who thought the Scottish economy would be worse-off voted Yes. As the ruling Scottish National Party (SNP) lays the groundwork for another referendum, it has been trying to firm up the economic case for independence. Economic strategy is set to be the talk of the SNP's spring conference, which begins on June 8th.

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Before the vote in 2014, nationalists promised milk and honey. That was, supposedly, to be covered by bountiful tax revenues from oil and gas production, which would be seized back from London, which currently takes the spoils. A blueprint published by the Scottish government in 2013 suggested that such revenues could amount to £7bn-8bn (\$11bn-12.5bn) per year, enough to give every Scot around £1,500. The slump in the oil price in 2014 put paid to such ideas. Last year the tax take from oil and gas was practically zero. Scotland's economic growth is weak and is expected to remain slower than that of Britain as a whole (see chart).

All of which should have further weakened the economic case for independence. Yet Brexit, which Scots voted against by 62% to 38%, has shaken things up. In the referendum of 2016, Leavers defied warnings that Brexit would provoke immediate economic collapse—and were proved right. Some Scots feel that they “bottled it” in 2014 and may now be more willing to take a risk, says Chris Deerin of Reform Scotland, a think-tank. And the prospect of rejoining the European Union as an independent country may have strengthened the economic case for breaking away from Britain, in the eyes of some voters. Polls suggest that since the Brexit vote there has been a big jump in the number of Scots who believe that independence would be good for the economy.

The SNP wants to bolster independence economics still further. On May 25th it unveiled a policy paper from its “sustainable-growth commission”, which includes academics and politicians. The 350-page tome often reads like an update to the blueprint from 2013. It likewise contains its fair share of wishful thinking. It repeatedly invites the reader to believe that an independent Scotland could see GDP growth rates of a near-impossible 3.5% a year, without actually promising it—much as a packet of Scott's Porridge Oats suggests, but does not explicitly predict, that you will turn into a kilted hunk if you eat the product.

Still, the document shows that nationalists are taking an altogether more sensible approach to economics. Its forecasts do not rely on oil. Any return from the North Sea fields would, instead, be diverted to what is in effect a sovereign-wealth fund, to be invested in community projects and the like.

The approach to fiscal policy has also become wiser. Official figures suggest that in 2016-17 Scotland raised about £13bn less in taxes than was spent in the country. For now, money coming from London helps make up the difference. But an independent Scotland would stand alone. It would probably inherit a budget deficit of around 6% of GDP. Running such a large deficit over the long term is not a feasible strategy. The policy paper talks of reducing the budget deficit to below 3% in “five to ten years”, hinting that Scotland would limit growth in public spending to one percentage point below the rate of GDP growth. That implies a more austere stance than nationalists have previously advocated. The Scottish left has slammed the report. Richard Leonard, the new leader of Scottish Labour, said that the growth commission would be better named the “cuts commission”.

The nationalists have plenty more work to do to convince sceptical Scots of the economic benefits of independence, which would still represent a massive economic gamble. The report does not offer enough detail on the question of Scotland's currency, which proved to be the Yes camp's undoing in 2014. It talks still less about Brexit, and in particular the question of whether the England-Scotland border could really remain frictionless if one country were in the EU and the other not. Nonetheless, in the current climate, a small improvement in the economic case for independence could have a big impact.

*This article appeared in the Britain section of the print edition under the headline “Skimmed milk and honey”*

**Votes on the line****British railways are reduced to chaos by a botched timetable change**

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*Politicians fear a backlash in marginal seats in the commuter belt***Print edition | Britain** Jun 7th 2018

IT SOUNDS more like an episode of “Thomas the Tank Engine” than a day in the life of a modern railway. But on May 25th an express train from Newcastle to Reading took a wrong turn, and got lost in Pontefract, 150 miles away. That might have been funny were it not part of a wider collapse in train services across northern England since a timetable change on May 20th. Shortages of rolling stock and drivers have resulted in up to 43% of Northern Rail’s trains being delayed or cancelled each day. From June 4th the train operator cancelled 165 trains a day, including all services to the Lake District. The anger of delayed commuters is building steam.

The scale of the timetable changes—the biggest for decades—caught the industry off guard. Schedules for 55% of Britain’s network were revamped, altering the times of over a million trains a year. The idea was to use the opening of the Ordsall Chord, a short line linking up stations in Manchester, and a new Thameslink tunnel under London to increase the number of services in operation. But in practice the new schedules for Northern and GTR, which operates Thameslink, proved impossible to implement. In the first week of the new timetable GTR delayed or cancelled a quarter of its trains. It now announces a new schedule for the next day at 10pm each night.

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The underlying problem is that the new timetables were not agreed on far enough in advance, says Anthony Smith of Transport Focus, a watchdog. Northern Rail’s woes were exacerbated by the bankruptcy in January of Carillion, a big contractor, which contributed to the failure of Network Rail, the track operator, to finish the electrification of the Preston to Manchester line on time. That delayed the co-ordination of the region’s schedules. As for Thameslink, GTR failed to agree on a realistic timetable with Network Rail until very late, in part because of the complexity of connecting the cobwebs of lines north and south of London.

The result was too little time to give drivers the several weeks of training they need before they are allowed to carry paying passengers on a new route. The government admits it will take weeks to achieve a steady schedule, and months before things work as intended.

Can Chris Grayling, the transport secretary, survive that long? On June 4th he promised Parliament that he would find out who was responsible for the mess—to which MPs roared: “You!” Unimpressive though he is, some of the problems pre-date his time in office. Network Rail centralised timetablers at its head office in Milton Keynes in 2012, and the resulting loss of local expertise harmed its ability to make big changes, says Christian Wolmar, a rail expert. Nonetheless, passengers may well wonder why there was no “Fat Controller” to organise a Plan B when it became clear that the new timetable alterations were not going to work.

Mr Grayling’s loyalty to the prime minister and to the Brexit cause mean he may be allowed to blunder on. Either way, the government’s reputation has taken a knock. Andy Burnham, the Labour mayor of Manchester, has attacked ministers for discriminating against the north. Even normally supportive Conservative MPs, such as Sir Michael Fallon, have lashed out, in the face of growing mailbags of complaints from angry commuters. Many marginal constituencies lie in exactly the areas hit by the chaos (see map). Tories remember the big swing towards Labour last year in places such as Croydon, where rail services into London had been hard hit by strikes in the previous two years.

As more jobs move to city centres, the ability to commute long distances without a the risk of cancellations or delays matters ever more to voters, says Jonathan Roberts, a transport consultant. One regular commuter from Borehamwood to London on Thameslink agrees. She has been forced to work part-time since her easy 20-minute commute became a two-hour nightmare after the timetable changes. It will give her more time at home, she says—and to go out and vote, too.

*This article appeared in the Britain section of the print edition under the headline “Votes on the line”*



Bagehot

## Good capitalism v bad capitalism

*The Conservative Party is engaged in a surprising debate on the virtues of markets*

Print edition | Britain Jun 7th 2018

THE cabinet has become a killing field of political careers. Four senior ministers have left for the backbenches in the past eight months—and if there is any justice then two more, Chris Grayling, the transport secretary, and Gavin Williamson, the defence secretary, will soon be following them. But one minister is thriving against the odds. Since becoming secretary of state for the environment last June, Michael Gove has revived his reputation and revitalised his department. Some bookmakers put him as the favourite to replace Theresa May as Tory leader.

The skills that have brought him to this unexpected position were on display in a speech he delivered on June 6th at Policy Exchange, a right-of-centre think-tank, about the state of capitalism. He started off by praising the system as the most successful wealth-creating machine the world has seen, but went on to lament “the failure of our current model of capitalism to deliver the progress we all aspire to”. Productivity growth is sluggish. Wage growth has stagnated. Economic insecurity is rife. A well-connected oligarchy is sucking up a disproportionate share of the proceeds of growth. If Jeremy Corbyn, the Labour leader, had spoken in similar terms, the tabloids would be up in arms.

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Mr Gove's speech is a good example of his ability to identify a change of mood in his party and articulate it for the broader public. For most of the four decades following Margaret Thatcher's election in 1979, Conservatives thought it was enough to praise capitalism and demonise the state. Today, with much of the privatised rail system in chaos and some franchises being taken back under public control, sentient Tories are telling a more complicated story. They are making a sharp distinction between good and bad capitalism, and suggesting a much more active role for the state in promoting the first and tackling the second.

Several ministers have echoed Mr Gove's thoughts, though none has expressed them quite so vigorously. Mrs May has revived Edward Heath's talk of “the unacceptable face of capitalism”, a phrase which Thatcherites once dismissed as heresy. Philip Hammond, the chancellor of the exchequer, says he wants to curb capitalism's excesses. Matt Hancock, the culture secretary, promises to tame the “Wild West” of the internet.

Some of the brightest Tory MPs outside the cabinet are also asking hard questions about capitalism. Jesse Norman is about to publish a book arguing that Adam Smith was a much more complicated thinker than many libertarians, including the Adam Smith Institute, believe. Smith worried that markets were prone to being hijacked by rent-seekers and that companies could become tools of oppression. Right-wing think-tanks are producing blueprints for reforming capitalism, just as they once drew up blueprints for unleashing it.

The Tories are making sure that they praise the good version of capitalism. Liz Truss, the chief secretary to the Treasury, often applauds digital disrupters such as Airbnb and Deliveroo. She frequently pitches her argument to young people, who might be attracted to Mr Corbyn for cultural reasons but who are also keen on starting their own companies or, at the very least, picking the fruits of the entrepreneurial economy in the form of home-delivered meals and Uber rides. The Conservatives are determined not to repeat the mistake of last year's election, when they lacked a positive economic message to sell.

At the same time, they are targeting bad capitalism. Its most egregious form is cronyism. Many of Britain's privatised industries are much too close to government. This can lead to dismal service, as on the railways. It also encourages a cycle of connection-greased over-investment, followed by collapse, as in the case of Carillion, a giant outsourcer.

Cronyism often goes along with rent-seeking. The government worries that some sectors of the economy, particularly property and utilities, are rife with it. Ministers have threatened to punish developers who “bank” land, rather than building. Greg Clark, the business secretary, has published a green paper on the way that energy companies use their market power to short-change households, particularly the poorest, by making it hard to switch providers and, in effect, charging loyal customers higher prices. Mr Gove broadened the debate by suggesting that large swathes of industry might be affected by rent-seeking. Managers have devoted too much energy to boosting their salaries and not enough to encouraging productive investment, he said.

Another variety of bad capitalism is market dominance. The Social Market Foundation, a centrist think-tank, argues that eight out of ten consumer markets that it examined were dominated by a small number of incumbents. Mr Hammond is pondering whether new regulations are needed to curb the excesses of the internet giants. Backbench Tory MPs routinely complain about the fact that bricks-and-mortar shops are going out of business, turning high streets into mausoleums, while internet-based companies escape from paying taxes.

### From each according to his ability

These new Tory critics of capitalism are less successful at providing solutions than they are at diagnosing the problems. In his speech, Mr Gove put forward a series of clever suggestions—such as creating different classes of shares, so that company



founders can retain more control when companies go public—without fleshing out how they might work in practice. They are also guilty of underestimating the forces they are up against. The rewards for lobbying and cronyism are huge. Interest groups have an astonishing ability to grind down reformers—look at the way that Mr Clark’s reforms of corporate governance have been reduced to almost nothing. But these are reasons to redouble their efforts to reform the system, rather than retreat in despair. Mr Gove is surely right that if capitalism’s friends don’t reform the system, then capitalism’s enemies will do it for them.

## Success in football

By their bootstraps

### The World Cup

## What makes a country good at football?

*Wealth, size and interest in football explain almost half of countries' international performance. The rest can be taught*

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ON A sunny Saturday afternoon, within kicking distance of Uruguay's national football stadium, 14 seven-year-olds walk onto a bumpy pitch. They are cheered by their parents, who are also the coaches, kit-washers and caterers. The match is one of hundreds played every weekend as part of Baby Football, a national scheme for children aged four to 13. Among the graduates are Luis Suárez and Edinson Cavani, two of the world's best strikers.

Messrs Suárez and Cavani are Uruguay's spearheads at the World Cup, which kicks off in Russia on June 14th. Bookmakers reckon *La Celeste* are ninth-favourites to win, for what would be the third time. Only Brazil, Germany and Italy have won more, even though Uruguay's population of 3.4m is less than Berlin's. Though it is no longer the giant that it was in the early 20th century, Uruguay still punches well above its weight. Messrs Suárez and Cavani reached the semi-finals in 2010 and secured a record 15th South American championship in 2011. Their faces adorn Montevideo's football museum, along with a century's worth of tattered shirts and gleaming trophies.

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If tiny Uruguay can be so successful, why not much larger or richer countries? That question appears to torment Xi Jinping, China's president, who wants his country to become a football superpower by 2050. His plan includes 20,000 new training centres, to go with the world's biggest academy in Guangzhou, which cost \$185m. The United Arab Emirates and Qatar have spent billions of dollars buying top European clubs, hoping to learn from them. Saudi Arabia is paying to send the Spanish league nine players. A former amateur footballer named Viktor Orban, who is now Hungary's autocratic prime minister, has splurged on stadiums that are rarely filled. So far these countries have little to show for their spending. China failed to qualify for this year's World Cup, and even lost 1-0 to Syria—a humiliation that provoked street protests.

### Footballer, meet model

*The Economist* has built a statistical model to identify what makes a country good at football. Our aim is not to predict the winner in Russia, which can be done best by looking at a team's recent results or the calibre of its squad. Instead we want to discover the underlying sporting and economic factors that determine a country's footballing potential—and to work out why some countries exceed expectations or improve rapidly. We take the results of all international games since 1990 and see which variables are correlated with the goal difference between teams.

We started with economics. Stefan Szymanski, an economist at the University of Michigan who has built a similar model, has shown that wealthier countries tend to be sportier. Football has plenty of rags-to-riches stars, but those who grow up in poor places face the greatest obstacles. In Senegal, coaches have to deworm and feed some players before they can train them; one official reckons only three places in the country have grass pitches. So we included GDP per head in our model.

Then we tried to gauge football's popularity. In 2006 FIFA, the sport's governing body, asked national federations to estimate the number of teams and players of any standard. We added population figures, to show the overall participation rate. We supplemented these guesses with more recent data: how often people searched for football on Google between 2004 and 2018, relative to other team sports such as rugby, cricket, American football, baseball, basketball and ice hockey. Football got 90% of Africa's attention compared with 20% in America and just 10% in cricket-loving South Asia. To capture national enthusiasm and spending on sports in general, we also included Olympic medals won per person.

Next we accounted for home advantage, which is worth about 0.6 goals per game, and for strength of opposition. Peru gets extra credit for playing so often against overachievers, for example. Finally, to reduce the distorting effect of hapless minnows like the Cayman Islands and Bhutan, we whittled down our results to the 126 countries that have played at least 150 matches since 1990.

Our model explains 40% of the variance in average goal difference for these teams. But that leaves plenty of outliers. Uruguay was among the biggest, managing nearly a goal per game better than expected. Brazil, Argentina, Portugal and Spain were close behind. West Africa and the Balkans overachieved, too.

Sadly for ambitious autocrats, the data suggest that China and the Middle East have already performed above their low potential. Cricket dominates Google searches in the Gulf states (no doubt largely because South Asian migrant workers love it). Just 2% of Chinese played football in 2006, according to FIFA, compared with 7% of Europeans and South Americans. China and

Middle Eastern countries have occasionally managed to qualify for the World Cup, but none has won a game at the tournament since 1998.

The model's most chastening finding is that much of what determines success is beyond the immediate control of football administrators. Those in Africa cannot make their countries less poor. Those in Asia struggle to drum up interest in the sport. Football's share of Google searches has been rising in China but falling in Saudi Arabia.

Nonetheless, officials with dreams of winning the World Cup can learn four lessons from our model's outliers and improvers. First, encourage children to develop creatively. Second, stop talented teenagers from falling through the cracks. Third, make the most of football's vast global network. And fourth, prepare properly for the tournament itself.

