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The world this week

Politics

Apr 10, 2025 08:50 AM



A French court's decision to [bar Marine Le Pen](#), the leader of the hard-right National Rally (RN), from running for president in 2027 sent shock waves through the country's politics. The court found that Ms Le Pen and eight other politicians had spent money earmarked for use in the EU parliament to pay for staff in the RN. Her supporters accused the establishment of suppressing the election front-runner. Ms Le Pen has lodged an appeal. She welcomed a statement by the Paris Court of Appeal that it would issue a verdict in the summer of 2026.

Realpolitik

Finland joined Estonia, Latvia, Lithuania and Poland in announcing that it would withdraw from a global treaty banning the use of landmines, as it seeks to protect its long border with Russia. It is also increasing defence spending to at least 3% of GDP. But on a visit to Britain the Finnish president, Alexander Stubb, said his country would have to “mentally prepare” to restore relations with its neighbour at some point, prompting the Kremlin’s spokesman to say that Russia was open to resuming ties.

Russia called up another 160,000 men between the ages of 18 to 30 for the armed forces, the largest cohort of conscripts since 2011. The raw recruits won't be sent to fight in **Ukraine**. Meanwhile, Russia's deputy foreign minister, Sergei Ryabkov, said America's proposals to end the war were not acceptable in their current form, because they do not meet Russia's demands relating to the conflict's "root causes".

The **British** government introduced legislation to stop controversial new guidelines on sentencing from taking effect. The Sentencing Council, an independent body, had proposed changes that would have brought in differential treatment for sentencing based on ethnicity, religion and other variables. Some took this to mean that white men would be treated more harshly than other offenders. The justice minister had warned the council she would legislate if it did not change its guidance.

A senior official in **Hungary's** government said it would withdraw from the **International Criminal Court**. The announcement was made soon after Binyamin Netanyahu, Israel's prime minister, arrived in Hungary for a visit. Last November the ICC issued an arrest warrant for Mr Netanyahu for alleged war crimes, which Viktor Orban, the populist Hungarian prime minister, said he had no intention of acting on.

Israel expanded its military objectives in **Gaza** to include seizing large parts of the Palestinian territory and turning them into buffer zones along the border with Israel. This will entail a "large-scale" evacuation of the population from combat areas. The group representing the remaining Israeli hostages held by Hamas said it was dismayed, and that instead of seeking to end the war, Israel was returning to areas where it has "already fought time and time again".

Meanwhile, **humanitarian conditions** in the devastated strip continued to deteriorate. The World Food Programme said all

bakeries it supported in Gaza had been forced to shut for lack of fuel and flour and that it would run out of hot meals within two weeks.

Israel carried out its first air strikes in southern **Beirut**, a Hizbullah stronghold, in months. The air strikes were a response to a rocket attack launched from Lebanon.

Mr Netanyahu quickly withdrew his appointment of Eli Sharvit to lead Israel's domestic intelligence service, the **Shin Bet**, following a political backlash. Mr Sharvit had reportedly participated in protests against judicial reforms that swept Israel in 2023. Mr Netanyahu fired Ronen Bar as head of the Shin Bet last month, but the courts have said he must remain in the job until they rule on his dismissal.

The African Union sent a team of mediators to **South Sudan**, as a fragile peace deal agreed to in 2018 came close to collapse. Tensions have increased between Salva Kiir, the president, and Riek Machar, the country's senior vice-president, risking another civil war. Mr Machar was recently put under house arrest.

The foreign ministers of three countries in the **African Sahel**, Burkina Faso, Mali and Niger, headed to Moscow for talks on strengthening ties with Russia. All three countries are ruled by military juntas and have kicked out French and other Western troops that were helping fight jihadists.

South Africa's government got its budget through parliament, but the ruling African National Congress had to rely on smaller parties to pass the bill after its main coalition partner, the Democratic Alliance, withdrew its support. The pro-business DA rejected the budget's increases to value-added tax, among other things. It had spent months trying to negotiate a compromise with the ANC.

America's beleaguered Democrats took some comfort from the election of a liberal judge to **Wisconsin's** Supreme Court, which retains the court's liberal majority. The race took on a national significance when Elon Musk ploughed \$25m into supporting the conservative candidate. In **Florida** the Republicans handily held on to two seats in special elections, albeit with reduced majorities.

Health crisis

Around 10,000 employees across various **federal health departments** started to receive their redundancy notices. Robert F. Kennedy junior, the health secretary, announced the lay-offs. After a new commissioner for the Food and Drug Administration was sworn in, its most senior vaccine official resigned, claiming that Mr Kennedy wants only "subservient confirmation of his misinformation and lies". The **FDA**'s tobacco regulator was removed from his job.

Pete Hegseth, America's defence secretary, ordered the **armed forces** to introduce physical-fitness standards for armed-combat roles that are "sex neutral" and do not lead to a service member being held to a lower standard. The order reduces the likelihood that women will pass the tests for combat roles.

A judge in Manhattan dismissed the federal corruption charges that had been brought against Eric Adams, **New York's** mayor, by a former top federal prosecutor in New York. The Justice Department under Donald Trump moved to dismiss the case, arguing that it was interfering with Mr Adams's ability to support Mr Trump's deportation policies. The judge rejected the government's claim that the charges were politically motivated.

Data provided by the US border agency showed that the number of migrants crossing the **border from Mexico** fell in March to its lowest ever monthly tally. Around 7,180 crossings were recorded

compared with the monthly average of 155,000 over the previous four years, proof, the agency said, that it is securing the border.

In **Haiti** armed gangs attacked Mirebalais, a town about 30km (19 miles) north of the capital, Port-au-Prince, storming a prison and releasing 500 inmates. The gangs may be trying to gain control of roads leading into Port-au-Prince.



At least 3,000 people died and many remained missing in the strongest earthquake to hit **Myanmar** in over a century. Mandalay and Sagaing bore the brunt. The ruling junta took advantage of the chaos to step up air strikes against the rebels it is fighting. The earthquake was also felt in Bangkok, causing a skyscraper under construction to collapse and many other buildings to sway. Water spilled from swimming pools perched at the top of luxury blocks and hotels.

China conducted military drills in the East China Sea close to **Taiwan**, firing long-range live ammunition that the Chinese command said was aimed at “simulated targets of key ports and energy facilities”. Taiwan denounced the drills as more harassment. China called the Taiwanese president, Lai Ching-te, “a parasite”.

Australia’s prime minister, Anthony Albanese, called a general election for May 3rd. Polls show that both Mr Albanese’s Labor

Party and the opposition Liberal Party may struggle to gain a majority in parliament.

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The world this week

Business

Apr 10, 2025 08:50 AM



Donald Trump unveiled his long-trailed and much-dreaded new [list of tariffs](#). They were worse than expected. Mr Trump announced import levies of 10% on all goods entering America, but the European Union will face **reciprocal tariffs** of 20%, India 27%, Japan 24%, Vietnam 46% and China an additional 34%, taking its overall tariff rate to 65%. Many other countries also received higher tariffs. Mr Trump's other punitive duties placed on industries such as cars and steel will at least avoid the additional country rates. Goods from Mexico and Canada that do not comply with the North American trade pact will still face the previously announced 25% tariff.