Start with the children. The obvious lesson from Uruguay is to get as many nippers kicking balls as possible, to develop their technical skills. Mr Xi wants the game taught in 50,000 Chinese schools by 2025. China might try something like "Project 119", a round-the-clock training scheme for youngsters, which helped to lift China to the top of the medal table at the Beijing Olympics in 2008. The trouble is that relentless drilling "loses the rough edges that make geniuses", says Jonathan Wilson, editor of the *Blizzard*, a journal covering the game around the world. East German players trained much harder than those in West Germany, but only qualified for a major tournament once.

The trick is not just to get lots of children playing, but also to let them develop creatively. In many countries they do so by teaching themselves. George Weah, now the president of Liberia but once his continent's deadliest striker, perfected his shooting with a rag ball in a swampy slum. *Futsal*, a five-a-side game with a small ball requiring nifty technique, honed the skills of great Iberian and Latin American players—from Pelé and Diego Maradona to Cristiano Ronaldo, Lionel Messi, Neymar and Andrés Iniesta. Zinedine Zidane was one of many French prodigies who learned street football, or *ballon sur bitume*. In an experiment that asked adult players to predict what would happen next in a video clip, the best performers had spent more time mucking around aged six to ten. Another study found that academy prospects who ended up with contracts had put in more hours of informal practice as children.

Such opportunities are disappearing in rich countries. Matt Crocker, the head of player development for England's Football Association (FA), says parents are now reluctant to let children outside for a kickabout. Many social-housing estates have signs banning ball games. Dele Alli, a mercurial England attacker, is unusual for having learned in what he has called "a concrete cage". The challenge is "to organise the streets into your club", say Guus Hiddink, who has managed the Netherlands, South Korea, Australia, Russia and Turkey.

### **Deutschland über alles**

The Deutscher Fußball-Bund (DFB), Germany's national body, has done so zealously. In the early 2000s it realised that Germany's burly players were struggling against defter teams. Our model reckons *Die Mannschaft*, as the national team is known, should surpass everyone else, given Germany's wealth, vast player pool and lack of competing sports. But between 1990 and 2005 it performed about a third of a goal worse per match than expected.

So the DFB revamped. German clubs have spent about €1bn (\$1.2bn) on developing youth academies since 2001, to meet 250 nationwide criteria. Youngsters now have up to twice as much training by the age of 18. Crucially, however, sessions focus on creativity in random environments. One exercise involves a robotic cage that flings balls from various angles for a player to control and pass. The men who won the World Cup in 2014, writes Raphael Honigstein, a German football author, learned through "systematic training to play with the instinct and imagination of those mythical 'street footballers' older people in Germany were always fantasising about". Our model reckons that since 2006 the team has performed almost exactly at the high level expected of it.

England has followed, overhauling its youth programme in 2012. Mr Crocker explains that players are encouraged to take risks and think for themselves. Spanish clubs have long excelled at this, by endlessly practising the *rondo*: a close-quarters version of piggy-in-the-middle. But the England under-17s that thumped Spain 5-2 in last year's World Cup final ran rings around their opponents. Mr Crocker says they devised their own tactics, with little managerial help. England's under-20s won their World Cup, too.

Such self-confidence was lacking in South Korea, Mr Hiddink recalls. When he took over in 2001, the country was already overachieving relative to our model's low expectations, given its 2% participation rate. But the manager believed that his charges had been held back by a fear of making mistakes. "Deep down I discovered a lot of creative players," he says. With some help from lucky refereeing decisions, South Korea reached the semi-finals in 2002—making it the only country outside Europe and South America to get that far since 1930.

The second lesson for ambitious officials is to make sure that gifted teenagers do not fall through the cracks. The DFB realised that many had been overlooked by club scouts, so it set up 360 extra regional centres for those who missed the cut. One of them was André Schürrle, who provided the pass that led to the cup-winning goal in 2014. In South Korea Mr Hiddink noticed that some of the best youngsters played for the army or universities, where they were sometimes missed by professional scouts.

When Russia bid to host this year's tournament in 2010, Mr Hiddink implored his then-bosses to create a nationwide scouting programme, to no avail. The Russian team has declined since then, failing to win a game at the European Championship in 2016. Russia now has one of the World Cup's oldest squads. Such short-sightedness has harmed America, too, which failed to qualify for this year's tournament. Our model reckons it should be one of the strongest countries, even accounting for the popularity of other sports such as baseball and basketball. But few players get serious coaching in the amateur college system, and those who are not drafted to Major League Soccer cannot be promoted from lower divisions.

Centralised schemes are easier to establish in small countries. Every Uruguayan Baby Football team has its results logged in a national database. Iceland, which has qualified despite having only 330,000 people and 100 full-time professionals, has

trained over 600 coaches to work with grassroots clubs. Since 2000 it has built 154 miniature pitches with under-soil heating to give every child a chance to play under supervision. Such programmes are unfeasible in Africa. Abdoulaye Sarr, a former Senegal manager, says that the pool of talent is huge but barely tapped. Money that could be spent on scouting is lavished on officials instead. In a conspicuous waste of scarce resources, Senegal is sending 300 of them to Russia.

### **Belgium poaches elephants**

West Africa has, however, taken our third tip by tapping into sport's global network. Western Europe is at the centre of this network, since it has the richest clubs, where players get the best coaching. Ivory Coast, which failed to qualify this time but is Africa's biggest overachiever, exported a generation of young stars to Beveren, a Belgian club. Many of them later thrived in England's Premier League. When Senegal beat France, the reigning champions, in 2002, all but two of its squad members played for French teams.

Senegal could have used its resources even more effectively. Patrick Vieira, who left Dakar for France aged eight, was playing for the former colonial power. He was one of several immigrant Frenchmen who won *Les Bleus* the World Cup in 1998. His home country had never contacted him. Today Senegal is more astute about recruiting its diaspora, and has picked nine foreign-born players for the tournament. Our model reckons the country has performed about 0.4 goals per game better since 2002 than it did before.

The 21st Club, a football consultancy, notes that among European countries the Balkans export the highest share of players to stronger domestic leagues. Since 1991, when Croatia's 4m people gained independence, none of its clubs has advanced far in the Champions League, Europe's leading club competition. Yet Croatian clubs have sold lots of players to Real Madrid, Barcelona, Bayern Munich and Milan, and those émigrés carried Croatia to the semi-finals in 1998. These export pipelines can become self-perpetuating, thinks Mr Wilson: "once a team does well at a World Cup, and some of its players do well, everybody wants to buy them."

Some countries are less adept. In the past 15 years Mexico's under-17s have outperformed those from Brazil, Argentina and Uruguay. But a third of Mexico's senior squad plays in its domestic league, compared with just two or three players for the others. Dennis te Kloese, the national director, says that the Mexican diaspora boosts viewing figures and revenues for domestic clubs, who can pay high enough wages to keep talented locals in the country, rather than venturing to unfashionable European leagues. This domestic bias helps explain why Mexico is one of the few Latin American countries to perform as well as expected, rather than better.

Exporting players is not the only way to benefit from foreign expertise. Mr Wilson says that much of South America's footballing education came from Jewish coaches fleeing Europe in the 1930s. Today there is a well-trodden circuit of international gurus like Mr Hiddink, who was among the first of a dozen former Real Madrid bosses to have worked in Asia. Yet Mr Szymanski of the University of Michigan has shown that few managers can do much to improve mediocre teams. He also finds that teams outside Europe and South America are no closer to catching up than they were 20 years ago. The data suggest that South Korea has fared slightly worse since 2002 than it did before.

Mr Szymanski believes these countries are experiencing a kind of footballing "middle-income trap", in which developing economies quickly copy technologies from rich ones but fail to implement structural reforms. A clever manager might bring new tactical fads but cannot produce a generation of creative youngsters. China is said to be paying Marcello Lippi, who led Italy to victory in 2006, \$28m a year. Unless he is supported by youth coaches and scouts who reward imaginative play, and a generation of youngsters who love the game, the money will be wasted.

Our final lesson is for the World Cup itself: prepare properly. For starters, make sure you can afford it. In 2014 Ghana brought in \$3m of unpaid bonuses by courier to avert a players' strike, while Nigeria's squad boycotted a training session over wages. Fabio Capello, Russia's former boss, went without his \$11m salary for months after the rouble collapsed. Navigating dressing-room politics is trickier. Winning players from Spain and Germany have described the importance of breaking down club-based cliques and dropping stars who do not fit the team's tactics.

The hardest decisions fall to the players. England's results from the penalty spot have been woeful, losing six of seven shoot-outs in tournaments. Video analysis shows that players who rush tend to miss penalties; the English are particularly hasty. So the under-17s, who won a shoot-out in their World Cup, have worked on slowing down and practising a range of premeditated shots.

The bane and the delight of the World Cup is that decades of planning depend on such fine margins. A country could plan meticulously and still be thwarted by an unlucky bounce of the ball or a bad decision by the referee. "If something goes wrong, everybody wants to rip up the book," says Mr Wilson. For spectators, however, this randomness offers a glimmer of hope. Teams from Asia, Africa and North America remain the underdogs, but ought to have had more fairytale runs like South Korea's in 2002. The 21st Club reckons there is a one-in-four chance a first-time champion will emerge this year. For one intoxicating month, fans around the world will forget the years of hurt and believe that their history books, like those in Montevideo's museum, could be about to add a glorious new chapter.

*This article appeared in the International section of the print edition under the headline "By their bootstraps"*

## Chipmaking

Hyenas and cheetahs

Hyenas and cheetahs

## Artificial intelligence is awakening the chip industry's animal spirits

*Generalist chips are ceding some of the savannah to new, specialist processors*

Print edition | Business Jun 7th 2018

SUPERCOMPUTERS usually fill entire rooms. But the one on the fifth floor of an office building in the centre of Bristol fits in an average-sized drawer. Its 16 processors punch more than 1,600 teraflops, a measure of computer performance. This puts the machine among the world's 100 fastest, at least when solving certain artificial-intelligence (AI) applications, such as recognising speech and images.

The computer's processors, developed by Graphcore, a startup, are tangible proof that AI has made chipmaking exciting again. After decades of big firms such as America's Intel and Britain's ARM ruling the semiconductor industry, the insatiable demand for computing generated by AI has created an opening for newcomers. And it may even be big enough to allow some startups to establish themselves as big, independent firms.

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New Street, a research firm, estimates that the market for AI chips could reach \$30bn by 2022. That would exceed the \$22bn of revenue that Intel is expected to earn this year from selling processors for server computers. It could swell further, argue the authors of a recent report by UBS, an investment bank. AI processors, they believe, will create their own demand; they allow firms to develop cleverer services and devices, which will collect even more data, generating a need for even brainier chips.

To understand what is going on it helps to make a short detour into zoology. Broadly speaking, the world of processors is populated with two kinds of animal, explains Andrew Feldman, chief executive of Cerebras, an American competitor to Graphcore. One sort of chip resembles hyenas: they are generalists designed to tackle all kinds of computing problems, much as the hyenas eat all kinds of prey. The other type is like cheetahs: they are specialists which do one thing very well, such as hunting a certain kind of gazelle.

For much of computing history, hyenas named "central processing units" (CPUs) have dominated the chip savannah. Becoming ever more powerful according to Moore's law, the rule that the performance of processors doubles every 18 months, they were able to gobble up computing tasks, or "workloads", in the jargon. This is largely why Intel, for instance, in the early 1990s became the world's biggest chipmaker and stayed that way for decades.

But in recent years the world of number-crunching has changed radically. Moore's law has started to peter out because making ever-denser chips has hit physical limits. More importantly, cloud computing has made it extremely cheap to amass huge amounts of data. Now more and more firms want to turn this asset into money with the help of AI, meaning distilling data to create offerings such as recognising faces, translating speech or predicting when machinery will break down.

Such trends have altered the chip-design habitat. First to benefit were "graphics processing units" (GPUs), a kind of hyena which are mainly made by Nvidia. Originally developed to speed up the graphics in video games, they are also good at digesting reams of data, which is a similar computational problem. But because they are insufficiently specialised, GPUs have been hitting the buffers, too. The demand for "compute", as geeks call processing power, for the largest AI projects has been doubling every 3.5 months since 2012, according to OpenAI, a non-profit research organisation (see chart). "Hardware has become the bottleneck," says Nigel Toon, the chief executive of Graphcore.

The response from various firms has been to design processors from the ground up with AI in mind. The result of Graphcore's efforts is called an intelligent processing unit (IPU). This name is not just marketing: on GPUs, memory (the staging area for data) and brain (where they are processed) are kept separate—meaning that data constantly have to be ferried back and forth between the two areas, creating a bottleneck with data-heavy AI applications. To do away with it, Graphcore's chips do not just have hundreds of mini-brains, but the memory is placed right next to it, minimising data traffic.

Graphcore's chip can also hold entire neural networks, computational models inspired by structures in biological brains, which are used in many AI applications. Having such models, which can be immensely complex with billions of parameters, sit in the chip allows them to be "trained" more quickly—the act of feeding them with lots of data (pictures of cats, say), so they learn to recognise them. The set-up also simplifies what is known as "inference", when the model applies what it has learned (spotting cats, for instance).

Cerebras is going further still. It is not only designing a new processor, which is similar to Graphcore's, but a specialised AI computer as well. Putting a new chip on a circuit board, as Graphcore does, that is added into an existing system limits specialisation and optimisation because of constraints in power, cooling and communication, says Mr Feldman. But this means that

he has a steeper hill to climb: while Graphcore has already delivered a first batch to customers, Cerebras has yet to announce when its product will be available.

Although Graphcore and Cerebras were early to see the need for specialised AI chips, they are by no means alone. Dozens of startups are creating what are known as “application-specific integrated circuits” (ASICs). These are meant to do inference in all kinds of connected devices, from smartphones to sensors, known as the “edge”. The processors come with trained AI models baked in, for instance to let a video camera recognise faces without having to upload the entire footage.

Big cloud-computing providers have also joined the fray, deeming AI chips important enough to develop their own. In May Google launched the third generation of its Tensor Processing Units (TPUs), the previous versions of which already power many of its services, including search and Street View. Amazon, Facebook and Microsoft, too, are developing processors. Apple, for its part, ships its iPhone X with an AI chip that helps the device recognise the owner and read his facial expressions.

Firms that ruled the world of hyenas, notably Intel, are now acquiring designers of cheetahs. It has spent billions in recent years buying AI-related startups, including Nervana Systems and Mobileye. The idea, says Gadi Singer, in charge of the firm’s AI products, is to have an entire portfolio of processors, each with its own specialisation—for neural networks, for self-driving cars and for inference at the edge.

If the history of other semiconductor markets, such as networking processors, is any guide, the new field of AI chips could consolidate before too long, perhaps with one or two processor architectures winning the day. There is already talk that big cloud-computing firms, such as Amazon, are interested in buying startups, including Cerebras and Graphcore. And incumbents are trying to catch up. Intel has developed a program that ties together all its AI chips; Nvidia has tweaked the architecture of its processors, which is said to now match the performance of Google’s TPUs.

But there are forces that push toward fragmentation. Specialisation in AI chips can go very far, just as with animals (cheetahs are the only large cats whose claws do not retract, so they are ready to accelerate and catch a gazelle at all times). Pierre Ferragu of New Street says that ever more demanding AI workloads needing special treatment, fast-evolving algorithms, and tech giants designing their custom chips all may lead to a world in which lots of processor architectures thrive.

China, too, is likely to inject more diversity. The government has plans to spend tens of billions to create a national semiconductor industry in an effort to be less dependent on Western imports. According to some estimates, hundreds of firms are developing ASICs. Alibaba has announced that it is working on its own AI chip, called Ali-NPU (which stands for neural processing unit). Cambricon, a startup based in Shanghai, recently unveiled a chip that is similar to Graphcore’s and Cerebras’s. The chip kingdom is unlikely to become a dull monoculture again anytime soon.

*This article appeared in the Business section of the print edition under the headline “Hyenas and cheetahs”*



Bartleby

## Can you teach entrepreneurship?

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*Five MBA graduates think it helped*

Print edition | Business Jun 7th 2018

THE stereotype of a typical MBA graduate is that of a confident, well-dressed person who is destined for a career in management consultancy, finance or climbing the greasy pole at an S&P 500 company. The stereotype of an entrepreneur is a college drop-out. Yet business schools, eager to prove that they are not just factories for manicured professionals, are increasingly keen to teach entrepreneurial skills to their students.