Happy now?

Markets slumped after Mr Trump's announcement. Uncertainty about trade policy and worries about the economy were factors behind **American stockmarkets** registering their worst quarter since the third quarter of 2022. The S&P 500 fell by 4.6% from January to March and the NASDAQ Composite by more than 10%. Nvidia's stock tumbled by 19%, Alphabet's by 18% and Apple's

and Microsoft's by 11%. By contrast the Europe STOXX 600, London's FTSE 100 and Germany's DAX all made gains. No market is likely to be immune from Mr Trump's latest offensive in the trade war.

Gold reached another record of \$3,167 a troy ounce. Investors have flocked to the commodity, a traditional haven in times of stockmarket stress, pushing the price to its best quarterly performance since 1986.

Tesla delivered 336,681 electric vehicles in the first quarter, far fewer than analysts had expected and down by 13%, year on year. The company's stock fell by 36% in the first three months of the year. Tesla's arch-rival, **BYD** of China, sold 416,388 pure EVs, an increase of 39%. Its overall deliveries of passenger vehicles rose by 58%.

Eyebrows were raised on Wall Street at **Elon Musk's** announcement that **xAI**, his artificial-intelligence business, had bought X, his social-media platform, for \$45bn, \$1bn more than the \$44bn he paid for what was then Twitter in 2022. He gave no details of how the deal was structured, causing some to wonder if regulators would investigate. Mr Musk said that the intertwined companies would be more easily able to combine computing power, data and AI models.

SoftBank and other investors injected \$40bn into **OpenAI** in a new round of fund-raising that valued the firm behind ChatGPT at \$300bn. OpenAI is changing its structure from a non-profit to a for-profit company. If it were listed at its current valuation it would make the top 30 on the S&P 500.

According to reports, the American government sent a letter to several large companies in Europe telling them to comply with Donald Trump's ban on **diversity** initiatives. The letter says that

the order applies to firms that are either a supplier or service provider to the American government, even if based outside the US.

China's market regulator opened a review into Hong Kong-based CK Hutchison's sale of dozens of ports to BlackRock, an American firm. The review caused the sign-off on the deal to be delayed. The acquisition is set to include ports in the **Panama Canal**, which Mr Trump has hailed as America taking back control of the waterway. It is unclear if China's leader, Xi Jinping, has made a final decision on the deal, amid speculation that he may just be trying to gain leverage over Mr Trump.

The euro zone's annual **inflation** rate fell again in March, to 2.2%. The inflation rate for services, which the European Central Bank has been watching closely when it makes its calculations on interest rates, dropped to 3.4%, the lowest level in three years.

In his first big speech since becoming **Intel's** chief executive last month Lip-Bu Tan promised to turn the chipmaker's fortunes around. Intel has been struggling to compete with the likes of TSMC and is far behind in the race to develop chips for AI. Mr Tan promised to bring about a "cultural change" that would mean the company acts more like a startup and recruits new talent. "Bureaucracy kills innovation," he said. Intel announced 15,000 job cuts last August.

Rolling in it

An annual survey compiled by *Forbes* estimated that there are now 3,028 **billionaires** in the world, up by 247 from last year (the list is based on share prices and exchange rates as of March 7th).

America has 902 of them, followed by China and Hong Kong with 516 and India with 205. Germany has 171 and Russia 140. Britain was tenth, with 55 billionaires. Elon Musk's detractors were disappointed to learn that with a net worth of \$342bn he is still the world's richest man; Mark Zuckerberg and Jeff Bezos are some

way behind. The list's new arrivals include Arnold Schwarzenegger, Jerry Seinfeld and Bruce Springsteen.

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The world this week

The weekly cartoon

Apr 10, 2025 08:49 AM



Dig deeper into the subject of this week's cartoon

[President Trump's mindless tariffs will cause economic havoc](#)
[Trump takes America's trade policies back to the 19th century](#)
[Financial markets flail in the face of America's tariffs](#)

The editorial cartoon appears weekly in The Economist. You can see last week's [here](#).

<https://www.economist.com/the-world-this-week/2025/04/03/the-weekly-cartoon>

The Economist

This week's covers

How we saw the world

Apr 10, 2025 08:50 AM

AS LIBERATION DAY dawned our editors had a feeling that, after weeks of suspense, President Donald Trump's big tariff announcement was going to be an anti-climax. And because he was due to speak on Wednesday, just an hour before our cover had to go to the printers, we wouldn't have much time to react. So we prepared two covers—one squarely on trade and the other on China, in case Mr Trump's squib was damp.

We could not have been more wrong about the thunderbolt the president was about to unleash. What he had to say was more unhinged and more wantonly destructive than we had ever imagined.

We knew a few things in advance of the Rose Garden rant—that Mr Trump has an archaic obsession with the trade in goods, to the exclusion of services; and that extra tariffs will hurt America and the world.

Those ideas led to our first designs. In one we had a container hanging over the speaking president like the sword of Damocles. In the other we had a container-grenade about to blow a hole in the global trading system.

We thought these designs might seem like hyperbole. We needn't have worried. Mr Trump began his address by asserting that America was being “looted, pillaged and raped”. That's quite an accusation to level against countries supplying you with tennis shoes.

A month ago we had a cover of Mr Trump [about to torch a heap of dollars](#). Perhaps we could offer readers an update, with the president striding gleefully away from a conflagration of greenbacks, a bit like the Joker after bombing a hospital in Gotham City. But surely that would be too extreme...

We settled on the motif of Mr Trump sawing around America, because it focused on the needless harm of his policies. As we have written many times, America's economy is the envy of the world. But under Mr Trump's foolish policies, its consumers will pay more, and have less choice. Its savers will suffer from a slump in markets. Its workers will be hit by slower growth. And, spared the discipline of foreign competition, its companies will fall behind.

Our working title was "Ruination Day". As we waited for Mr Trump to begin speaking, we wondered if we'd need to revise it.

Mr Trump's new tariffs take America back to the 19th century. They have been calculated using a formula that, when you strip away the pretentious Greek letters, treats every bilateral trade deficit as unfair—which makes as much sense as complaining that Ford suffers by buying in the parts it needs to make money selling cars. And almost every word the president uttered to justify his economic vandalism was arrant nonsense.

We called it Ruination Day. We were being generous.

The Economist

How MAGA could help China
Penalising Le Pen
Refugee-camp economics
George Foreman: boxer, preacher and griller

APRIL 5TH-11TH 2015

RUINATION DAY

How to limit the
global damage



Leader: President Trump's mindless tariffs will cause economic havoc

Finance & economics: Trump takes America's trade policies back to the 19th century

Asia: India sees opportunity, as well as risk, in Trump's trade war

Europe: Europe cannot fathom what Trumpian America wants from it

We were loth to waste the China cover we had prepared, because it provides one more reason to think that Mr Trump's announcement will harm America: it could benefit China. So we published the cover in our Asian edition.

Tariffs now totalling 65% will hurt China's economy, no doubt. The retaliation announced in Beijing after we went to press will exacerbate the harm. However, our argument is that American protectionism will put pressure on China's leaders to correct their worst economic errors. It may also allow President Xi Jinping to redraw the geopolitical map of Asia in China's favour.

In short, it is a big, beautiful opportunity.

That gave us the idea of showing a golden fortune cookie. It was good, in that it got across the notion that China has an opportunity, but may not seize it.

If China is to make the most of Mr Trump's self-harm it will need to boost domestic consumption and steady the property market, as well as stop persecuting the private sector. All those things require Mr Xi to change course.

But there was a problem with that cover. Restaurants inside China don't serve fortune cookies at the end of a meal. That is something they do in Chinese restaurants abroad. This design therefore illustrated how Americans see China, not how the Chinese see America.

MAGA Mao was much better. Indeed, as we have reported, many Chinese make comparisons between Mr Trump's whirlwind executive orders buffeting America and the chairman's Cultural Revolution, which tore China apart after 1966. Whether China seizes this moment depends on one man: Mr Xi. But the fact that the opportunity exists owes much to another: Mr Trump.

The Economist

Analysing Liberation Day

Penalising Le Pen

Refugee-camp economics

George Foreman: boxer, preacher and griller

APRIL 5TH-11TH 2015



MAKE ★ CHINA
GREAT AGAIN

How Beijing sees Trump's project

Leader: How America could end up making China great again

Briefing: As Donald Trump's trade war heats up, China is surprisingly confident

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Ruination Day

President Trump's mindless tariffs will cause economic havoc

But the rest of the world can limit the damage

Aug 05, 2025 12:09 PM



IF YOU FAILED to spot America being “looted, pillaged, raped and plundered by nations near and far” or it being cruelly denied a “turn to prosper”, then congratulations: you have a firmer grip on reality than the president of the United States. It’s hard to know which is more unsettling: that the leader of the free world could spout complete drivel about its most successful and admired economy. Or the fact that on April 2nd, spurred on by his delusions, Donald Trump announced the biggest break in America’s trade

policy in over a century—and committed the most profound, harmful and unnecessary economic error in the modern era.

Speaking in the Rose Garden of the White House, the president announced new “reciprocal” tariffs on almost all America’s trading partners. There will be levies of 34% on China, 27% on India, 24% on Japan and 20% on the European Union. Many small economies face swinging rates; all targets face a tariff of at least 10%. Including existing duties, the total levy on China will now be 65%. Canada and Mexico were spared additional tariffs, and the new levies will not be added to industry-specific measures, such as a 25% tariff on cars, or a promised tariff on semiconductors. But America’s overall tariff rate will soar above its Depression-era level back to the 19th century.

Mr Trump called it one of the most important days in American history. He is almost right. His “Liberation Day” heralds America’s total abandonment of the world trading order and embrace of protectionism. The question for countries reeling from the president’s mindless vandalism is how to limit the damage.

Almost everything Mr Trump said this week—on history, economics and the technicalities of trade—was utterly deluded. His reading of history is upside down. He has long glorified the high-tariff, low-income-tax era of the late-19th century. In fact, the best scholarship shows that tariffs impeded the economy back then. He has now added the bizarre claim that lifting tariffs caused the Depression of the 1930s and that the Smoot-Hawley tariffs were too late to rescue the situation. The reality is that tariffs made the Depression much worse, just as they will harm all economies today. It was the painstaking rounds of trade talks in the subsequent 80 years that lowered tariffs and helped increase prosperity.

On economics Mr Trump’s assertions are flat-out nonsense. The president says tariffs are needed to close America’s trade deficit, which he sees as a transfer of wealth to foreigners. Yet as any of the

president's economists could have told him, this overall deficit arises because Americans choose to save less than their country invests—and, crucially, this long-running reality has not stopped its economy from outpacing the rest of the G7 for over three decades. There is no reason why his extra tariffs should eliminate the deficit. Insisting on balanced trade with every trading partner individually is bonkers—like suggesting that Texas would be richer if it insisted on balanced trade with each of the other 49 states, or asking a company to ensure that each of its suppliers is also a customer.

And Mr Trump's grasp of the technicalities was pathetic. He suggested that the new tariffs were based on an assessment of a country's tariffs against America, plus currency manipulation and other supposed distortions, such as value-added tax. But it looks as if officials set the tariffs using a formula that takes America's bilateral trade deficit as a share of goods imported from each country and halves it—which is almost as random as taxing you on the number of vowels in your name.

This catalogue of foolishness will bring needless harm to America. Consumers will pay more and have less choice. Raising the price of parts for America's manufacturers while relieving them of the discipline of foreign competition will make them flabby. As stockmarket futures tumbled, shares in Nike, which has factories in Vietnam (tariff: 46%) fell by 7%. Does Mr Trump really think Americans would be better off if only they sewed their own running shoes?

The rest of the world will share in the disaster—and must decide what to do. One question is whether to retaliate. Politicians should be cautious. *Pace* Mr Trump, trade barriers harm those who put them up. Because they are more likely to cause Mr Trump to double down than retreat, they risk making things worse—possibly catastrophically so, as in the 1930s.

Instead, governments should focus on increasing trade flows among themselves, especially in the services that power the 21st-century economy. With a share of final demand for imports of only 15%, America does not dominate global trade the way it does global finance or military spending. Even if it halted imports entirely, on current trends 100 of its trading partners would have recovered all their lost exports within just five years, calculates Global Trade Alert, a think-tank. The EU, the 12 members of the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP), South Korea and small open economies like Norway account for 34% of global demand for imports.

Should this effort include China? Many in the West think that China's state-owned enterprises violate the spirit of global trading rules, and they have in the past used exports to soak up surplus capacity. Those worries will worsen if more Chinese goods are redirected away from America. Building a trading system with China is [desirable](#), but will be viable only if it rebalances its economy towards domestic demand to ease worries about dumping. Also, China could be required to transfer technology and invest in production in Europe in exchange for lower tariffs. The EU should centralise its investment rules so that it can strike deals covering FDI and it should overcome its aversion to big trade pacts and sign up to the CPTPP, which has ways of resolving some disputes.

The madness of King Donald

If this seems gruelling and slow, that is because integration always is. Throwing up barriers is easier and faster. There is no avoiding the havoc Mr Trump has wrought, but that does not mean his foolishness is destined to triumph. ■

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MAGA and China

How America could end up making China great again

A big beautiful opportunity

Apr 10, 2025 08:50 AM



Editor's note (April 5th 2025): On April 4th China retaliated against Donald Trump's tariffs, announcing a 34% duty on American goods.