The temptation is to think that the ability and drive needed to start a business cannot be taught. After all, who can engender the combination of opportunism and paranoia usually needed to start a business? But some of those who have taken the path argue that an MBA course has several advantages. Shoshana Stewart, the chief executive of Turquoise Mountain, a crafts business that started in Afghanistan, who studied at the London Business School (LBS), says an MBA gives you three things; a network of people, confidence and exposure, and an array of skills.

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The network effect can operate in several ways. Oliver Samwer, who along with his brothers founded the investment group Rocket Internet in 2007, thinks the guest speakers at the WHU-Otto Beisheim School of Management in Germany, provided him with role models. "My view is that it is all about the dream," he says. Every time a leader came to the school, it inspired him to dream of a bigger, more global business. He has undoubtedly achieved lift-off: Rocket Internet was valued at \$8bn when it floated in 2014 and the Samwer brothers have invested in several other successful technology startups.

Sometimes the contacts are more immediate. Vanessa Coleman started a business called FINsix—which built an efficient and compact power converter—at MIT's Sloan business school with three other graduate students. They combined their studies with their project, getting initial funding in the second year of the course. And some of the advisers that helped the company had connections to MIT. A business school can also organise events where budding entrepreneurs meet potential investors and, in some cases, those backers will be former students.

Self-belief is another quality that students can gain from the classroom. Bilikiss Adebisi-Abiola came from Nigeria to MIT and took a course run by Bill Aulet, a well-known author, on entrepreneurship; she says that helped her gain confidence in pitching to a room full of investors.

When she went back to Africa she set up a business which collects waste from Nigerian households. The rubbish is sold to recycling plants and the homeowners get points, which can be turned into cash.

Ms Stewart had worked for Turquoise Mountain before taking her MBA at LBS. While doing the course, she realised that the business, which helps artisans with marketing, sales and logistics, could expand into more countries; when she returned, she expanded its operations to Myanmar, Jordan and Saudi Arabia.

The final element is practical skills. Jon Smith set up Pobble, a for-profit education service, with his brother and others, just before taking an MBA at LBS. Previously, he had been a civil engineer and he says that elements of the course were useful. "Management accounting allowed me to read a profit-and-loss account" he says, while another course taught him how to negotiate and bargain.

Mr Smith found that developing the business while simultaneously studying for the course was also helpful. "We saw lots of case studies about what can go right and wrong," he says, adding that "doing an MBA gives you the time to think through what you care about."

Clearly you do not need an MBA to start a successful business. And plenty of people take MBAs and then continue on to mundane corporate jobs. It is one thing to start a business where the technical skills learned in an MBA may go far. It is another thing to build that company into a structure that can last for decades. Ms Coleman, who has now left the business she founded, says that the guidance provided by the school was less helpful in the later stages.

But business schools will certainly need to work harder to prove their relevance; the cost of the qualification has been rising and the number of applicants has been falling. Around 11% fewer people took the GMAT test (which acts as a de facto entrance exam) in 2016 than in 2012. If business schools can improve the skills of those who try to build companies, that has to be good news. We have enough management consultants already.

*This article appeared in the Business section of the print edition under the headline "Start them up"*

Homecoming Death Star

## Buying GitHub takes Microsoft back to its roots

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*Satya Nadella, the software giant's boss, sees huge value in GitHub's "social graph" for developers*

Print edition | Business Jun 9th 2018

ALMOST to the day 17 years ago Steve Ballmer, then boss of Microsoft, the world's biggest software firm, called Linux a "cancer", meaning that the open-source operating system would spell the death of proprietary software. On June 4th, his successor, Satya Nadella, announced that the firm would take over GitHub, the main source of such tumours today, for \$7.5bn. The deal is yet another sign of Microsoft's startling recent metamorphosis.

GitHub is no household name, but among programmers it is as important as Facebook—which explains the impressive price tag for a firm that earned only an estimated \$200m of revenues last year. More than 28m developers globally keep their code on the website, which offers all kinds of tools and services. Most important of these is allowing software projects, whether open-source or not, easily to pull together code from different contributors.

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For Microsoft the deal is a homecoming. It used to be a kind of GitHub itself. When Windows, its flagship operating system, ruled computing in the 1990s, developers flocked to it. But the firm lost its role as the main hub for programmers when it got a late start on the internet, fought open-source and missed mobile computing. Microsoft kept pushing Windows everywhere though the world had moved on. This only changed when Mr Nadella took the helm in 2014. He has re-established Microsoft as a firm of platforms, but on a higher level. One such is cloud computing, where it is now a strong number two behind Amazon. LinkedIn, which Microsoft took over in 2016, is another. The social network provided it with access to the range of connections between professionals (the "social graph" in geek) and lots of data. GitHub has to be seen in the same light. Microsoft already uses the service for much of its own software and developers may now be more inclined to write software for the firm's cloud, Azure.

Although Microsoft has promised that GitHub will stay independent and maintain its status as an open platform, many developers, an opinionated group, are not amused. They still see Microsoft as the "Death Star" space station in the "Star Wars" films that kills everything in its sight. But they have got it the wrong way around. The deal is final proof that the rebel forces have won. In most big software markets, open source is now the default.

The deal has given Microsoft a push in the race among tech giants to become the first company worth \$1trn. Its share price jumped by 1% on the news—investors believe in Mr Nadella's rationale. In late May its market capitalisation had already briefly passed that of Alphabet, Google's parent. The winner on current trends will most likely be Apple, but Microsoft and Amazon are now at the same level—not bad for a firm that by tech-industry standards is as old as the hills.

*This article appeared in the Business section of the print edition under the headline "Homecoming Death Star"*

**Bad name lending****A judge blames many parties in the Gulf's biggest-ever corporate scandal**

*The default of AHAB, a prominent conglomerate, was the result of one of the largest Ponzi schemes in history, said a Cayman Islands court*

**Print edition | Business** Jun 9th 2018

THE glitzy Gulf states take pride in superlatives. They have the world's tallest building, the biggest shopping mall, even (for a time) the most expensive cocktail. To that list, add a slightly less glamorous entry: what a judge has called one of the largest Ponzi schemes in history. On June 1st a court in the Cayman Islands issued a verdict in the long-running saga of Ahmad Hamad Algosaiibi & Brothers Company (AHAB), a conglomerate. When the Saudi company defaulted in 2009, its creditors scrambled to recoup billions in losses. The effective bankruptcy touched off lawsuits from Saudi Arabia to Switzerland. At last, after the longest trial in Cayman Islands' history, it is one step closer to resolution.

No one emerged from court looking good. Central to the case was whether the founding Gosaibi family knew about fraud carried out by Maan al-Sanea, one of their firm's executives. Born to a Kuwaiti family, Mr Sanea married into the family in 1980 and soon took charge of AHAB's financial-services division. Then he started borrowing. The Money Exchange, one of the firms he oversaw, took out more than \$120bn in loans between 2000 and 2009. Much of it was "name lending", unsecured credit extended solely on the borrower's reputation. When Mr Sanea's empire collapsed in 2009 in the financial crisis, it had defrauded more than 100 banks. His firms took out more than 12,500 loans during a nine-year period; at times, 20 of them matured each day.

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The Gosaibis claimed to know none of this. AHAB filed a \$4bn lawsuit against Mr Sanea and his Saad Group, another conglomerate, in 2009. It accused him of forging signatures, using the family name to take out unauthorised loans, and siphoning profits to his own firms in the Cayman Islands and elsewhere (he denied the accusations). The case took eight years to wind through the courts. Anthony Smellie, the territory's chief justice, concluded that AHAB played an "active role" in the fraud. He sided with liquidators for six of Mr Sanea's companies, who should now be able to recoup some of their losses.

He also dismissed a \$5.9bn counter-claim by Mr Sanea and left in place a prior \$2.5bn ruling against him. Lawyers for AHAB are considering their options. The Gosaibis had hoped to use the Cayman judgment to pay creditors. There is an automatic right of appeal in the Cayman Islands. But the courts probably cannot hear an appeal until 2019, says Simon Charlton, the chief restructuring officer at AHAB.

Embarrassing as it is—international bankers have long memories, and Saudi businessmen say the AHAB case still comes up in conversations—the ruling could be useful for Saudi Arabia. It wants to see the whole affair go away, and to deepen foreign investors' trust in the country's regulatory and legal systems. Muhammad bin Salman, the ambitious crown prince, aims to attract tens of billions in foreign investment to reduce Saudi's dependence on oil revenues. One of his institutional reforms is a new bankruptcy law, which was approved in February, the kingdom's first.

Had it been passed earlier, AHAB's creditors might already have recouped some of their money. Though Mr Sanea lost much of his wealth after the default, he continued to lead a comfortable life in the kingdom's Eastern Province, ensconced in a palace with a private zoo. But in October the police were dispatched to arrest him for unpaid debts. His assets are being liquidated. Over the past few months, the Saudis have leaned on all parties to reach a deal. At least two Saudi-linked banks were coerced this year into accepting a settlement plan with AHAB, which now has the support of two-thirds of creditors. Under the new bankruptcy law, that will secure a restructuring. A fraud that is nearly as old as the crown prince may be the first proof of the success of one of his big reforms.

*This article appeared in the Business section of the print edition under the headline "Bankers' bane"*

Yin and yang

## A tax-evasion scandal ensnares Chinese film-production companies

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*Thousands of firms are registering themselves in Khorgos, a new tax haven in China's far west*

**Print edition | Business** Jun 7th 2018

IT IS hard to go a day in China without seeing Fan Bingbing. The doe-eyed starlet gazes from film posters (she has averaged four films a year for the past decade), airbrushed ads for global brands and glossy magazine covers. But in the past week she has graced articles about tax evasion. Shares in a film-production firm that she partly owns fell by 10% on fears that it might be ensnared in a scandal in which actors have allegedly concealed their salaries. Ms Fan has denied wrongdoing. On June 3rd the government began a probe into tax compliance in the entertainment industry.

The controversy began when Cui Yongyuan, a TV presenter, described two anonymous contracts on Weibo, a microblog, one for 10m yuan (\$1.6m) and another, linked to the first, for 50m yuan. He said it was a case of the “yin-and-yang” payments prevalent in the film business: reporting a low salary for taxation and pocketing a larger sum. Share prices of big film firms, such as Huayi Brothers, also plunged.

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Yin-and-yang contracts are illegal but common, from the property sector to football clubs. For years the government has tried to crack down on them. In one high-profile case, Liu Xiaoqing, a popular actress, was imprisoned in 2002. But the emergence of tax havens inside China is now complicating matters. Film studios have been among the most aggressive in taking advantage of them.

Their destination of choice has been Khorgos, a desert outpost in China's far west, next to Kazakhstan. The central government hopes to build it into a key link in trading networks that traverse central Asia. Companies that register in Khorgos enjoy a five-year holiday from corporate taxes, followed by another five years in which they pay only about half.

In 2017, 14,472 firms registered themselves in Khorgos, up more than fourfold from 2016. Local tax revenues have soared. But many of the firms nominally based in the dusty border town do not actually do anything there. Roughly nine in ten are in asset-light industries, such as media and also financial services. Ms Fan is one of dozens of celebrities who have registered corporate entities in Khorgos. For private-equity firms, Tibet has become a popular locale for registering funds, also thanks to tax discounts.

Tax havens and yin-and-yang contracts highlight the holes in China's tax system. The International Monetary Fund estimates that government revenue from taxes on personal incomes is only 1.2% of GDP, compared with around 10% in many advanced economies.

China's film business is booming; box-office revenues were \$8.6bn in 2017, up from less than \$1bn a decade ago. But with the Klieg lights glaring on Khorgos, studios and stars will probably have to start sharing more of their riches with the government. For all the glitz and glamour of its film industry, China is still working out the basics of efficient taxation.

*This article appeared in the Business section of the print edition under the headline "Yin and yang"*

Something rented, something new

## Rent the Runway is taking clothes-sharing mainstream

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*Some women pick up outfits on the way to work, others have stopped buying clothes entirely*

Print edition | Business Jun 7th 2018

AT ABOUT 4.30am the first of thousands of black garment bags arrive by truck at a vast warehouse less than ten miles (16km) from Lower Manhattan. The bags brim with designer dresses and other trendy clothing and accessories. Workers begin inspecting the garments. A billowy, patterned blouse smells a bit ripe. A floor-length red gown has a tear. A stain sullies the floral pattern of a silk sundress.

Turnaround is quick. The blouse is sent to washing machines, the gown goes to one of the 75 seamstresses lined up next to a wall of thread, zippers, buttons and other adornments in every imaginable colour and the silk dress makes its way to the “spotters”: experts who know how to get tough stains out of delicate fabrics. Most items are in and out in less than a day.

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Such efficiency is essential for Rent the Runway (RTR), a New York-based, privately-owned startup with a value of almost \$800m that rents out clothes, handbags and jewellery. Its dry-cleaning warehouse is the world's biggest, processing 2,000 items per hour. RTR started with formal dresses that women rented for weddings and other events. Now nearly three-quarters of its 9m clients across America use it for work clothes. For \$159 a month, its “unlimited” and most expensive plan, subscribers can rent four items at any one time.

Constant novelty seems to outweigh the “yuck” factor of wearing something that rubbed against someone else's skin not long ago. Some two-fifths of American women who have heard of the service (or any of its younger competitors) say they would be willing to rent outfits. Renting a ball gown when an occasion arises runs at about a sixth of what it would cost to buy it. Cleaning and insurance for minor damages are always included.

To lure more customers, RTR has opened bricks-and-mortar shops in New York, Chicago, San Francisco, Los Angeles and Washington, DC. Foot traffic is up by 80% from the same time last year, says Anushka Salinas, who oversees sales. The firm had revenues of over \$100m in 2016, the latest year for which it gives numbers, and says it is profitable at the level of operating earnings. At the Manhattan shop at 9am on a Wednesday, two women in their twenties explain that they often drop in on their way to work to pick up clothes to wear that day and change at the office. Another young woman who chooses casual outfits for the weekend says her subscription is a money-saver because she has stopped buying clothes.

Customers do have niggles. Sometimes monthly subscribers receive frocks that have not been pressed or cleaned. A bridesmaid's dress rented by Reagan Sims, a customer in Washington, DC a couple of years ago worked well. But more recently a dress she ordered for an annual ball that she organises came in a size she could barely squeeze into (RTR gave her a full refund).

Another snag can be shipping. RTR has a strict policy for non-returns, charging customers a late fee of \$50 per day after a 24-hour grace period. These charges accrue and can match the retail price. Late arrivals are another headache for customers, as well as patchy inventory. Ms Salinas admits that when RTR introduced its subscription services it did not have enough inventory to meet demand. RTR has since scaled up its supply, and there are now hundreds of units of each style and size.

Other brands are expanding upon RTR's model. Christine Hunsicker, co-founder of Gwynnie Bee, a RTR rival with a niche in plus-sizes, is launching a service for conventional retailers looking to rent some inventory. The deal includes the digital technology, cleaning and warehousing services needed to run a clothes-rental business. Several American clothing brands, including Ann Taylor (popular for business attire) and NY&Co (a fixture in shopping malls) are testing the package. Rakesh Tondon, the boss of Le Tote, another rental startup, predicts that more retailers will launch rentals in the next five years as they see the potential.

Jennifer Hyman, RTR's chief executive, once said that she wants to put Zara and H&M, the giants of high-street retail, out of business. She is nowhere near that. But her clothes-renting model looks more than just the latest fad.

*This article appeared in the Business section of the print edition under the headline “Something rented, something new”*



Manna from heaven

## How e-commerce with drone delivery is taking flight in China

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*Chinese e-commerce giant JD.com is investing in drones to bring online shopping to a 600m-strong rural population*

**Print edition | Business** Jun 9th 2018

LATE on a Monday morning the village of Zhangwei is quiet. Chickens scratch and cluck at the side of the road. Workers use wooden spades to spread grain on the highway to dry, using half its width so that traffic can still pass on the other side. Yet at the community centre at the village's heart, two objects hint at a feat of ultra-modern logistics about to unfold: a circle of green astroturf laid down in the central courtyard, and a billboard on the front of the building bearing the logo of JD.com, China's second-largest online retailer.