AS DONALD TRUMP unleashes a volley of tariffs and his administration talks up the strength of its military alliances in Asia, you might think that these are anxious times in the country that America sees as its main adversary. In fact, our reporting from

Beijing reveals a very different picture. MAGA is putting pressure on China's leaders to correct their worst economic errors. It is also creating opportunities to redraw the geopolitical map of Asia in China's favour.

China has come out badly from Mr Trump's [Rose Garden rant](#). Counting the new levy of 34%, plus existing duties, the total rises to 65%—and slightly higher if you include the disruptive removal of a tariff exemption for small packages. Given that exports are still roughly 20% of GDP, as they were in 2017, this will hurt China's economy. China's tactic of rerouting its firms' manufacturing chains through countries such as Vietnam to bypass tariffs will work less well now that America is erecting barriers globally.

The trade war comes as China is still struggling with deflation, a housing bust and dismal demography. For the past five years the Communist Party has neglected weak consumption and embraced an unwise statism that has cramped the private sector. China has exported its overcapacity, swamping the world with goods, and fostered a spiky chauvinism that unsettles America's allies both in Asia and Europe.

Despite all this, China enters the new age of MAGA stronger than in Mr Trump's first term. President Xi Jinping has long argued that America is too polarised and overstretched to sustain its global role. One of his slogans warns of “great changes unseen in a century”. His paranoid nationalism used to seem like dystopian hyperbole. Now that Mr Trump is committing such wanton self-harm and general destruction, it looks ahead of its time.

Mr Xi has been preparing for today's chaotic world ever since becoming China's leader in 2012. He has urged economic and technological self-sufficiency on his country. China has reduced its vulnerability to American chokeholds, such as sanctions and export controls. Although its banks still need access to dollars, it now makes most non-bank international payments in yuan.

China's domestic economy has unrecognised strengths.

Competition and an embrace of technology mean that its industrial firms thrash Western rivals in everything from electric vehicles to the “low-altitude economy”, meaning drones and flying taxis.

Viewed from China, Mr Trump's tariffs will condemn Detroit to 1970s-style obsolescence, just as his [crusade against universities](#) will set back innovation.

One example of China's promise is DeepSeek, which is taken as a sign that the country can innovate around America's semiconductor embargoes. The party is comfortable with home-grown AI, and this could allow the technology to diffuse through China faster than the West, boosting productivity. That, and signs Mr Xi may have grown more tolerant of entrepreneurs, help explain why the MSCI index of Chinese shares has risen by 15% in 2025, even as American stocks have slid.

Four years after the bubble burst, property is at last becoming less of a drag on growth. In some cities, including Shanghai and Nanjing, prices have even started to rise. The party has also belatedly taken steps to boost consumption. Local governments can refinance themselves with 6trn yuan (\$830bn) of new bonds over three years, and another 4.4trn of “special” bonds this year. Some extra money will go to households.

To grasp the full economic opportunities, the party needs to stop persecuting the private sector. Even China's Leninist autocrats realise the “common prosperity” crackdown on entrepreneurs that began in 2021 went too far. Although some zealous officials have yet to get the message, Li Qiang, Mr Xi's deputy, used a speech on March 23rd to laud the “dragons” of Hangzhou, China's capital of innovation.

The economy will also need more stimulus to boost consumption, and more determined efforts to stabilise the property market, which still weighs on household confidence. Extra consumption would

benefit Chinese relations abroad too, by helping absorb surplus capacity. As America puts up walls, China will have a chance to reset trade relations around the world by offering to invest in manufacturing in partner countries rather than flooding them with exports.

These economic opportunities sit alongside a geopolitical one. America's China policy is alarmingly unclear. Hawks in the administration insist that, by turning away from Europe, America is freeing up resources to contain China. However, Mr Trump admires Mr Xi and has sent an ally, Senator Steve Daines, to Beijing to put out feelers for a deal. In his first term, Mr Trump struck a trade agreement with China; now he wants to haggle over TikTok.

China is betting that MAGA talk of a "reverse Kissinger" deal, with America prising Russia away from China, is silly. And Trumpian protectionism, ally-abuse and indifference to human rights are a repudiation of American values: the beacon of the free world now seems capricious and dangerous. Mr Xi has no intention of filling the vacuum left by Uncle Sam, but he has a chance to expand China's influence, especially in the global south. If, as well as spreading clean technologies, China becomes bolder about [cutting emissions at home](#), it could show leadership on climate change.

Mr Trump's disdain for NATO and Ukraine have corroded confidence in his commitment to Asian allies and willingness to fight for Taiwan. If America makes more of its own advanced semiconductors, its incentive to defend Taiwan will decrease. This is a gift for Mr Xi.

Still, dangers lie ahead for China. A trade war could trigger a global recession. If Mr Trump fails to strike a deal with the government in Beijing, he could lash out over currencies and impose more sanctions. China may yet poison relations with the rest of the world by dumping exports on it. Whether it seizes this moment depends

on one man: Mr Xi. But the fact the opportunity exists owes much to another: Mr Trump. ■

<https://www.economist.com/leaders/2025/04/03/how-america-could-end-up-making-china-great-again>

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A shattered nation

Lift sanctions to give Syria a chance of rebuilding

Our poll shows Syrians trust their new leader, Ahmed al-Sharaa. So should the West

Apr 10, 2025 08:49 AM



SYRIANS COULD be forgiven for disillusionment. Four months after the fall of Bashar al-Assad in December, following five decades of brutal dictatorship by his family, Syria's economy lies in ruins and its politics is volatile. Just last month hundreds, perhaps more, died in sectarian violence.

Yet a new poll conducted for *The Economist* in the days before and after the violence in March suggests that Syrians remain surprisingly upbeat. That presents an opportunity both for [Ahmed al-Sharaa](#), the rebel who is now the interim president, and for Western countries keen to help Syria thrive. They must not waste it.

The results of our survey, one of the very few comprehensive public polls to be conducted in the country, paint a remarkably positive picture. A striking 70% of Syrians from across the country and across ethnic and religious groups say they are optimistic about the future. Some 80% feel freer than they did under Mr Assad. A

similar share has a favourable view of Mr Sharaa. Two-thirds say security has improved despite the clashes.

Our poll: Syrians are still surprisingly upbeat

Such numbers must be read with care in a traumatised country with little experience of free speech. But they suggest that, despite deep divisions, not least between the Sunni Muslim majority and the once-dominant Alawite minority, Syrians still trust Mr Sharaa to try to rebuild the country. Since becoming interim president in late January, he has taken some steps to live up to their expectations. Over the weekend he made good on a delayed promise to appoint an interim cabinet. It is dominated by Mr Sharaa's acolytes and lacks a prime minister, but the leadership now includes members of minority groups, technocrats and a woman.

That is welcome. Particularly if the ministers are given real power to do their jobs, the new cabinet could assuage concerns about Mr Sharaa's tendency to centralise power. Mr Sharaa should also use the supportive mood to complete his consolidation of Syria's disparate armed groups to prevent new outbreaks of sectarian violence.

Yet the president's main challenge remains reviving Syria's wrecked economy. Our poll demonstrates the urgency of that task, with 55% of respondents saying the economy has either stagnated or declined since he took over from Mr Assad. Mr Sharaa has not paid most civil servants since he took control of Damascus in December. Cash is in short supply. If things do not improve soon, his popularity will be unlikely to last.

One big obstacle is that Western sanctions on Syria have not yet been lifted. Designed to isolate Mr Assad, they now hobble the new government's attempts to reconnect Syria to the global economy. They prevent investment by foreign firms in reconstruction and limit Syria's access to the global banking system, making it nearly

impossible for the country to be paid for goods it exports. Without enough foreign investment and export revenue, Mr Sharaa cannot begin to revive the country.

America and Europe have reasons to be wary of financing Mr Sharaa, given his past as a jihadist with roots in al-Qaeda. But they underestimate the dangers of inaction. And Donald Trump's decision on April 2nd to impose a towering 41% tariff on Syrian exports will make matters worse. As we have previously [argued](#), if Syria's economy continues to languish, extremists and those with an interest in creating chaos will be the only beneficiaries, and violence will surely erupt again.

Relief could be offered in a way that lets sanctions snap back, should Mr Sharaa ever be tempted to turn Syria into a despotic jihadist state. For now, though, Syrians seem to believe his protestations that he is planning no such thing. The West should lift sanctions and give long-suffering Syrians a fair shot at rebuilding their shattered society. ■

<https://www.economist.com/leaders/2025/04/02/lift-sanctions-to-give-syria-a-chance-of-rebuilding>

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Ill-suited sentence

Why Marine Le Pen should be allowed to run for president

Punish the offender without also punishing French democracy

Apr 10, 2025 08:50 AM



BETWEEN 2004 AND 2016, Marine Le Pen diverted European Union funds to pay her party's political staff, falsely claiming that they were working as assistants to its deputies in the European Parliament. [Thus ruled](#) a court in Paris on March 31st, sentencing Ms Le Pen and 23 other officials of her hard-right National Rally (RN) party to a mix of fines, prison terms and bans from campaigning. The decision has landed in French politics like a bomb, owing to one aspect of Ms Le Pen's sentence: she is barred for five years from running for office, with immediate effect. That would include the presidential election in 2027, in which she is the front-runner.

The RN's leader and her allies have attacked the ruling as a political stitch-up. That claim is false, and undermines faith in the rule of law. There is no reason to think the verdict was improper. Even so, it risks undermining the perceived legitimacy of the next election, by depriving many voters of their preferred candidate. That is bad

for France. If an appeals court can shorten the ban and allow her to run in 2027, it should.

Ms Le Pen's suspension raises two questions. First, in what circumstances should a democracy disqualify a candidate? Ms Le Pen's sentence stems in part from a tough law France passed in 2016 to overcome its long-standing leniency towards corrupt politicians, including Jacques Chirac, an ex-president. That law permits banning candidates from running for political office, with immediate effect. Ms Le Pen supported the reform, and it is rich for her to claim that its penalties, when applied to her, are themselves an assault on democracy.

Most countries have laws that can block candidates, but mainly for grave attacks on democracy itself. After the Maidan revolution Ukraine barred officials of Viktor Yanukovych's corrupt, Russian-backed government, and after its civil war America banned those who had taken part in insurrection. Jair Bolsonaro, Brazil's ex-president, was disqualified for lying about the integrity of the voting system that unseated him in 2022. (He is also accused of attempting a coup.) The crimes of which Ms Le Pen has been convicted are serious, but not of the same order—and insufficient grounds for stopping French voters from judging for themselves who should get their vote. By creating a mechanism that politicians might be thought to have co-opted, the law encourages talk of conspiracy—especially if, like Ms Le Pen, the barred politician belongs to a party founded upon a suspicion of the elite.

The second issue is the relationship between politics and the judiciary. The rule of law demands that politicians be treated like other citizens. When it comes to deciding guilt, that is straightforward. But the notion that sentences should take no account of their consequences for politics or governance is misguided. The courts should and do weigh a range of factors, such as their impact on institutions, including elections. In New York in January, Donald Trump received no punishment for the felonies of

which he had been convicted because the American people were deemed to have a right to an unencumbered president. With Ms Le Pen, the French court leaned the other way, imposing a longer sentence because of the harm she might do in high office.

The danger of aggressive sentences for politicians is that courts will be seen as partisan. The system relies on citizens accepting verdicts with which they disagree. Elections are supposed to generate consent for a new government. A poll after Ms Le Pen's conviction found 54% of French people thought she was treated like any other accused, a narrow margin of confidence in judicial independence. Among RN voters, 89% thought she was singled out for political reasons.

Supporters of the court's sentence would note that mistrust of France's judiciary is mostly the fault of Ms Le Pen and her party. The RN has spent decades spreading conspiratorial allegations that France is ruled by a nebulous self-dealing elite which uses its control of institutions to keep them out of power. Ms Le Pen received messages of support not just from the European hard right (Hungary's Viktor Orban tweeted "Je suis Marine"), but also from France's hard left: Jean-Luc Mélenchon, leader of the Unsubmissive France party, said the people should decide the fate of elected politicians.

Ms Le Pen should indeed be able to stand in 2027. Her appeal would ordinarily take up to two years to reach trial, but the court of appeal has wisely said that it will be decided by the summer of 2026. The court should shorten her suspension (other defendants got as little as a year), allowing her to re-enter the contest before the election. Eric Ciotti, a French right-wing MP with ties to Ms Le Pen, wants legislation to end immediate pre-appeal suspensions; if it were adopted before the appeal is heard, Ms Le Pen might be able to run. François Bayrou, the prime minister, says he is open to debating the proposal. In any event, Ms Le Pen will not get off easily: she must serve two years wearing an electronic tag (plus a

two-year suspended sentence) and pay a heavy fine. That seems right: the aim should be to punish the offender without also punishing French democracy. ■

<https://www.economist.com/leaders/2025/04/01/why-marie-le-pen-should-be-allowed-to-run-for-president>

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Chainsaw reaction

Why the IMF should bail out a serial deadbeat

Under President Javier Milei, Argentina has changed

Apr 10, 2025 08:49 AM



BY THE END of the month, according to Kristalina Georgieva, the IMF's managing director, Argentina will have been bailed out for the 23rd time. No other country has borrowed as often and as much; nor has any been so difficult a customer. For decades Argentine leaders have promised sensible reforms in return for help to stave off default, only to renege when the money was handed over and continue with their spendthrift, market-distorting habits.

But Javier Milei, Argentina's current president, seems to represent a rare break with the past. Since he took office in December 2023, he has been energetically cutting costs and slashing regulations. If the fund wants to wean the country off serial bail-outs, it should be generous now.