A low whirr breaks the stillness as a spiky dot appears on the horizon. The drone arrives overhead with a roar, hovers for a moment, then lowers itself towards the green circle like a mantis, three sets of propellers churning the air into whorls of straw and dust. Slung beneath it is a red cardboard box branded with JD's cheery dog mascot. Just a few feet above the ground, the drone drops the box then zips back up into the sky and disappears. The spectacle is over in 20 seconds.

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It is a link in a new kind of logistics chain, the world's first operational drone-delivery programme for consumer e-commerce. While Amazon, an American company, has put out numerous promotional videos on its drone-delivery plans, it will not start commercial operations until at least 2020. Meanwhile, JD.com has spent the past year building a real drone-delivery network covering 100 villages in rural China with 40 drones. Zhangwei currently receives a couple of drops each day, each box containing several packages ordered through JD's shopping app. Thanks to JD's drones, which operate autonomously with no human guidance but are monitored remotely, villagers in Zhangwei can expect delivery on the same day that they place an order, like urban shoppers in Beijing, New York or London.

The practicalities of drone delivery only make sense in rural settings. Flying in chaotic urban environments is too difficult for existing drone technology. Densely populated cities generate sufficient orders over a small area that they can be aggregated into daily, or even more frequent, deliveries by van. Batching sparser rural orders in the same way would result in multi-day or week-long delivery times.

Some 600m Chinese live rurally and their shopping habits are encouraging the e-commerce boom, according to official figures. Online retail in rural areas grew by 39% in 2017, up to 1.24trn yuan (\$183bn). JD sees upside in providing fast, reliable delivery to the countryside, helping it to take a larger slice of this business.

It is still waiting to earn back its investment in drone-delivery infrastructure, although it says that making a delivery by drone costs a fifth of the price than by man-and-van, once the driver's labour is taken into account. Liu Qiangdong, JD's chief executive, says drone delivery will cut costs by 70% once it is scaled up across the country. Villagers tend to buy washing powder, accessories for their phones, maternity goods and fresh food. The firm has made 20,000 such deliveries to date.

Suqian, which is near Zhangwei, was chosen as JD's first drone delivery hub because of the region's flat terrain, which makes drone flight easier. The city is also the home town of Mr Liu, JD's chief executive, who started the programme there in an effort to speed its development. The firm runs two drone-dispatch centres. They cover 15 villages between them. There are more drone bases in Shaanxi province, covering a total of 100 villages.

Once the drone's cargo hits the ground, its contents pass over to the "drone postman" for delivery. This is either a local JD promoter, whose primary job is teaching villagers how to use JD's shopping app, or a worker hired on China's leading crowdworking platform, Dada. In Zhangwei JD's local promoter, Zhang Xiaoyan, takes possession and rings the owners of the packages to see if they are at home. Only one is, so he leaves the other two at the local shop and sets off on foot to the Jiang household. The son, who placed the order, is not at home, so his mother accepts it for him. It is a phone case, ordered the previous day. Mrs Jiang says she likes the drone-delivery programme because it can get products to her door so quickly, but she would not want there to be many more of them flooding the skies.

JD may have added drones to daily Chinese village life, but whether they will make financial sense for the company over time remains to be seen. Current models of drone are pricey, although JD says the cost will gradually come down as it scales up the network and builds more drones (it plans to sell those it makes to other firms, as well as use them for its operations). The government approves of its operations in rural areas, and is planning to build a new train station in Suqian next to JD's drone base. If JD can use drone delivery to cut its costs and attract rural shoppers, that will help the firm compete with its arch-rival in e-commerce, Alibaba, which has not, as yet, seen the value of drone delivery. JD hopes that will prove to be a mistake.

*This article appeared in the Business section of the print edition under the headline "Manna from heaven"*



Grounded

## Plans to privatise India's flag-carrier have run into turbulence

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*The government expected a bidding war but received no offers*

Print edition | Business Jun 9th 2018

AFTER a plane crash, air-safety investigators are dispatched to the wreckage site to find out what went wrong and ensure it never happens again. Their financial counterparts have a similar job to do with the Indian government's proposed sale of Air India. Mooted for nearly a year, the first round of preliminary bids ended on May 31st having attracted not a single offer.

Bureaucrats running the divestment process had expected many suitors. Domestic aviation is booming. Air India has a modern fleet, an enviable brand and valuable landing rights in many foreign airports. No fewer than 160 queries had come in from interested parties, said to include local and foreign airlines as well as Tata, a conglomerate. Might a bidding war ensue, some wondered?

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Not quite. Bidders were seemingly never as keen as government leaks to the media suggested. For one, Air India came saddled with unwanted cargo in the form of 334bn rupees (\$5bn) of debt. And a potential buyer would also be expected to fund the airline's ongoing losses, of around 50bn rupees a year.

The financial performance hints at an airline that has seen better days. From a position of monopoly until 1994, Air India now has just 12% of the domestic market and falling. Lower-cost rivals offer vastly better service. Truculent unions—which cheered the failed sale—mean even the most hard-nosed buyer would have a hard time carrying out the restructuring the authorities admit is necessary.

Officials blamed a lack of private-sector animal spirits for the bidding no-show. Yet even the most bullish bosses had reason to stay clear. Suspicions ran high that the government would keep meddling after the sale to stop job losses ahead of next spring's general election. Its plan to keep a 24% stake in Air India, and presumably board seats, spooked people further. An edict preventing any suitor from integrating Air India into its existing operations was greeted with bemusement.

Narendra Modi, India's prime minister, proclaimed while campaigning for the job in 2014 that "government has no business to be in business." Four years on, only one of over 200 state-owned enterprises has been sold—to another state-owned enterprise. Even those nationalised firms with outside minority shareholders are treated as government departments. ONGC, an oil group, for example, may be lined up to sell fuel below cost, in effect paying for a state subsidy out of its own pocket.

The failed Air India sale means the Indian government will probably have to rekindle a recurring bail-out that has cost it over 260bn rupees over the past seven years. Talk now is of government carrying out a restructuring and putting the airline back up for sale in a year or two. That assumes the cast of bureaucrats that have run the carrier poorly develop a sudden knack for management. Just about anybody would likely do a better job—if only someone would place a bid.

*This article appeared in the Business section of the print edition under the headline "Grounded"*

## Xiaomi's forthcoming IPO shows how the rules of business are changing

*The firm embodies a Chinese corporate ideal that is very different from America's*

Print edition | Business Jun 7th 2018

IN 1987, when Lei Jun was a computer-science student in Wuhan, on the banks of the Yangtze River, he read a book about Steve Jobs and vowed to emulate him. If all goes to plan, this summer Mr Lei will take a leap towards that dream with the flotation of his firm, Xiaomi, at a valuation of \$50bn-75bn. It is set to be the world's largest initial public offering (IPO) since Alibaba in 2014.

Xiaomi is probably China's most successful consumer brand, but ever since it started selling smartphones in 2010 it has also been difficult to categorise. Yes, Mr Lei sometimes dresses in black, as Mr Jobs did, but it has never been clear if Xiaomi is China's Apple or if it is more like Samsung, Sony, Nokia, or even Costco, a bulk-discount retailer.

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Schumpeter's answer is that Xiaomi does not resemble any rich-world firm. For decades a particular American ideal of the public company has dominated: focused, widely owned and predictable. Xiaomi is a supercharged champion of a new Chinese model that is the opposite: deliberately sprawling, tightly controlled and hyperactive. Edward Tse, of Gao Feng, a consultancy, calls these firms "China's disrupters". Xiaomi's IPO is a test of how valuable investors believe the model is.

Xiaomi is above all a creature of its environment, which in China means rock-star bosses, ambiguous rules, intense competition, proximity to the world's manufacturing hub, and fast-changing consumer behaviour. The firm is what Charles Darwin might call a perfect adaptation. It also seems to live in dog years, packing more into the past seven years than American firms do in 49. Almost three-quarters of its \$18bn of sales last year came from selling smartphones, where it has a global market share of 7%, but there is lots of sprawl, which is by design.

As well as smartphones, Xiaomi has hundreds of other products, from vacuum cleaners to electric bicycles, and even owns 30% of a small bank. It incubates new hardware suppliers by buying small equity stakes in them. The cost of this ate up a fifth of its free cashflow in 2016-17 and could spiral further. Ferocious competition at home, meanwhile, has meant erratic performance. In 2015 it made an underlying loss and in 2016 sales stagnated after its handset market share in China dropped.

A small but rising number of American firms, including Alphabet and Facebook, have dual voting classes. But Xiaomi takes tight control to a new level. Mr Lei has majority voting control. Like the BAT firms—Baidu, Alibaba and Tencent—Xiaomi has a "variable-interest-entity" structure to get round rules on having foreign shareholders. The firm's holding company, in the Cayman Islands, has contracts with operating entities in China. The contracts give it control and profits but not ownership, which in several cases remains in the hands of Mr Lei. He is also the personification of the brand, which appeals to younger customers.

Xiaomi's faults are also its virtues. Tight control means rapid decisions, and intimacy with many suppliers means products can be sourced out of thin air. The firm is quick on its feet. Between 2014 and 2017, while many multinationals would still be searching for Uttar Pradesh on the map, it went from zero to being the biggest smartphone firm in India. Sales of its potpourri of consumer electronics tripled over this period. And a new range of smartphones has led to a comeback. In 2017 sales rose by 68%. Underlying operating profits this year should hit \$1.5bn-2bn.

Does all this justify a high IPO valuation? In frantic fashion, Xiaomi says that it is in the middle of another reinvention, from a hardware firm into an internet one. It is obvious why: with the exceptions of Apple and Samsung, the industry's profitability is terrible. Xiaomi's handset operating margin is about 1% (its cute pledge to customers that it will never exceed 5% is irrelevant).

Other hardware firms, from Sony in 1999 to Nokia in 2007, have tried similar pitches over the years with dismal results. Now, unlike then, however, the shift to services is tangible. Services are the new engine of Apple, which sells apps, payments and content to its installed base of 1.3bn iPhone, iPad and Mac users. It made sales of \$26 per device in the past year, or \$33bn.

Xiaomi has an installed base of 190m smartphone users, who spend 54 minutes a day using its services, equivalent to 20% of the total time on their phone. It makes \$9 per user per year, from advertisements and commissions on selling apps and games. Margins are high. If Xiaomi can maintain its market share of new smartphone sales—thereby adding new internet users—and if its service revenue per user rises to \$20 over a decade, this business could be worth \$35bn—supporting a chunk of its IPO valuation.

There are glaring risks. Xiaomi's smartphone market share could plummet again, eventually dragging down the number of internet users. It is unclear if its services will travel across borders: sales per user in India are still very low. And the BAT firms are expanding their ecosystems of services and could win a bigger "mindshare" of Xiaomi's device users. To stay in the race Xiaomi will probably reinvest most of the expected \$10bn IPO proceeds.

### The X factor

Xiaomi is therefore an opaque bet on constant reinvention. But it is only the most extreme example of a national trend. There is a second wave of tech firms waiting to IPO, including Didi-Chuxing, which does ride sharing but is diversifying into

payments, and Meituan-Dianping, which is expanding from food delivery into ride sharing. Each of the BATs used to have a neat identity. Alibaba did e-commerce, Tencent did games and Baidu did search. These barriers are collapsing in a giant investment boom.

China's acrobatic, high-stakes, sprawling champions are the antithesis of what investors have been taught to admire. But Xiaomi's IPO may show how no one cares much about that any more, at least for as long as the internet boom rages on. Mr Lei has not created China's Apple. If he succeeds in floating his firm, he will instead have imitated Mr Jobs by breaking all the rules.

*This article appeared in the Business section of the print edition under the headline "Think different"*

### Trade wars (1)

Friends and foes

#### Friendly fire

## President Trump's tariffs have united his opponents at home and abroad

*The domestic and diplomatic costs of picking trade fights*

Print edition | Finance and economics Jun 7th 2018

“HOW am I going to compete?” asks Sohel Sareshwala. He runs Accu-Swiss, a Californian company making customised components for the manufacture of semiconductors and cars. President Donald Trump's tariffs on steel and aluminium, both of which he uses as inputs, are eating into his profit margins and delaying his orders. Meanwhile, Mr Sareshwala's competitors abroad, free of such concerns, can undercut him.

Mr Sareshwala is not alone in his frustration. On June 1st Mr Trump extended tariffs to countries that supplied 81% of America's steel imports and 96% of aluminium imports in 2017, arguing that this was necessary to protect national security. Tight quotas apply to most of the rest. Only Australia was let off, perhaps because of a friendship between the president and Greg Norman, an Australian golfer, who lobbied on his government's behalf. Mr Trump's tariffs and quotas have drawn a chorus of disapproval from American buyers of metal, the governments of Mexico, Canada and the European Union, and anyone concerned about the health of the rules-based system of world trade.

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Plenty of business people besides Mr Sareshwala are finding that inputs are dearer and scarcer. Tariffs, imposed or threatened, have dulled foreign competition and pushed up the price of American-made metal. On June 5th hot-rolled steel cost \$329 per tone more in America than in western Europe, according to data from S&P Global Platts, a price-benchmark provider. The gap for aluminium was \$290. The tariffs work like a tax, leading to more expensive bridges, pipelines, cars and beer cans. The quotas make planning nightmarish. When South Korea's were announced, some categories had already been filled.

Disquiet among the consumers of affected products is no surprise. More surprising is the resistance from those the tariffs are supposed to help. Though it at first supported tariffs, the United Steelworkers, a trade union, denounced them when they were unveiled because they included Canada, whose metalworkers happen to be members of the union too.

The Aluminum Association, an industry body, also weighed in. Its head, Heidi Brock, labelled Mr Trump's decision an “unfortunate outcome”. Ms Brock had hoped that any measures would be aimed at tackling Chinese subsidies and overcapacity. Instead, because 97% of the American industry's jobs are in aluminium processing, and supply chains cross back and forth in North America, the tariffs are a headache for her members.

More pain is on the way. America's trading partners are promising tariff retaliation that could affect as much as \$43bn of its exports (see chart). They have picked products ranging from motorcycles to pork (see [article](#)). Retaliation adds to worries that Mr Trump will harm America's economy not help it. Taking both his trade restrictions and retaliation by others into account, Joseph Francois, Laura Baughman and Daniel Anthony of the Trade Partnership, a consulting firm, estimate that for every job in steel and aluminium gained, 16 would be lost elsewhere.

Trade diplomacy is likely to be damaged, too. Mr Trump is supposedly still trying to renegotiate the North American Free-Trade Agreement (NAFTA) with Canada and Mexico. On June 5th Larry Kudlow, his economic adviser, insisted that the president was not planning to withdraw from it. But talks are stalled and Mr Trump's tariffs are diminishing the pact's value. NAFTA includes special conditions that its members must meet before attacking each other with tariffs; when President George W. Bush imposed broad steel tariffs in 2002, America's NAFTA partners were therefore spared. Mr Trump is doing his best to show that while he is in charge, such conditions count for little.

America's offended allies are showing unusual unity. Collectively, their response looks larger than the biggest authorised by the World Trade Organisation (WTO) since its founding in 1995. But its nature is more notable than its size. Normally, WTO dispute-resolution panels hear legal arguments and issue a ruling before plaintiffs retaliate. But although the EU and several countries have filed formal cases, they seem unlikely to wait for the WTO's blessing this time.

The quarrel falls into a legal grey area. The Trump administration is claiming that it is acting in the name of national security and that no WTO judge should be able to question a country's own assessment of that right. Canada, China, the EU, India, Japan, Mexico and Turkey all say that Mr Trump's national-security claim is phoney. America is instead “safeguarding” its industry. Under WTO rules, they say, that gives them the right to retaliate. (Canada and Mexico can claim different retaliatory rights under NAFTA.) All these claims can and will be disputed.

Not that Mr Trump would pay much attention to an adverse WTO ruling on his national-security claim. His administration is strangling the WTO's dispute-settlement body anyway, by blocking the appointment of new judges. He prefers raw power to rules. Retaliation, even if it bends the rules, may remind Mr Trump of the dangers of a power-based system and a united

opposition—even though that is a risky stance for those who believe that rules are paramount. “Is this the beginning of the end of the international trading system?” asks Luis de la Calle, a Mexican former trade negotiator. “I say this is the beginning of the defence of the international trading system.”