In recent years Argentina's reliance on the IMF has taken on mind-boggling proportions. In 2018 the fund approved a mammoth \$57bn rescue loan for Mr Milei's predecessors. They failed to rein in spending, and soon [Argentina](#) had no foreign reserves except for

what it had been lent by the fund. By 2022 the only way the country could meet its repayments was via another \$40bn loan from the fund, which in effect paid down the previous loan. Argentina now owes the IMF 15% of its external debt, making the fund its biggest single creditor.



This dependence is a problem for the IMF as well as for Argentina. Because the fund typically extends emergency bail-outs, not long-term support, creditors usually accept that the fund should be first in line to get its cash back. But why should they when the IMF has become a fixture in Argentina? Other borrowers, meanwhile, can hardly be expected to take the IMF's demands for reforms seriously when Argentina has blithely ignored them without suffering any consequences. The fund faces financial risks as well as reputational ones. Lending to Argentina represents 28% of its loan book, enough to threaten the IMF's solvency if Argentina defaults. At the

very least, the fund would lose its stellar credit rating, which allows it to borrow cheaply.

Now Argentina's financial stability is once again on a [knife-edge](#). Since coming into office Mr Milei has devalued the peso, but inflation has not fallen quickly enough, leaving the peso overvalued again. Excluding gold and swap lines from other countries, Argentina's foreign reserves are still in the red. A few months of big import bills, or a loss of confidence by foreign investors, could tip the country into a balance-of-payments crisis.

Past experience would suggest that another bail-out would be throwing good money after bad. But things are different today. Mr Milei is Argentina's best economic reformer in decades. During the latest programme's final year he managed to produce a fiscal surplus, pulling off more than twice the consolidation sought by the fund. That was despite the fact that disbursements were front-loaded, meaning that he had less of a financial incentive to impress the fund.

The IMF is used to dealing with politicians who make half-hearted promises. But Mr Milei has smoothed the way by signing an executive order bypassing the need for a programme to be approved by Congress, which could have delayed a bail-out for months. In doing so, the president has also taken personal responsibility for implementing the IMF's conditions, a promising sign. Few of his predecessors have had the stomach for the pain that economic adjustment requires.

Now Mr Milei says he wants to deal with his peso problem permanently, by removing capital controls and eventually letting the peso float. That would boost exports and ease pressure on reserves, both of which Argentina needs if it is to grow. But Mr Milei worries that going ahead without a large cushion of dollars risks capital flight, triggering a currency crisis and a spike in inflation before mid-term elections in November.

To reassure him, the IMF should offer a generous amount of money, and soon. At the same time it should insist on a more realistic value of the peso, ensure the timeline to remove capital controls does not slip and push for a brisk move to a fully floating exchange rate. The new Argentina needs help to keep reforming. It is in the IMF's best interest to back it. ■

<https://www.economist.com/leaders/2025/04/03/why-the-imf-should-bail-out-a-serial-deadbeat>

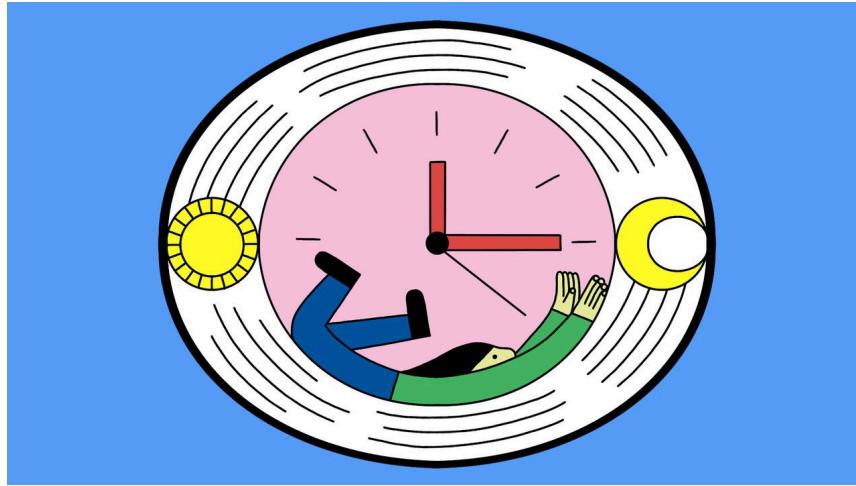
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Stop changing all the clocks

Donald Trump was right. Daylight Saving Time needs to go

Evidence on the health costs is piling up

Apr 10, 2025 08:50 AM



EVERY SPRING about 1.6bn people have to change their clocks as they move into Daylight Saving Time. For many, including Europeans this week, the joys of the season include a sleep-deprived few days after the clocks change and having to explain to children bouncing off the walls that, despite the bright daylight outside, it is in fact bedtime.

The origin of daylight saving lies in efforts to use less energy in wartime, by having more sunshine in the evening. But the evidence suggests that the costs are surprisingly large, not just because of the immediate disruption to people's daily lives, but also because of the longer-term biological consequences of moving out of sync with the Sun. In December Donald Trump, then president-elect, seemed to concur, saying that daylight saving was inconvenient and costly, and suggesting he would scrap it when back in office. He is now vacillating, but he should stand firm. Daylight Saving Time needs to go.

The disruption it causes to people's lives adds up. Immediately after the clock change, the sleep deprivation that follows is associated with a spike in the number of heart attacks, strokes and fatal car accidents. Overdoses and medical errors rise. Even stockmarket performance suffers on the Monday after daylight saving is introduced.

Some American lawmakers are therefore proposing to "lock the clock" and stay on Daylight Saving Time all year round. Florida passed legislation to this effect in 2018. But these moves are causing sleep scientists still more restless nights, because the evidence is piling up that the shift towards daylight saving brings longer-lasting problems.

Humans have evolved over millennia to be in sync with the Sun. Light regulates human rhythms. Body clocks rely on bright light in the morning and an absence of it in the evening. Daylight Saving Time, which lengthens evenings, takes people further away from the natural cycle. It means they miss out on bright-blue light in the morning, something that resets the body clock and in turn triggers the regulation of things like body temperatures, heart rates and levels of a hormone called cortisol, which helps people feel alert. It also sets the body up for a good night's sleep, and regulates appetite through hormones that make you feel hungry or full.

The extra hour of light in the evening fails to make up for this loss of morning light, and even compounds the problem. Getting more sunshine in the evening further disrupts the onset of sleep. As a consequence, the American Academy of Sleep Medicine warned in 2024 that this misalignment between human circadian rhythms and daylight was associated with metabolic syndrome, cardiovascular disease and poorer academic performance.

Those who have to work early, or who live in the westernmost parts of time zones, feel these effects more acutely. A study of people living on opposite ends of the same time zone estimated that the

shift to daylight saving meant a loss for westerners of about 19 minutes of shut-eye a night. They are more likely to be overweight and to earn less than those to the east. And a small study suggests that teenagers, who are already burdened with a delay in their circadian rhythm thanks to puberty, lose 32 minutes of sleep owing to Daylight Saving Time. No wonder they are so moody.

Some people say they prefer the long evenings under Daylight Saving Time. But evenings get longer anyway, regardless of whether the clocks change, thanks to Earth's axial tilt and its orbit around the Sun. Those who really want an extra hour of light in their day could get up earlier rather than imposing costs on everyone else. A few places are already dropping Daylight Saving Time. Mr Trump should join much of Mexico, and his good friend Vladimir Putin, in doing so. ■

<https://www.economist.com/leaders/2025/04/03/donald-trump-was-right-daylight-saving-time-needs-to-go>

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Letters

• **Training young workers in Britain, and more**

A selection of correspondence :: Also this week, personal health, the Soviet Union, shared documents

A selection of correspondence

Training young workers in Britain, and more

Also this week, personal health, the Soviet Union, shared documents

May 23, 2025 11:18 AM



*Letters are welcome via e-mail to letters@economist.com
[Find out more](#) about how we process your letters*

Training young workers

“[Why are apprenticeships so rare?](#)” in Britain, you ask (March 22nd). Too many firms use apprenticeships for existing staff rather than new employees, but resolving this conundrum is perhaps easier than you think. The plan for a “growth and skills levy” should fund three types of programmes: full apprenticeships in their current form; foundation apprenticeships, shorter and aimed at young people entering work in industries such as hospitality, retail and construction; and career-lift programmes, up to three-month bursts of on- and off-the-job training.

The good news is that the government is closer than it realises to finalising this plan and has a nascent body in place, Skills England,

to oversee it. The Treasury can then with confidence release the £800m (\$1bn) raised by the levy to spur momentum.

The final ingredient required is a sharpened set of incentives to tempt independent training providers and colleges to turn their attention back to small and medium-size firms and younger apprenticeship candidates. The twin goals of growth and opportunity are within our grasp.

Ben Rowland

Chief executive

AELP (Association of Employment and Learning Providers)

Bristol



Taking charge of your health

Thank you for highlighting the [importance of gut health](#) (“Gut feelings”, March 22nd). However, describing people who sign up to ZOE, a personal-nutrition company, as the “worried well” suggests deep confusion about human health. Do you think those who brush their teeth daily and visit their dentist are also worried well? Are they wasting time, when they should just wait until they need a root canal?

Chronic diet-related conditions such as heart disease, type-2 diabetes and dementia are now the leading causes of death. Compelling scientific evidence shows that those on a healthier diet

can enjoy a decade more of healthy years than those on a poor diet. Most dementia and heart disease may be avoidable with the right lifestyle changes.

To be clear, health anxiety is a genuine mental-health condition that requires psychological support. But those planning for the future are not the worried well. They are the “proactive well”, who wish to enjoy more energy and better moods in weeks, and be on track for many more healthy years in the future. zOE focuses on the science of nutrition, health promotion and disease prevention. The word “worry” doesn’t come into it. It’s about good sense and living well.

We acknowledge that not everyone can afford zOE, although our monthly cost has now dropped to £9.99 (\$12.90) rather than the £25 quoted in your article.

Professor Tim Spector
Co-founder of zOE
London



Cold-war thinking

[Europe's anxiety over America's shifting position on defence](#) suggests a new crisis of faith (“America's new foreign policy”, March 15th). But Europe's disillusionment with American steadfastness is hardly new. Robert McNamara as America's

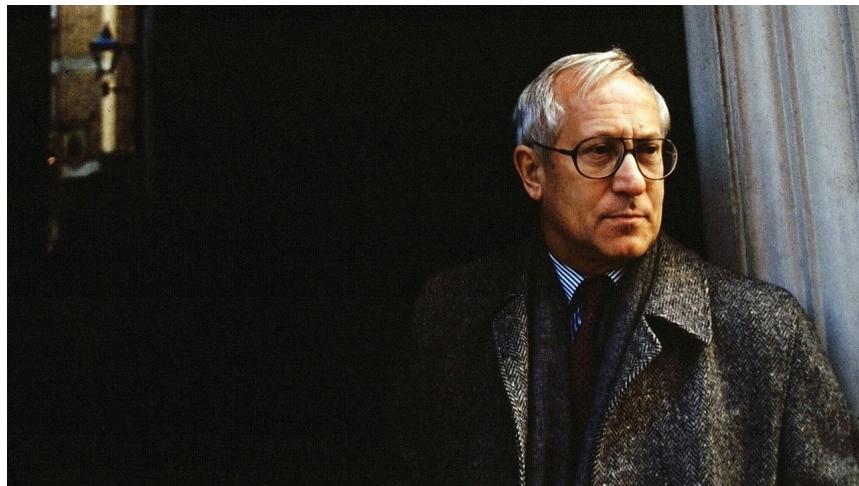
defence secretary introduced a doctrine of “flexible response” during the Kennedy administration in 1961. The message was clear: massive nuclear retaliation against a Soviet attack was rejected and America would not trade Washington for Düsseldorf.

The elegant escalation ladders of that doctrine were drawn across real cities—Bonn, Amsterdam, Strasbourg—leaving European allies wondering in which zone their annihilation would be authorised. The transatlantic trust deficit began long before Donald Trump’s latest tariff tantrum. Today, some in Europe seek reassurance, others rearmament. But if history is any guide, they should be less surprised.

Even as Elon Musk plays Iago (from “Othello”) to Donald Trump’s Richard III, Europe remains the seasoned audience. Unimpressed by the theatrics, familiar with the script, and well aware that the play goes on, whether the lead actor knows his lines or not.

Zubin Aibara

Bülach, Switzerland



I enjoyed the well-informed and well-crafted [obituary of Oleg Gordievsky](#) (March 29th). There was one additional important point that his intelligence illuminated. This was that the Soviet leadership never believed that the Americans would launch a first-strike. Their aim was to stop the deployment of the Pershing II

missiles, because if they did not, then the Soviet Union would be seen as unable to maintain the balance of power, would lose influence in the Warsaw Pact and the third world, and the arms race would continue and ruin the Soviet economy.

Gordon Barrass

London

I read the informative and entertaining Gordievsky obituary with particular interest. The chronology and numbers got slightly scrambled. The Soviet intelligence officers were expelled after Gordievsky had been exfiltrated from the Soviet Union. There were two associated rounds of expulsions from London and Moscow, 25 and then six more in each direction. I know because I was a correspondent for Reuters expelled from Moscow in the second round.

Martin Nesirky

Vienna



An invite to share

I read Bartleby's column on [the "horrors" of shared documents](#) with interest (March 22nd). The company I helped found enables a more open and transparent way of designing software, but was initially met with mixed reviews. It did not take us long to learn that values like collaboration, transparency and access were not as

widely held as we had thought. When we launched in 2015 one person told us, “If this is the future of design, I’m changing careers.” Another quipped that a camel is a horse that has been drawn by a committee.