*This article appeared in the Finance and economics section of the print edition under the headline “Friends and foes”*

## Returning fire

**American firms will be hit hard by retaliatory tariffs***America's trade partners fight back***Print edition | Finance and economics** Jun 7th 2018

“LOOK at all these bikers...we love the bikers!” declared the pre-presidential Donald Trump, surveying a crowd of motorcycle-owners gathered by the Lincoln Memorial in Washington, DC, in 2016. Riders of Harley-Davidsons, in particular, have been among Mr Trump’s noisiest supporters since the early days of his campaign. Riders of “hogs” often see themselves as rowdy rebels. Perhaps this is why many have identified with Mr Trump’s disdain for conventional politics.

Alas, the love affair may be heading for trouble. Mr Trump’s trade policies have put Harley-Davidson in a double bind. The company uses a lot of steel and aluminium to make its bikes. Although much of that is domestically sourced, Mr Trump’s tariffs on imports have led to higher prices for locally made metals, too, thus raising costs. And the European Union is poised to impose retaliatory tariffs on a variety of American exports, including motorcycles and whiskey. Harley-Davidson had bet on a continued boom in European sales, which make up about 16% of its total.

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The EU’s tariffs on Harleys are just one of several acts of retaliation taken or planned by America’s trade partners, some intended to cause political as much as economic pain. Harley-Davidson is based in Wisconsin, home state of Paul Ryan, the retiring Speaker of the House of Representatives. Kentucky, the turf of Mitch McConnell, the Republicans’ leader in the Senate, distils a lot of bourbon.

Harleys are not the only hogs on the chopping block. American pork producers learned on June 5th that Mexico, their leading export market (\$1.5bn last year), plans a 20% tariff on a variety of their products. Americans typically disdain shoulder, but Mexicans happily consume the cut in dishes such as *tacos al pastor*. These tariffs are “potentially devastating” for farmers, says Gregg Hora, president of the Iowa Pork Producers Association. Granjas Carroll, a top producer in Mexico, estimates that prices there may rise by 15% or more, which it worries will drive down consumption.

Mexico’s list of threatened tariffs will bring pain to peddlers of fruit, too. Some 1,300 apple-growers in Washington state, the leading source of exports, sell between 12m and 15m bushels a year to Mexico. Todd Fryhover, president of the Washington Apple Commission, estimates that exports to Mexico were on track to top \$240m this year. “This new tariff puts that goal in doubt,” he laments.

Dairy farmers are also complaining. Yogurt is among the dozens of American products, from chocolate to orange juice, in Canada’s sights. Mexico is targeting cheese. It is the top destination for American dairy exports; in March, for example, it bought 8,700 tonnes of cheese. Tom Vilsack, a former Secretary of Agriculture who now runs the US Dairy Export Council, a trade body, notes that market instability and a lack of clarity on policy, as well as tariffs, are hitting dairy prices.

The trail of potential harm to companies—both from America’s tariffs and from retaliation by others—also shows how globalisation makes a mockery of attempts to aim tariffs precisely at foreigners. American carmakers and their vendors have strung their supply chains across the Canadian and Mexican borders. Granjas Carroll, a loser from Mexico’s pork levy, is partly owned by WH Group, a giant Chinese food producer.

And of course consumers lose, too. The EU’s proposed tariffs on motorcycles, jeans and whiskey amount to a cruel tax on Hells Angels across Europe. The innocent always suffer.

*This article appeared in the Finance and economics section of the print edition under the headline “Backfire”*



**How to lend it****A referendum on the way money is created**

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*Switzerland votes on Vollgeld***Print edition | Finance and economics** Jun 7th 2018

TO ITS opponents, the *Vollgeld* initiative is “suicidal” and a “dangerous experiment”. To its supporters, it is the ticket to a “fairer and more stable banking system”. Swiss voters will decide for themselves on June 10th, when the proposal for sovereign money, which would rewire the country’s banking system, are put to a referendum that, in theory, would be binding.

The heart of the argument is whether private-sector banks should be able to create money. In modern economies, most money takes the form of deposits in commercial banks, rather than the cash in circulation and the reserves determined by the central bank. And bank deposits are mainly created through bank lending. Lenders can thus lend far more than they hold in central-bank reserves.

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*Vollgeld* supporters want to take such money-creating powers away from banks. Bank deposits are not as safe as sovereign money, they say. If a bank collapses, depositors lose uninsured funds. Instead the public should hold current accounts directly with the Swiss National Bank (SNB), the central bank. Banks’ lending should be funded entirely by time deposits (savings accounts) or by borrowing of their own. *Vollgeld*’s backers say that bank runs would be much less likely and there would be no need for taxpayer-funded bail-outs. Similar ideas floated among economists in America in the 1930s, but have never been put into practice.

The initiative’s opponents, which include the Swiss government, the SNB and the banks, say sovereign money would incur large costs for little gain. The transition to *Vollgeld* would be expensive and unpredictable as banks reorganised themselves and sought alternative, dearer, sources of funding. Interest rates would rise, at great cost to the Swiss economy.

Daniel Kalt, an economist at UBS, a bank, believes that sovereign money would not stop financial crises. In 2007-08 a seizure in interbank funding, rather than bank runs, toppled financial institutions with no retail deposits, such as Lehman Brothers. Thomas Jordan, the head of the SNB, has argued that sovereign money would not prevent banks from granting risky loans or overestimating future returns. Today’s macroprudential rules will do more to avert a crisis than tearing down the system.

Sovereign money could also complicate monetary policy. Rather than setting interest rates to influence bank lending, the SNB would have to control inflation by regulating the amount of cash in circulation directly. The SNB also frets that, if granted the power to distribute money and credit, it will become embroiled in politics.

With opinion polls suggesting that only a third of respondents will vote in its favour, the radical initiative is unlikely to pass. But authorities in several countries are contemplating the merits of digital currencies, which could allow the public to hold deposits with the central bank. *Vollgeld* might not pass, but some more cautious monetary experiments may well be on their way.

*This article appeared in the Finance and economics section of the print edition under the headline “How to lend it”*

Buttonwood: Ignore your instincts

## A case for owning euro-zone shares

*The contrarian wisdom of George Costanza*

Print edition | Finance and economics Jun 9th 2018

IN AN episode of “Seinfeld”, a 1990s television comedy, George Costanza, a serial failure played by Jason Alexander, decides that every instinct he has is wrong. So he resolves to do the opposite. He is soon squiring a new girlfriend and is up for a dream job. “It’s all happening because I’m completely ignoring every urge towards common sense and good judgment I’ve ever had,” he says.

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Success in investing often means going against the grain—and your own feelings. To do otherwise is to be swept along by the general greed and fear. Still, fear is a useful emotion. It would be unwise, for instance, to ignore the recent turmoil in Italy, where bond yields spiked in response to concerns that the country might be on the road to leaving the euro. Though the worst fears have subsided, the coalition that was eventually given the president’s blessing to form a government looks capable of causing trouble.

A natural inclination in the circumstances is to turn away from euro-zone assets—not just bonds (where the rewards are notably scanty in relation to the risks) but equities, too. Yet such instincts can betray investors. There is an argument for buying euro-zone shares precisely because their defects have now become all too clear to everyone.

Among the shortcomings is that Europe is ageing. It is the place to find businesses ripe for disruption, rather than those doing the disrupting. Its bourses are heavy with the technologies of the second industrial revolution—mass-market cars, petrochemicals and machinery—but light on the digital firms that power stockmarkets in America (see chart). Its banks, a big weight in stockmarket indices, look leaden. Deutsche Bank is a target of short-sellers. Last year’s strong GDP growth has cooled. To cap it all, there are glaring holes in the euro area’s design. There is no continent-wide deposit or unemployment insurance, for instance. A nasty recession could plausibly break the zone apart.

So there is plenty not to like. The experience of owning European stocks over the long haul has been quite horrible. The Euro Stoxx 50 of big euro-zone shares is no higher now than it was 20 years ago. Its broader sibling, which contains 300-odd companies, is well below its peak in the summer of 2000. The inclination to steer clear is quite natural. But there is a strong case for doing exactly the opposite.

For a start, euro-zone equities look cheap. The earnings yield on the Euro Stoxx 50 is 6.4%. That compares with a 4.8% earnings yield on America’s S&P 500 index and is handsome for an economy where holding cash pays less than nothing and where the safest government bonds pay a negative yield after adjusting for inflation. Patience may be required. But over time the chances that a punt on euro-zone equities pays off are good.

What is more, there is room for earnings to improve. Take banks, for instance. Bad loans and the need for more capital had been a continuing drain on their profits. But now even Italy’s big banks are in decent shape. “If at any point interest rates turn positive, you could see huge earnings upside,” says Eric Lonergan, of M&G, a fund-management group. Similarly, other firms, which still had to fork out on wages and rents during the euro zone’s depressed years, could squeeze out more profits if the economy keeps growing. In America, by contrast, there is no comparable scope for earnings to accelerate, because the economic cycle is more mature.

To be sure, the euro is a rickety construct. Countries are also currency zones and they work tolerably well because of fiscal transfers from rich to poor regions. That is absent in the euro area—hence the fear of break-up. Even so, it is far from obvious that this should be ranked higher than any number of other uncertainties.

What investors choose to worry about changes. At the beginning of 2016, for instance, China’s debt mountain was a source of terror for financial markets. Now it elicits a yawn. Few have yet mapped out the implications for markets of President Donald Trump’s foreign policy in the way they have done for a break-up of the euro. Yet it might turn out to be of greater consequence. The risks to the euro are simply more salient. And when risks are more palpable, people tend to give them too much credence.

Instinct does not always serve investors well. The political tremors in Italy are more like a scare than a rerun of the crisis of 2012. In which case there is money to be made from European equities, says Mr Lonergan. So remember George Costanza. When every urge tells you to shy away, consider doing the opposite.

*This article appeared in the Finance and economics section of the print edition under the headline “The wisdom of George”*

In for a penny, in for £2.1bn

## Britain's government cuts its losses on Royal Bank of Scotland

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*The state resumes sales of shares in the nationalised lender*

**Print edition | Finance and economics** Jun 7th 2018

IF YOU are selling shares, they are worth not what you paid for them, but what someone else will offer. For the Royal Bank of Scotland (RBS), the sum that counts is £2.71 (\$3.62). On June 5th UK Government Investments, which manages the state's stakes in companies, said it had placed 7.7% of RBS at that price—10p below the previous day's market close—with institutional buyers, reducing its holding to 62.4%. The government paid £5.02 per share to rescue the bank in 2008. So on those 925m shares, taxpayers have lost £2.1bn.

The state has long looked unlikely to recoup its fivers, let alone the £6.25 per share that the National Audit Office, a public-finance watchdog, reckoned last year was a fair benchmark after adding the cost of financing the bail-out. (In 2015 it sold 630m shares, or 5.4% of RBS, for £3.30 a pop.) Even if the stockmarket valued RBS as highly as the book value of its assets—which is true of few big European banks—the price would still be only £4, a level it last saw more than three years ago. Short of cash and eager to return RBS to private hands, the government may as well take what it can. It sold its last shares in Lloyds Banking Group, also bailed out in the crisis, in 2017. On that rescue it made a small profit.

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In the nine years after the crisis, RBS's losses amounted to a staggering £58.4bn, as write-downs, fines and restructuring costs piled up. After the hubristic purchase in 2007 of ABN AMRO, a Dutch lender, which led to its undoing, RBS was briefly the world's biggest bank, with assets of over £2trn. Now it is about a third of that size and ranks only tenth even in Europe. Its investment bank, which brought in more than a third of operating profit before the crisis, accounted for under a tenth of a far smaller sum in the first quarter of 2018.

Yet RBS is still one of Britain's biggest banks—and underneath it all, these days is in fair shape. In the first quarter its return on equity was 9.3%, a bit short of the 10% that analysts still regard as par but decent by European standards. Its ratio of equity to risk-weighted assets, a key measure of capital strength, is a robust 16.4%. Last year it made its first net profit since its fall.

The sale is another step in the bank's slow emergence from the shadow of the crisis. Only last month did RBS say that it had agreed in principle with America's Department of Justice to settle, for \$4.9bn in cash, charges that it had mis-sold residential mortgage-backed securities between 2005 and 2007. It might have been worse: \$3.5bn was covered by provisions RBS had already made. The settlement cleared the way for this week's share sale.

Another legacy of the past is still to be cleared up. Last year, as part of the price of the bail-out, the government and the European Commission agreed on a scheme under which RBS will give up about 3% of the British market for small businesses, which it leads. The bank is putting up £425m to build up smaller banks' capabilities, plus £350m for incentives to customers to switch banks. The bosses of the body that will divide the cash were appointed only in May. Financial crises cast long shadows. RBS isn't in the sunshine yet.

*This article appeared in the Finance and economics section of the print edition under the headline "Cut your losses"*

Whose price is it anyway?

## Two Asian stock exchanges tussle over market data

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*An intellectual-property battle between India and Singapore*

**Print edition | Finance and economics** Jun 7th 2018

BUYING and selling shares in India is not for the faint of heart. Its own central-bank governor reckons equity capital is taxed up to five times. Never fear. There is a well-established alternative. Investors can just as easily buy financial instruments that track share prices but are not themselves shares. Such “derivatives” are used across the world to mirror markets in everything from platinum to pork bellies. But they also raise awkward questions: can the exchange that generates prices by matching buyers and sellers stop a rival using the data to create its own derivatives?

A quarrel between the Singapore Exchange (SGX) and the National Stock Exchange (NSE) in Mumbai touches that very issue. Since 2000 global investors wanting exposure to Indian shares but not Indian red tape and tax have gone via SGX. Under a licence from NSE, punters could trade a derivative linked to the Nifty 50, an index which is to India what the FTSE 100 is to Britain or the S&P 500 is to America.

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Because the contract paid out the value of the Nifty on a given date, arbitraging algorithms run by outside traders ensured the derivative tracked the index closely: buying the Nifty in Singapore or Mumbai amounted to much the same thing. But in February NSE ended the arrangement. It now thinks all trading can happen in India thanks to new regulatory arrangements that make it just as amenable to global capital as Singapore.

That claim is doubtful. In any event, SGX is clearly not keen to find out. Instead of licensing the Nifty brand and paying the NSE for a steady flow of data, as hitherto, SGX said it would switch to what is in effect a home-brewed duplicate. Whereas the “real” Nifty is designed to match the price of an underlying basket of 50 shares, the new product is designed to match the price of the Nifty derivative instead. It is, in other words, the derivative of a derivative.

That is just a fancy way of breaching copyright, the NSE argues. It owns the Nifty trademark and SGX's product is but a thinly veiled clone of its own. SGX does indeed seem to be making no effort to differentiate itself. The marketing literature for its new derivative says it aims to track 50 shares that together represent 65% of the Indian market, just like the Nifty. The only difference is that it does not mention it by name.

Lawyers on both sides are brushing up on intellectual-property law. An arbitrator in Mumbai is due to make a ruling by June 16th, though appeals are expected. SGX has some precedents on its side. In 2005 a New York judge ruled that ICE, a commodity exchange, had broken no law when it lifted publicly available energy prices from NYMEX, a rival, to fuel its own derivatives contracts. “Settlement prices are not copyrightable because they are facts, and not original, creative works,” he said.

Nobody is arguing against SGX's right to set up a derivative on individual shares listed in Mumbai; it recently started doing just that. But tracking the whole Nifty requires using one monthly value, calculated by NSE, to “settle” the derivative. Arguably this calculation is closer to an art than publishing a single fact. American courts have found firms that provide such indices (for example, on which stocks are included) may indeed limit their outside use.

Though the row hurts both sides, no deal seems in sight. MSCI, which crafts a popular emerging-markets index that guides the investment of trillions worldwide, has warned that trying to throttle the dissemination of price data would make it harder for money to flow into India. It has argued that stockmarkets are natural monopolies that should in effect be compelled to sell their prices to whoever wants them. Information wants to be free, but try telling that to those compiling the data.

*This article appeared in the Finance and economics section of the print edition under the headline “Whose price is it anyway?”*

#### The luxury of unemployment

## In developing countries, many people cannot afford not to work

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*Measuring joblessness in Asia*

Print edition | Finance and economics Jun 7th 2018

AMERICA'S unemployment statistics attract close attention, even from presidents. Early on June 1st President Donald Trump tweeted that he was looking forward to the latest figure (3.8%), released that morning. China's unemployment numbers, by contrast, attract mostly ridicule. They have barely budged since 2011 despite the upheavals of the period.

Many China-watchers therefore hoped that a new measure of unemployment, dating from 2016 but published monthly since April, would be more revealing. Unlike the older statistic, which counts only those registered as jobless at local labour offices, the new measure draws on a survey of the labour force, collected by trained enumerators and beamed directly to Beijing beyond the grasp of local officials. It now covers 120,000 households across urban China (on top of a longer-running survey of 31 cities), providing, in theory, a representative snapshot of the biggest unemployed population in the world.

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To no one's surprise, the new number is well below the government's target of 5.5%. And unlike America's figure, it also seems boringly stable (see chart). That has led many to dismiss it as propaganda. But such a judgment may be too hasty. If China's unemployment figures do not behave like America's, that may be because Asian unemployment bears little resemblance to its Western counterpart.

In many developing countries, unemployment is low simply because few people can afford it. Jobless benefits are patchy. In their absence, most people have to eke out a living to survive. Unemployment is, in effect, a "luxury good", notes Ajit Ghose of India's Institute for Human Development, a research organisation.

Even when they are available, benefits may not be worth the bother. In Thailand, for example, payments last six months and range from 1,650 baht per month (\$52) to 15,000. To be eligible, a Thai worker must register with the social-security office. But only one in three does so, according to Warn Lekfuangfu, an economist at Chulalongkorn University. Many remain outside the formal economy, where they are denied benefits but also spared taxes.

What do they do instead? A laid-off factory worker might lend a hand on the family farm, become a casual day labourer, or sell trinkets on the street. "There's a plethora of low-wage jobs" in the region, points out Sara Elder of the International Labour Organisation (ILO) in Bangkok. At her husband's gym, ten people wait to help him with the climbing wall. In France, he would have to get by with only one.

When Annan Chanthan left his job as a graphic designer in Bangkok five years ago, he thought about collecting unemployment benefits, but never bothered. He now earns more money selling lottery tickets next to Hua Lamphong railway station than he did in his former profession.

In poor countries, unemployment is paradoxically concentrated among the better off and better educated. They can afford to wait a bit for a job that matches their aspirations and qualifications. Their behaviour may also explain unemployment's curious stability. "Even relatively well-off people cannot wait indefinitely," Mr Ghose points out. Thus when times are bad, they may settle for a worse job or stop looking, rather than wait longer, which would add to the rate of unemployment.

### Fulsome employment

The peculiarities of unemployment figures are not always appreciated by the governments that publish them. Some policymakers even complain that the statistic is too low. "They hate the unemployment rate in Africa; they're very vocal about it," Ms Elder says. For many years, Liberia's jobless rate was said to be 85%, an outlandish figure that nonetheless symbolised the country's genuine economic distress. When the government carried out a proper count in 2010, it discovered that the true rate, strictly defined, was under 3%.

Some governments nudge the measure upwards. They count people who are not immediately available to start work or not actively seeking it. Indonesia, for example, includes "discouraged workers", who have given up looking for a job. Its national number was 5.4% in 2017, compared with the ILO estimate of 4.2%.

Countries seeking higher rates may soon get their wish. In 2013 the world's labour statisticians resolved to change the definition of the labour force, excluding people, such as subsistence farmers, who produce goods for their own family's use. That does not change the number of unemployed. But it does shrink the labour force. Thus when the new definition is implemented, an unchanged number of unemployed people will constitute a higher percentage of a smaller labour force. In a rural country like Laos, the effect is dramatic. Its unemployment rate was 0.7% in 2010 using the old definition but jumped to 9.6% in 2017, using the new, stricter one.

Ultimately, a low unemployment rate is evidence only that people are working, not that they are working well. Work may be poorly paid, periodic and precarious. In Indonesia, less than half of those in employment collect a recognisable wage or salary. The rest mostly work for themselves or their families.

Patchy employment is by no means the preserve of poor countries. It is becoming more prominent in richer nations also, notes Mr Ghose. On his last visit to Cambridge University, he learnt that some staff in the faculty cafeteria did not find out until Friday whether they would be working the following week. When he was a student at Cambridge decades ago, things were not like that at all, he says. In Britain and America, the unemployment rate is now reminiscent of that past age of full employment. But as Asia demonstrates, full employment can sometimes be surprisingly threadbare.

*This article appeared in the Finance and economics section of the print edition under the headline "The luxury of unemployment"*



## The market for driverless cars will head towards monopoly

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*Economies of scale mean today's fierce competition will probably be short-lived*

Print edition | Finance and economics Jun 7th 2018

THE race to bring driverless cars to market is fierce and crowded. All the leading carmakers are in the field: on May 31st SoftBank's Vision Fund said that it would invest \$2.25bn in the autonomous vehicle (AV) arm of General Motors. So are tech upstarts, from Uber to Tesla to Waymo, Alphabet's self-drive division and the leader in driverless technology, which recently announced plans to add 62,000 minivans to the fleet of cars that will make up its autonomous ride-hailing service. Intense competition has both benefits and costs, but will probably prove short-lived. Thanks to powerful economies of scale, the roads may soon be ruled by no more than a handful of firms.

The advantages of scale begin with data. Like humans, the computers which power driverless cars improve with experience. The computers sitting in AVs are essentially in the business of learning and improving on what a good human driver would do, write Ajay Agrawal, Joshua Gans and Avi Goldfarb in their new book, "Prediction Machines". The more data they have, the better they become at predicting whether that blur ahead is a pedestrian or sunlight reflecting off the road, and reacting accordingly. And the more miles under an AV project's belt, the more unusual events—a moose in the road, say—the system faces.

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Fortunately such lessons, once learned by computers, are not forgotten, and can be drawn upon by every vehicle using the same software. This, and the fact that AVs never fall asleep at the wheel or pull their eyes from the road to check their phone, suggests that driverless cars should ultimately be far safer than the human-driven sort, which contribute to the roughly 1.25m road deaths each year worldwide, a bigger body-count than malaria. But some AV systems will be safer than others. Those that beat competitors on safety and general reliability will attract more drivers and corporate partners, allowing them to gather more data still.

Regulators might further thin the field, by forcing firms with poor safety records to curtail testing or by setting standards that only the best can meet. Indeed, performance gaps could create ethical quandaries for governments: should the safest firms be forced to share their technology; should they be given exclusive rights to the roads; should policymakers tolerate preventable deaths in cars using inferior software? Such questions might not remain academic for long. Between December 2016 and November 2017 Waymo reported three collisions in 350,000 miles (560,000km) of driving in California; GM, the nearest American competitor, had 22 in 132,000. Neither has been involved in a fatal accident, as Tesla and Uber have.

Scale will yield still other benefits. Though some people will want their own driverless cars, the market is likely to favour AV-based ride-hailing services. Driverless cars will not come cheap. But cars used in ride-sharing services will cost less per mile than personal vehicles, which spend much of their time sitting idle. Maintenance and other costs should be lower for fleets of hailable AVs, because centralised facilities ought to enjoy productivity advantages over distributed mechanics' shops, and because individual owners are at an informational disadvantage to their mechanics, which creates opportunities for overcharging.

Individual owners might nonetheless shell out for the convenience of a car at their personal beck and call. Yet car-hailing services, like bike-sharing businesses, become more useful as their user-base grows. The more riders there are in an area, the more vehicles it pays to operate, and the more likely a user is to find an open ride nearby. If waiting times fall to almost nothing—as clever AVs learn to roll up at the time you usually leave home or work—the extra value of having your own car will fade.

Convenient, safe AVs, which allow riders to nap rather than mind the wheel, should reduce the hassle of travelling by car. That creates a potential snag: people may travel more, making congestion worse. Ironically, though, scale could fix this too. Congestion occurs because individual drivers do not take into account the inconvenience they cause to others. One way to solve this is to force drivers to bear those costs, by charging them a fee. But governments' plans to introduce congestion tolling are unpopular—and charging is consequently rarer than chronically jammed highways.

But a ride-hailing service which grew to account for a substantial share of traffic would face a different set of incentives. Congestion costs imposed by one of its cars on another would be internal to that firm, which would have both the reason and the ability to do something about it—by varying prices with demand, perhaps, or by offering reduced rates to customers willing to share a car. Other cars or services could attempt to free-ride on the free-flowing traffic created by dominant firms. But concentrated control over roadways could make the politics of road fees more tractable: as the winning firms' bargaining power rose, as fewer middle-income households owned their own cars, and especially if, as Daniel Rauch and David Schleicher of Yale University suggest, AV firms join with governments to provide public transport and mobility services.

### Waymo regulation

Assuming, that is, that governments do not take a much larger role in the market. Historically, scale economies in transport, from railways to public transit, pushed systems towards monopoly and eventual government interference. Economies of scale

will likewise thin the ranks of driverless contenders and create pressure for government involvement. Driverless cars might not be much faster than those controlled by humans. But the market could go from cut-throat competition to oligopoly to state control with extraordinary speed.

*This article appeared in the Finance and economics section of the print edition under the headline "Road hogs"*

### Medicine

From A&E to AI

From A&E to AI

## Artificial intelligence will improve medical treatments

*It will not imminently put medical experts out of work*

Print edition | Science and technology Jun 7th 2018

FOUR years ago a woman in her early 30s was hit by a car in London. She needed emergency surgery to reduce the pressure on her brain. Her surgeon, Chris Mansi, remembers the operation going well. But she died, and Mr Mansi wanted to know why. He discovered that the problem had been a four-hour delay in getting her from the accident and emergency unit of the hospital where she was first brought, to the operating theatre in his own hospital. That, in turn, was the result of a delay in identifying, from medical scans of her head, that she had a large blood clot in her brain and was in need of immediate treatment. It is to try to avoid repetitions of this sort of delay that Mr Mansi has helped set up a firm called Viz.ai. The firm's purpose is to use machine learning, a form of artificial intelligence (AI), to tell those patients who need urgent attention from those who may safely wait, by analysing scans of their brains made on admission.

That idea is one among myriad projects now under way with the aim of using machine learning to transform how doctors deal with patients. Though diverse in detail, these projects have a common aim. This is to get the right patient to the right doctor at the right time.

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In Viz.ai's case that is now happening. In February the firm received approval from regulators in the United States to sell its software for the detection, from brain scans, of strokes caused by a blockage in a large blood vessel. The technology is being introduced into hospitals in America's "stroke belt"—the south-eastern part, in which strokes are unusually common. Erlanger Health System, in Tennessee, will turn on its Viz.ai system next week.

The potential benefits are great. As Tom Devlin, a stroke neurologist at Erlanger, observes, "We know we lose 2m brain cells every minute the clot is there." Yet the two therapies that can transform outcomes—clot-busting drugs and an operation called a thrombectomy—are rarely used because, by the time a stroke is diagnosed and a surgical team assembled, too much of a patient's brain has died. Viz.ai's technology should improve outcomes by identifying urgent cases, alerting on-call specialists and sending them the scans directly.

### The AIs have it

Another area ripe for AI's assistance is oncology. In February 2017 Andre Esteva of Stanford University and his colleagues used a set of almost 130,000 images to train some artificial-intelligence software to classify skin lesions. So trained, and tested against the opinions of 21 qualified dermatologists, the software could identify both the most common type of skin cancer (keratinocyte carcinoma), and the deadliest type (malignant melanoma), as successfully as the professionals. That was impressive. But now, as described last month in a paper in the *Annals of Oncology*, there is an AI skin-cancer-detection system that can do better than most dermatologists. Holger Haenssle of the University of Heidelberg, in Germany, pitted an AI system against 58 dermatologists. The humans were able to identify 86.6% of skin cancers. The computer found 95%. It also misdiagnosed fewer benign moles as malignancies.

There has been progress in the detection of breast cancer, too. Last month Kheiron Medical Technologies, a firm in London, received news that a study it had commissioned had concluded that its software exceeded the officially required performance standard for radiologists screening for the disease. The firm says it will submit this study for publication when it has received European approval to use the AI—which it expects to happen soon.

This development looks important. Breast screening has saved many lives, but it leaves much to be desired. Overdiagnosis and overtreatment are common. Conversely, tumours are sometimes missed. In many countries such problems have led to scans being checked routinely by a second radiologist, which improves accuracy but adds to workloads. At a minimum Kheiron's system looks useful for a second opinion. As it improves, it may be able to grade women according to their risks of breast cancer and decide the best time for their next mammogram.

Efforts to use AI to improve diagnosis are under way in other parts of medicine, too. In eye disease, DeepMind, a London-based subsidiary of Alphabet, Google's parent company, has an AI that screens retinal scans for conditions such as glaucoma, diabetic retinopathy and age-related macular degeneration. The firm is also working on mammography.

Heart disease is yet another field of interest. Researchers at Oxford University have been developing AIs intended to interpret echocardiograms, which are ultrasonic scans of the heart. Cardiologists looking at these scans are searching for signs of heart disease, but can miss them 20% of the time. That means patients will be sent home and may then go on to have a heart

attack. The AI, however, can detect changes invisible to the eye and improve the accuracy of diagnosis. Ultramics, a firm in Oxford, is trying to commercialise the technology and it could be rolled out later this year in Britain.

There are also efforts to detect cardiac arrhythmias, particularly atrial fibrillation, which increase the risk of heart failure and strokes. Researchers at Stanford University, led by Andrew Ng, have shown that AI software can identify arrhythmias from an electrocardiogram (ECG) better than an expert. The group has joined forces with a firm that makes portable ECG devices and is helping Apple with a study looking at whether arrhythmias can be detected in the heart-rate data picked up by its smart watches. Meanwhile, in Paris, a firm called Cardiologs is also trying to design an AI intended to read ECGs.

### **Seeing ahead**

Eric Topol, a cardiologist and digital-medicine researcher at the Scripps Research Institute, in San Diego, says that doctors and algorithms are comparable in accuracy in some areas, but computers have the advantage of speed. This combination of traits, he reckons, will lead to higher accuracy and productivity in health care.

Artificial intelligence might also make medicine more specific, by being able to draw distinctions that elude human observers. It may be able to grade cancers or instances of cardiac disease according to their risks—thus, for example, distinguishing those prostate cancers that will kill quickly, and therefore need treatment, from those that will not, and can probably be left untreated.

What medical AI will not do—at least not for a long time—is make human experts redundant in the fields it invades. Machine-learning systems work on a narrow range of tasks and will need close supervision for years to come. They are “black boxes”, in that doctors do not know exactly how they reach their decisions. And they are inclined to become biased if insufficient care is paid to what they are learning from. They will, though, take much of the drudgery and error out of diagnosis. And they will also help make sure that patients, whether being screened for cancer or taken from the scene of a car accident, are treated in time to be saved.

*This article appeared in the Science and technology section of the print edition under the headline “From A&E to AI”*

Climate change

## Extracting carbon dioxide from the air is possible. But at what cost?

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*The power of negative thinking*

Print edition | Science and technology Jun 7th 2018

IN MAY some 250 scientists and policy types from around the world convened in Gothenburg, Sweden, to discuss a dirty secret of the three-year-old Paris climate agreement. Virtually all simulations which chart paths toward meeting that compact's goal—to keep temperature rise “well below” 2°C relative to pre-industrial levels—assume not just a sharp reduction in actual emissions but also the removal of carbon dioxide from the atmosphere on a massive scale. One reason such “negative emissions” have been absent from climate discussions—the Swedish shindig being the first of its kind—is that no one has a good idea of how exactly to bring them about. The obvious solution is to plant lots of trees, to convert CO<sub>2</sub> into wood. But this would mean foresting an area with a size somewhere between that of India and Canada. Alternative, engineered fixes have been dogged by potentially stratospheric costs, uncertain efficacy or both.

No longer, reckons David Keith. Besides his day job as a climate expert at Harvard university, Dr Keith is a co-founder of Carbon Engineering, a nine-year-old firm that counts Bill Gates among its backers. Dr Keith and his colleagues argue in a paper they have just published in *Joule* that the CO<sub>2</sub> removal technique they have been perfecting is no pipe dream—even if it does contain pipes aplenty.

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Their process has four steps. First, air is channelled by fans onto a honeycombed plastic slab called a contactor, where CO<sub>2</sub>, which is acidic, reacts with aqueous potassium hydroxide, which is alkaline. The resulting solution of potassium carbonate is filtered and exposed to a slurry of calcium hydroxide. This produces potassium hydroxide, which is recycled back to the contactor, and pellets of calcium carbonate. These are whisked to the third receptacle, called a calciner. There the calcium carbonate is heated to 900°C to release pure carbon-dioxide gas ready for capture, and calcium oxide. Finally, the calcium oxide is piped to a “slaker”, where it is dissolved in water to form calcium hydroxide, which is reused in the second step.

If that all sounds complicated, chemically speaking it is not. Nor is the idea new. A researcher called Klaus Lackner came up with the principles 20 years ago and Dr Keith patented his version in 2015. A pilot plant with a contactor three by five metres across and three metres deep has been running for three years. It extracts a tonne of carbon dioxide from the air per day.

What sets Dr Keith's latest paper apart from his earlier publications—and, indeed, those of other putative carbon-hoovers—is that it offers a hard-nosed estimate of the system's cost and scalability. The results look encouraging.

That is principally because each step in Dr Keith's scheme is adapted from known industrial processes. The contactor was pinched from factory cooling towers. The pellet reactor came from water-treatment plants. The calciner was developed from metal-ore purification apparatus. And the slaker was adapted from pulp mills. The required tweaks were small enough to permit Carbon Engineering to procure the paraphernalia for the prototype plant from existing suppliers. Crucially, this also enabled the suppliers—and an independent engineering consultancy hired by Carbon Engineering—to estimate how much it would cost to build a fully fledged facility (envisaged in the picture above) capable of extracting between 100,000 and 1m tonnes of carbon dioxide a year.

Factoring in operating costs and the cost of capital, the study concludes that Carbon Engineering's system could capture a tonne of the greenhouse gas for between \$94 and \$232. That is well below the \$600 per tonne suggested by authors of an influential American Physical Society report from 2011 that reviewed proposed carbon-dioxide-removal schemes. Admittedly, it is still much pricier than the \$10 or so that a tonne of the gas is worth in emissions-trading schemes such as the European Union's. But it is of the order of the \$100 or so that most climate economists think would eventually be needed to prompt the transition to the low-carbon economy implicit in the Paris agreement. And Dr Keith thinks the cost can be brought down further with a bit of tinkering.

Carbon Engineering and its investors believe they can make money even before this happens. To start with, revenue would be generated by turning captured CO<sub>2</sub> back into fuel (technology to do this already exists). Though that sounds thermodynamically bonkers, such fuel would, from a legal point of view, count as “zero carbon” because making and then using it involves no net release of CO<sub>2</sub> into the atmosphere.

Demand for zero-carbon liquid fuels looks poised to rise as climate-friendly places adopt low-carbon fuel standards. California did this in 2007 and the European Union followed in 2009. Such standards force distributors to keep the average carbon intensity of petrol below a certain threshold, and therefore to offset dirty fuels with clean ones—and none is cleaner than Carbon Engineering's. California's requirement, which is in effect a cap-and-trade scheme, translates to a price of \$165 per tonne of carbon dioxide, making the company's product competitive. Steve Oldham, the firm's boss, therefore hopes to license know-how to fuel producers doing business in such jurisdictions. Mr Oldham says that ground should be broken on the first industrial-scale plant, which is to be built at an undisclosed location in America, before the end of the year.

As both Dr Keith and Mr Oldham concede, recycling CO<sub>2</sub> in this way means that Carbon Engineering's current business model offers zero, rather than truly negative, emissions. But it gives the company breathing space to fine-tune its system

and demonstrate its feasibility to investors. More Gothenburg-like gatherings may yet prompt governments to take negative emissions seriously. California is already considering subsidies for carbon-dioxide removal. As things stand, the cost of using Carbon Engineering's kit to scrub 8bn-10bn tonnes of CO<sub>2</sub> per year, as the climate models presuppose, would run to trillions of dollars. Then again, no one said guaranteeing civilisation's survival was going to come cheap.

*This article appeared in the Science and technology section of the print edition under the headline "The power of negative thinking"*



Evolution

## The Cambrian explosion was caused by a lack of oxygen, not an abundance

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*Animal magic*

Print edition | Science and technology | Jun 7th 2018

DURING the Cambrian period, which began 541m years ago, animal life took a remarkable leap forward. The first creatures believed by most (though not all) palaeontologists to be multicellular animals appear in the previous geological period, the Ediacaran. But though they are abundant and reasonably diverse, Ediacaran creatures do not look ancestral to modern animals. That is in contradistinction to Cambrian fossils, among which are found representatives of all the main animal groups (annelids, arthropods, brachiopods, chordates, cnidarians, echinoderms, molluscs and so on) that are around today. And these groups appear in what is, in geological terms, an eyeblink.

Several explanations have been put forward to explain the Cambrian explosion of animal life. One of the most popular is that it was fuelled by a dramatic rise in oxygen levels, permitting large and active creatures to thrive. However, a study just published in *Geology* by Wei Guangyi of Nanjing University suggests this tale is not true. Though oxygen levels certainly did rise in the late Ediacaran and early Cambrian, he and his colleagues suggest that what propelled animal evolution was actually two occasions when they crashed.

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Dr Wei's evidence comes from rocks in the Chinese provinces of Hubei and Yunnan. Specifically, he and his colleagues looked at uranium in limestone that had formed in shallow Ediacaran and Cambrian seas. Uranium has two isotopes, <sup>235</sup>U and <sup>238</sup>U, that differ by three in the number of neutrons in their nuclei. This small mass difference is enough to affect the speed of chemical reactions involving them, particularly if those reactions are biologically mediated by, say, bacteria, and thus involve interactions with enzymes. The upshot is that uranium compounds precipitated in well-oxygenated water have more <sup>238</sup>U in them than those from anoxic water.

Armed with this information, Dr Wei and his colleagues looked at the ratio of uranium isotopes in their rock samples and found two moments when <sup>238</sup>U levels plunged with respect to those of <sup>235</sup>U. The first was between 542m years and 541m years ago—that is, immediately before the Cambrian. The second was between 524m years and 523m years ago, after the Cambrian had been going for some time. Crucially, these dates match what look, from the fossil record, like two pulses of evolution in the history of the animals. The first saw the emergence of brachiopods and molluscs, the second that of annelids, cnidarians, echinoderms and chordates (a group that includes the vertebrates).

In Dr Wei's view, then, what happened in the Cambrian was similar to subsequent incidents of biological diversification, such as that of the mammals after the extinction of the dinosaurs. First, some sort of environmental catastrophe wiped out many of the previous incumbents. Then, new groups emerged to fill the empty ecological niches. In the case of the dinosaurs, the catastrophe was an asteroid impact. In the case of the Cambrian it was periods of anoxia of as-yet-unknown cause. It remains true that rising oxygen levels on Earth at the time were necessary to permit animals to prosper. But the trigger for their diversity may well have been the reverse.

*This article appeared in the Science and technology section of the print edition under the headline "Animal magic"*

### The art of football

A beautiful game

A beautiful game

## When drama and beauty turn the World Cup into art

*Heroes, villains, creativity, human frailty: five World Cup moments when art and sport merged*

Print edition | Books and arts Jun 9th 2018

PELÉ was nine years old when he first saw his father cry. It was 1950, the year of the *Maracanazo*—Brazil's devastating loss to Uruguay, at the Maracanã stadium in Rio, which cost the team the World Cup. The child promised his father that he would avenge the defeat. When the two countries next met in the tournament, in the semi-final of 1970, Pelé was playing. With the scores tied at 1-1, he chased a pass deep into Uruguay's half. The goalkeeper rushed from his line. Their foot race was also the climax of a story, or rather several: the story of the game, of Pelé's career, of his country's recovery from the *Maracanazo*.

With its mortifications and sense of worldwide communion, the World Cup—which begins on June 14th—is a kind of global religion. It is a form of soft diplomacy and a safe outlet for nationalism. For many fans, it is a potent quadrennial madeleine, each tournament summoning memories of previous ones, the lost friends with whom they were watched, past selves. Sometimes the football itself can be cagey and boring. But, especially on its biggest stage and canvas, sometimes football is art. Individual moves can be balletic, a team's routines exquisitely choreographed. Grand narratives unfold and crescendo, tragedies and unlikely triumphs that feature heroes, villains and occasionally players who contrive to be both.

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**1. Darkness to light.** Redemption is one of the fundamental themes of art and literature, from the Bible to the "Odyssey", from Raskolnikov's rebirth in "Crime and Punishment" to Rick's late-breaking idealism in "Casablanca". In such stories the good and bad that vie in people are heightened and set in conflict. Rarely have a character's base and noble traits collided as they did at the World Cup of 1986, in which Diego Maradona ascended from infamy to sublimity in a single game.

Not just any game. In 1982 Britain defeated Argentina in a war over the Falkland Islands. Four years later, having emerged from a military dictatorship, Argentina faced England in a quarter-final in Mexico. "We were defending our flag, the dead kids, the survivors," Maradona, the team's captain, said later. In the space of four minutes he scored the most scandalous goal in history and the finest. First he surreptitiously punched the ball into the net (the "hand of God", he called it afterwards). For the second goal, he seemed to function on a different plane to the hapless Englishmen. He pirouetted away from two defenders, ran half the length of the pitch, rounded the keeper and guided the ball home. Argentina won the game and, redemptively, the cup.

Before and afterwards, Maradona's life was chequered. He grew up in poverty; later he failed drug tests and ballooned. But, as he said in a memoir, "Nobody anywhere is ever going to forget those two goals I scored against the English." Together they form a diptych as dramatic as Scrooge's enlightenment or Darth Vader's conversion. The first "was like stealing from a thief". As for the second: "It is possible that a more beautiful goal has been scored...but I doubt it."

**2. Present at the creation.** Greatness in sport, as in art, often comes from unseen, grinding effort. But sometimes it arises from sheer inspiration—a wind awakening a coal to brightness, as Percy Bysshe Shelley put it, or the "flash in the brain" that Johan Cruyff said he experienced at the World Cup in Germany in 1974.

Cruyff was a master of flicks, feints, impudent shots and passes that described arcing lines of beauty. But it was his improvisation in a match against Sweden that made him immortal. By his own account, he had not practised what he did upon receiving the ball near the corner flag, a Swedish defender in close attendance. Cruyff appeared to be heading away from the goal, until, in a quicksilver feat of dexterity and imagination, he tucked the ball behind him, swivelled and set off in the other direction. For an instant he seemed to be running in both directions at once.

The "Cruyff turn" has since been attempted by players everywhere. Seeing it for the first time was akin to hearing the impossible, unscripted E-flat sung by Maria Callas at the end of "Aida" in Mexico City, or watching Michael Jackson unveil his moonwalk. When Cruyff died, one of the best tributes came from Jan Olsson, the defender he bamboozled. "I loved everything about this moment," Mr Olsson said. "I am very proud to have been there."

**3. Dust to dust.** In 2009 the artist Mark Wallinger curated an exhibition on the theme of boundaries and doubts. It contained *trompe l'oeil* paintings, artificial flowers and a fake Tardis, or perhaps a real one. Mr Wallinger called the show "The Russian Linesman."

Fittingly, the linesman to whom that name referred was not actually Russian. His name was Tofiq Bahramov and he was from Azerbaijan. Bahramov officiated at the World Cup final of 1966, played between England and West Germany at Wembley Stadium in London. With the scores level in extra time, a shot by Geoff Hurst, England's striker, rattled the crossbar and bounced down over the goal line. Or perhaps it didn't: the German players claimed to have seen chalk dust, indicating that the ball hit

the line and thus that the goal should not be given. The referee jogged across to consult Bahramov, who briskly nodded an affirmative.

England won 4-2. English fans mostly remember the fourth goal, scored in the final seconds as the joyous crowd spilled onto the pitch. But it is the third that is a work of art. Just as Hamlet's psychology and the Mona Lisa's smile become more enigmatic with each viewing, however many times you watch Mr Hurst's shot, you can never know for sure.

**4. The tragic hero.** The World Cup final in Berlin in 2006 was the last game Zinedine Zidane ever played. He had already won the tournament once, spurring France to victory in 1998. After that, he was more than a footballer. In a country where Jean-Marie Le Pen of the National Front made it to the run-off in the next presidential election, Mr Zidane—the son of an Algerian warehouseman—became the face of a more tolerant France. Crowds in Paris chanted for him to be president.

The match in Berlin was heading for a penalty shoot-out; Mr Zidane, France's captain, had already scored one in the game. With ten minutes to go, an Italian defender muttered something to him (about his mother, Mr Zidane alleged; only about his sister, the defender maintained). Mr Zidane headbutted the Italian in the chest. He was sent off. France lost the shoot-out.

This implosion was a tragedy in the purest sense. A tragedy, wrote Aristotle in the fourth century BC, depicts the fall of a great but flawed man, and hinges on a *peripeteia*, or sudden reversal, like the Italian defender's slur. For Bernard-Henri Lévy, a French intellectual, the meltdown represented the "suicide of a demigod"—a tragic hero of whom too much has been demanded. Watch the scene closely, and there is indeed something oddly composed in Mr Zidane's demeanour as, jogging away from his opponent, he hears, stops, and turns back to meet his fate.

**5. A crack in everything.** According to the Japanese aesthetic known as *wabi-sabi*, beauty is not perfect but flawed and incomplete. Leonard Cohen expressed the same thought in "Anthem": "Forget your perfect offering/There is a crack in everything/That's how the light gets in." So, inadvertently, did Pelé, after he won the race with the Uruguayan goalkeeper.

Perhaps no one but Pelé would have done what he did next. He did nothing. His mind whirring faster than his feet, he did not touch the ball, as the keeper expected, but let it run on—hastily collecting it, after his *coup de théâtre*, on the other side of his opponent. Pelé shot towards the unguarded goal—but scuffed his kick and missed.

He still avenged his father and the *Maracanazo*. Brazil beat Uruguay and won the final, in which Pelé scored. Still, much later he said he had dreams in which, after that audacious moment of restraint, his aim was true: "It would have been so much more beautiful had it gone in." He may be the greatest football artist of all time, but, about this, Pelé is wrong. The kink in the masterpiece is what makes it human.

*This article appeared in the Books and arts section of the print edition under the headline "A beautiful game"*

Good guy with a gun

## Bill Clinton's debut thriller is an exercise in wish-fulfilment

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*But presidential insights are missing in "The President is Missing"*

Print edition | Books and arts Jun 7th 2018

**The President is Missing.** By Bill Clinton and James Patterson. *Little, Brown.*

ONE of them was a publishing machine with scores of bestsellers under his belt. The other knew the White House like the back of his hand (because he lived in it for eight years). Together they made a perfect thriller-writing team. Or so claims the marketing for Bill Clinton's debut novel, "The President is Missing", co-written with James Patterson, whose books have sold over 375m copies. Insider knowledge! Thrills and spills! More of the latter than the former, it turns out.

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In what seems a case of wish-fulfilment in more ways than one, "The President is Missing" features a morally unimpeachable president—a former soldier who was captured and tortured by the enemy but never said a word (his middle name is Lincoln rather than Jefferson). Now he is stressed, sick and grieving, juggling bitter enemies and uncertain friends. Suddenly he faces a crisis of such magnitude that it involves saving not only America from catastrophe, but probably the entire human race. "Not since Kennedy stared down Khrushchev over the missiles in Cuba has our nation been this close to world war," the president muses. To stand any chance of success, he must go spectacularly off-piste. Hence the title.

Alas, "The President is Missing" is itself missing some things that might have improved it. It is short of real political insight, which is surprising. There is no sex, which may or may not be even more surprising. What it offers instead are 128 chapters of breathless, onward-rushing, monosyllabic prose and enough twisty plotting to give the reader a bad case of whiplash (mixed metaphors intentional). The storyline swings back and forth between the president and his pals—an imposing chancellor of Germany called Juergen Richter who looks "like something out of British royalty", a Russian prime minister with an iron handshake and a gushy Israeli premier. "You know that Israel will never leave your side," she assures the president.

The assembled global uppy-ups and dirty low-lifers spend the book hopping across highways and down cul-de-sacs. The plot is epic and unlikely, and includes such grand concerns as terrorism, computer shutdowns, the threat of chaos, civil disorder, and death on a gigantic scale. As a helpful timer ticks down the minutes, the denouement comes with just three seconds to spare. There are baddies who turn out to be goodies, and a goody who turns out to be very bad indeed: an ambitious woman with a soul shrivelled by envy. There is a female assassin who goes by the codename Bach.

For much of the ride, it is not clear quite what Mr Clinton has contributed. But, just as more than 500 pages tick towards zero, the presidential co-author finally gets his hands on the plot. Having seen off the baddies and saved America and the world, the hero tries a spot of bipartisan rallying.

In an address to a joint session of Congress, he reveals why he had to abscond from the White House—while also calling for immigration reform, gun controls, a meaningful climate-change debate and a return to the Founding Fathers' ambition to form a more perfect union. "After the speech, my approval ratings rose from less than 30% to more than 80%. I knew it wouldn't last, but it felt good to be out of the dungeon." In his dreams.

*This article appeared in the Books and arts section of the print edition under the headline "Good guy with a gun"*

Myth and madness

## The tale of the “Lost Colony” is a chronicle of delusion

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*The doomed settlement on Roanoke Island offers an origin story of an exclusionary cast*

Print edition | Books and arts Jun 7th 2018

**The Secret Token: Myth, Obsession and the Search for the Lost Colony of Roanoke.** By Andrew Lawler. *Doubleday*; 426 pages; \$29.95.

THE tale of the “Lost Colony” is a 400-year chronicle of madness and delusion. As Andrew Lawler recounts in “The Secret Token”, it begins in 1587 with the ill-conceived, ill-executed attempt to found the New World’s first English settlement on Roanoke Island, and continues to this day in the obsessive quest to discover how and why the colony disappeared. Both the original settlers and those who, over the subsequent centuries, have quixotically tried to trace them seem equally deluded. They are all mirage-chasers, confident (despite ample evidence to the contrary) that the ultimate prize is within their grasp.

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In the case of the colonists, that prize was mountains of diamonds or gold, or a quick passage to Asia. For historians, archaeologists and amateur sleuths, it is the equally elusive object or text that will reveal the Lost Colony’s fate. Yet in truth there is nothing very mysterious about the failure of the Roanoke settlement.

This bid to establish a European outpost off what is now the coast of North Carolina was doomed by ignorance of the basic facts of geography, geology and geopolitics. Conceived by Sir Walter Raleigh, a favoured courtier of Elizabeth I, as a means to “wrest the keys of the world from Spain”, the site was chosen “because on the mainland there is much gold”—and because Raleigh assumed it was strategically placed near an easy passage between the Atlantic and Pacific oceans.

None of these assumptions was grounded in reality. And reality quickly struck back, in the form of disease, starvation, hostile natives and even more hostile Spaniards. Hoping to obtain desperately needed supplies, John White, the governor, sailed for England. Delays caused by war, storms and other catastrophes meant it was three years before he was able to make it back. By then, the colony—which included his granddaughter, Virginia Dare, the first English child born in North America, according to legend—had vanished, leaving only a few tantalising clues behind.

Thus begins the second part of this saga: the fruitless search for answers—and the strange form of madness that seems to overcome anyone who gets too close to the subject. “The Lost Colony has a kind of inexorable pull, like a black hole,” a researcher tells Mr Lawler. But if the hunt itself is a matter of “chasing ghosts”, Mr Lawler is on firmer ground in his effort to explain its hold on the American imagination. Above all, the legend of the Lost Colony fulfils the need for an origin story, one that is all the more powerful for its pathos.

Still, it is an origin story of an exclusionary, even racist, cast. Given the devastation wrought on native populations, the obsessive focus on a handful of Anglo-Saxon settlers—including, most poignantly, the infant Virginia—is overblown. The notion that America began here, in the bogs and shifting sands of Roanoke Island, provides a distinctly Waspy pedigree for a nation with a far more complicated heritage.

Mr Lawler is an intrepid guide to this treacherous territory. When he attempts to track down one of the most controversial artefacts associated with the Lost Colony, he confesses: “No scholar in his right mind would risk his reputation on the Dare Stone, which by now was academically radioactive. Fortunately, I was no scholar.” This can-do spirit serves him well. His willingness to chase down every lead, no matter how outlandish, and his enthusiasm for the journey as much as the destination, make “The Secret Token” a lively and engaging read.

*This article appeared in the Books and arts section of the print edition under the headline “Myth and madness”*

The writing on the wall  
**Secrets and lies of the nuclear age**

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*A panorama of atomic grotesquerie is troubling, surprising—and ruthlessly entertaining*

Print edition | Books and arts Jun 7th 2018

**Fallout: Disasters, Lies and the Legacy of the Nuclear Age.** By Fred Pearce. *Beacon Press*; 264 pages; \$27.95. *Portobello Books*; £14.99.

THE Hanford nuclear complex in Washington state contained radioactive alligator carcasses. Nuns used their blood to daub crosses on a missile silo in Colorado. In Cumbria, northern England, 1,500 contaminated birds were killed and buried with some radioactive garden gnomes.

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These lurid tales from the nuclear world are all real. But the industry also generates myths that are widely accepted as true. For example, Chernobyl is not a dead zone: its wildlife thrives (see picture), and many returnees have lived into ruddy old age, eating produce from the radioactive soil. The evidence suggests those who die early are the evacuees who, Fred Pearce writes, “languish unhappily in distant towns—free of radiation but often consumed by angst, junk food and fear.” Likewise, no one seems to have died as a direct result of the meltdown at Fukushima. The deaths related to the accident were mainly suicides prompted by the chaotic evacuation and loss of home, jobs and family. “Psychological fallout” can be lethal.

When the truth seems ludicrous, and falsehoods are widely believed, facts can be elusive. In “Fallout” Mr Pearce, a veteran science journalist, travels the world to pin down what he calls “the radioactive legacies of the nuclear age”. He moves between weaponry and energy, cataloguing mistakes, dishonesty and irrational fears. The result is a panorama of atomic grotesquerie that is at once troubling, surprising and ruthlessly entertaining.

His nuclear odyssey yields some hideous examples of the industry's secrecy, particularly a visit to the Russian village of Metlino, on the Tcha river in the Urals. In the 1950s this was the world's most radioactive river; Mr Pearce reckons it may have been responsible for more sickness than all of the other nuclear incidents in history combined. Upstream sat the Mayak power plant, which “poured into it an average of one Olympic swimming pool's worth of highly radioactive liquids every two hours.” Villagers received “staggering” doses of radiation; scientists quietly monitored the rates of illness and death.

Such callous episodes, and better-known calamities such as Chernobyl and Fukushima, dominate the nuclear debate. As Mr Pearce observes, similar attention is rarely given to various studies demonstrating that no link exists between nuclear plants and local cancer rates, nor the painstaking schemes, such as those in Germany, to safely dispose of nuclear waste. His deepest worry is about Britain's Sellafield plant, home to a massive stockpile of plutonium. In 1995 its fence was easily scaled by Greenpeace activists, who sprayed “bollocks” on the walls. A bomb sent across the fence could result in “a terrorist Chernobyl”, yet Mr Pearce saw little being done to reinforce the site.

He asks how long the beleaguered nuclear-power industry can survive—hobbled as it is by the association with nuclear weapons (“the Achilles' heel of civil nuclear power”), a litany of disasters and the doomsday hyperbole of anti-nuclear activists. Mr Pearce recognises that “most civilian nuclear activities are safe”, but notes that in democracies, at least, the public has the power of veto, however sensibly they wield it.

*This article appeared in the Books and arts section of the print edition under the headline “The writing on the wall”*



Johnson

## What does it mean to “bear arms”?

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*Big data can help clarify the meaning of the Second Amendment. Judges should pay attention*

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WHAT does it mean to “bear arms”? The Second Amendment to America’s constitution reads: “A well regulated Militia, being necessary to the security of a free State, the right of the people to keep and bear Arms, shall not be infringed.” Concerned by the number of firearms in America, and the epidemic of gun violence they cause, many commentators (including Johnson) have in the past examined the first half of the amendment. It seems obvious to some that the first clause qualifies the second: the right to bear arms is tied to militia service.

But gun-rights advocates think the second clause stands alone. Among them was the late Antonin Scalia, who in 2008 wrote a Supreme Court opinion, *DC v Heller*, holding that the amendment guarantees an individual right to guns, no militia service required. He went on to explain “bear arms”. For him, “to bear” was simple enough, meaning “to carry”. And “arms” were just weapons. He conceded that there was an idiom, “to bear arms”, which meant to belong to an organised military force. But this was only a possible import of the phrase, not its core meaning.

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Scalia was an originalist—ie, he believed the constitution must be interpreted in the light of the meaning of its constituent words in the late 18th century. He bolstered his argument by citing an edition of Samuel Johnson’s dictionary from 1773, plus selected prose from the period in which the constitution was written.

He was mistaken. Selective quotations can prove anything, if you have clever researchers looking for them. But there is a far more robust way to find out what people meant by this or that word in the 18th century. That is to gather a large number of texts into a “corpus”, a searchable body of material, and then look for patterns in thousands of uses of a word or phrase. A corpus can be general, like Google Books, which has around 500bn words of English text. But it can also be specialised. Two newcomers are the Corpus of Founding Era American English, with 139m words across 95,000 documents from 1760 to 1799, and the Corpus of Early Modern English, with 1.3bn words from 1475 to 1800.

Dennis Baron, a linguist at the University of Illinois Urbana-Champaign, searched for “bear arms” in these databases, and found about 1,500 instances. Of these, he says, only a handful did not refer to organised armed action. It is true that several state constitutions guaranteed the right to “bear arms” and explicitly mentioned self-defence. So Mr Baron’s digging does not completely close the case. But it has shown that the default meaning of “bear arms” in the founding era was, indeed, military.

This research ought to prompt the justices to revisit *Heller*—though given the weight of precedent and the court’s make-up, that is unlikely. Still, the dispute has several other interesting lessons. One is that phrases are more than the sum of their dictionary definitions. Context isn’t just helpful; it is often crucial. The verb “bear” has 44 definitions in the Oxford English Dictionary (OED), not counting the ursine noun. Which “bear” is meant can only be grasped in context. Bearing interest does not mean literally carrying interest around, nor does bearing a grudge involve physical activity.

Second, there are phrases, sometimes called “phrasal verbs”, that cannot be understood by knowing the component words: consider *bear down* or *bear up*. Good dictionaries define these phrases separately. The OED defines “bear arms” in an entry under “arms”: “To serve as a soldier; to fight (for a country, cause, etc).” But it also takes note of the contested meaning in America’s constitution.

In any event, real-world usage matters more than dictionaries. Judges often hunt through dictionaries to support their rulings, but these can miss nuances or make mistakes. Instead judges should go directly to digital corpora. Nor are selected quotes enough. In any other field, this would be called cherry-picking. Instead, with the powerful, free resources now available, anyone—including readers of this column—can look at a huge body of usages and draw firmer conclusions about meaning. (Neal Goldfarb, a lawyer, has made the “bear arms” data available on Language Log, a blog.)

Originalists like Scalia can find out what words really meant in the 18th century. But their opponents—who believe laws should evolve with the meanings of the underlying concepts—get a powerful tool, too. Lexicographers have revolutionised their work using such data. Time for lawyers to do the same.

*This article appeared in the Books and arts section of the print edition under the headline “Arms and the man”*

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## **The Economist commodity-price index**

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### Zhao Kangmin

An army underground

An army underground

## Zhao Kangmin died on May 16th

*The discoverer of China's terracotta warriors was 81*

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WHO is the true discoverer of a buried work of art? Is it the man who stumbles on it and digs it from the earth? Or is it the person who, turning up later, understands its importance? Fame and fortune often hang on the answer—especially when the work is hailed, by many, as the eighth wonder of the world.

Zhao Kangmin cared for neither fame nor fortune, but he treasured historical accuracy. When visitors came to the museum in Lintong, in Shaanxi province in north-west China, where he was curator for 40 years (and still sat most afternoons, in his trilby hat, after he retired), he would hand them a business card. It described him as “the very first man who discovered, determined, restored and unearthed the world-famous Terracotta Warriors and horses.” The vital word was “determined”. When he was called out in April 1974 to look at some “relics” found in a nearby wheatfield, almost flying from his bicycle with excitement, he knew at once what they were.

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The farmer-finders, all brothers from the Yang family, had been digging for water to feed their pomegranate and persimmon trees. As they unearthed arrowheads, bricks and body-parts of what later emerged as the Terracotta Army, they threw them away into the wheat unless they were sellable. The finding of the first more-than-lifesize head, rising from the land of the dead, spooked them horribly; they took it for an earth-god. All the same Yang Zhifa, their spokesman, was quite prepared to dump the whole lot in the river unless they could get money for them.

It was Mr Zhao who told them that these things were from the Qin dynasty of 221-206BC, the first imperial dynasty of a united China, and that they must stop digging. As a former farmer, he understood their frustration as they stood sulkily smoking; he gave them 30 yuan for their trouble. But after years of loving history he was now a self-taught archaeologist, who at 24 had been asked to run the Lintong Museum, the only one in the county. In 1962 he had himself unearthed three terracotta crossbowmen. Many times, out in the fields, he had found bricks with patterning he knew to be Qin. Now, by the half-dug well, he knew it again. So he reverently gathered up the “dead” limbs, down to the tiniest fragments, wrapped them in linen and took them to his museum. There he stayed all night, washing them.

Over the next three days, using epoxy glue and plaster, he pieced together two warriors. They towered over him. Their ruler, the First Emperor of Qin, had governed by force, and his masterful tyranny was clear from written records; but here was a portrait in hard clay of a soldier guarding him in the afterlife, with his top-knot, boots and wrap-around coat. It made Mr Zhao's heart leap to see him.

All the same, he did not mention the warriors for some time. He was a quiet man. And he feared, too, that Mao's Cultural Revolution was not yet over. Earlier on Red Guards had smashed a Qin statue in the museum, and he had been forced to do public self-criticism for “encouraging feudalism” by caring for “old things”. He refused to apologise, since with his fieldwork in all weathers, rising on the dot at 4am, and the hours spent in his tiny bookshelved study, at his desk set out with one page and one pen, he had done nothing incorrect. If he was incorrect, it was in failing to visit his parents as much as a son should.

In the end, though, he could not resist a flash of justified pride, showing a journalist from the Xinhua news agency his “terracotta warrior of the Qin dynasty”. First he had discovered them; now he had named them. Once the national authorities were alerted, proper excavation started, and he joined the team that eventually uncovered three huge pits filled with around 8,000 infantrymen, officers and archers, 520 horses, 130 chariots, and real, sharp, weapons. In 1979 the Museum of the Terracotta Warriors and Horses was opened above the pits. By 2017 it had drawn 100m visitors, and Lintong, once a huddle of mud buildings, had a university, hotels and a vast industry of terracotta-warrior-making.

Mr Zhao did not attach himself to the new complex. The Lintong Museum was his life, and other eras occupied him besides the Qin. He directed excavations of a palace and a temple from the Tang dynasty of 618-907; a whole room of his three-room museum was devoted to Tang art. Another held Buddhist stelae, his special interest, with inscriptions he had painstakingly rubbed and transcribed. Amid all this, the warriors took their place. He followed, but did not join, the debates about them: most controversially, whether this astonishing jump in scale and expertise was the result of contact with ancient Greece.

### Waiting for visitors

In 1990 the State Council officially recognised him as their discoverer, and awarded him a special pension. The new museum, however, did not refer to him. It was Yang Zhifa who haunted the souvenir shop, signing autographs as the finder of the warriors.

Meanwhile, five kilometres away, Mr Zhao sat beside his mended warriors in a darkened room of his museum, waiting. He had redesigned the building in the 1980s in brightly painted traditional style, expecting a crowd of visitors, but few came—save his wife, most days, with his lunch of steamed buns. When others turned up, his card spoke for him.

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