At first I didn’t understand these negative reactions. Were designers more attached to the siloed ways of working that had defined design for decades? Was there an unseen benefit to sending around large files as email attachments with names like “Draft_V3_FINAL_Draft_V27” that I had somehow missed?

I came to realise the power of shared workspaces was in the broader cultural change that they delivered and that this change can be uncomfortable. But as scary as it can be to open yourself to the critique and judgment of others, these shared spaces are, as Bartleby notes, much “better than what came before”. They allow us to tap into the creativity of others. They are non-hierarchical by default, inviting everyone to brainstorm, build and create together.

Sure, they are prone to the occasional errant comment reflecting a strong but loosely held opinion. But on balance, more open ways of working result in better outcomes, even if things can get a bit noisy.

Dylan Field
Chief executive and co-founder Figma
San Francisco

Sharing documents creates inefficiency and more work, as people who may have limited insight into the content are now given free liberty to edit to their heart’s desire. It often bottlenecks the timeline—“we need to wait for Sally to return from vacation so she can provide input”. And do we really need ten people to debate on what verb should be in a sentence? The final document may be completely altered from the original, yet still say the same thing.

Office politics play a role in determining the final product (if it ends up even being used) with many who provided the input left feeling discouraged to see their well thought-out comment ignored or edited out with no explanation. No wonder many people decline the request to peer review a document.

Denise Pelletier

Calgary, Canada

The iron rule I learned many years ago during my time at the Pentagon is that there is no urge so powerful as wanting to alter another's man's draft.

Robert Haffa

Naples, Florida

Take two

Bartleby set out an impressive number of virtuous responses to counter someone who [takes credit for your ideas or creations](#) (March 8th). Another riposte comes from “The Red Shoes”, a film released in 1948.

When a young composer becomes distraught when he discovers that his professor has stolen his music for a new ballet he complains to Boris Lermontov, the producer of the ballet. Lermontov says “It is worth remembering, that it is much more disheartening to have to steal than to be stolen from. Hmm?”

J.M. Innes

Adelaide, Australia

Editor's note: Last week we mangled the text of the above letter from J.M. Innes, so we are running it again, correctly this time. Sorry.

<https://www.economist.com/letters/2025/04/03/training-young-workers-in-britain-and-more>

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By Invitation

- **[Even Americans don't want Trump's barmy tariffs, writes Douglas Irwin](#)**

You call this liberation? :: The trade historian predicts that the damage will be geopolitical as well as economic

- **[The Le Pen ruling is good for liberal democracy, writes Tarik Abou-Chadi](#)**

French politics :: The Oxford professor says it shouldn't matter whether the verdict emboldens the hard right or not

You call this liberation?

Even Americans don't want Trump's barmy tariffs, writes Douglas Irwin

The trade historian predicts that the damage will be geopolitical as well as economic

Aug 06, 2025 09:43 AM



ON "LIBERATION DAY" President Donald Trump upended more than half a century of American trade policy by imposing sweeping tariffs on imports. These are off-the-charts in their historic significance. From just 2.3% in 2024, the average American tariff on imports is now expected to rise immediately to about 30%—where it was in the late 1800s. Mr Trump is a 20th-century man presiding over a 21st-century economy who wants to take it back to the 19th century.

Not only is the magnitude of the hike unprecedented, but the tariffs will have a much more pervasive effect on the American economy than previous episodes. That is in large part because today merchandise imports are around 11% of GDP, more than twice their level in the late 19th century.

The tariffs blow an enormous hole in the liberal trade order that America has led and fostered since the second world war. They undermine every free-trade agreement America has ever signed. Those agreements were reciprocal: each country set zero tariffs on bilateral trade. Past free-trade-agreement partners now face stiff tariffs on their exports to America, among them South Korea (26%), Israel (17%) and Australia (10%). Canada and Mexico escaped this round of tariffs but still face the threat of 25% duties on their goods. If Mr Trump is willing to rip up his own agreement —known as the USMCA—with those two neighbours, then all past agreements are null and void, and future ones are of limited value. No one can sign any such deal with confidence if tariffs can be imposed on a whim.

Is there a principle behind the astonishing array of duties imposed on April 2nd? Mr Trump’s obsession with tariffs has long been known, but he offered a kaleidoscope of ever-changing rationales for them. They would raise revenue, reshore jobs, reduce trade deficits, ensure reciprocity by providing bargaining leverage, and so on. Economists took glee in pointing out the contradictions.

The president now touts his tariffs as mainly “reciprocal”: “whatever they charge us, we charge them.” This makes them sound fair. Far from it. The calculated tariffs did not measure tariffs or non-tariff barriers facing American exporters. They were, instead, based on the bilateral trade balance with each country—merchandise only, excluding services, in which America tends to run a surplus. According to the US Trade Representative’s office, the calculation of the tariffs “assumes that persistent trade deficits are due to a combination of tariff and non-tariff factors that prevent trade from balancing”. The implicit goal here is balanced trade on a bilateral basis.

This is bonkers, akin to an individual trying to have balanced trade with the local grocery store (with which she runs a large trade deficit) as well as with her employer (with which she runs a large

trade surplus). There may be reasons to seek overall trade balance, but there is no rationale for balancing trade on a bilateral basis.

And seeking to balance overall trade through bilateral measures misses the macroeconomic nature of that imbalance, including the role of America's large fiscal deficit in driving the flow of capital to the country. Of course, the trade deficit may narrow if America slips into a recession—hardly the outcome anyone hopes for.

Will this ignite a global trade war that sends trade volumes spiralling downwards, like the 1930s? That depends on the foreign reaction. The higher tariffs could spark retaliation. The EU is already prepared with “counter-measures”. A more optimistic view is that Mr Trump's move may trigger a wave of foreign envoys descending on Washington in the hope of reaching deals that would satisfy the president and allow the tariffs to be removed. He loves to bargain and may yet be flattered into easing the tariffs.

Perhaps the most shocking aspect of this week's events is the ability of one person to completely remake American trade policy. All previous major changes have involved building large coalitions and developing a social consensus over time— both of which required majority support in both houses of Congress.

But now Congress has delegated so much tariff-making authority to the president that it is, in effect, sidelined during this fundamental shift in trade policy. Mr Trump feels empowered to act unilaterally because he is. That may be acceptable under normal presidents, but this is not a normal presidency. A situation in which the occupant of the White House can make such momentous changes on his own, unchecked, reflects serious political decay in American politics.

What makes this all the worse is that the political constituency for the new tariffs is extremely small. Indeed, there is no consensus in Congress that such draconian steps are warranted; nor is there a general view among the American public that trade is a big

problem. Mr Trump inherited an economy in decent shape. Congress was happy with the status quo and the public put trade far down its list of priorities, well below inflation, health care and the cost of living.

In other words, no one was asking for any of this. In fact, a Gallup poll released last month found that 81% of Americans surveyed believe trade is an opportunity for growth—the highest level since the poll began in 1992—and only 14% view trade as an economic threat.

The tariffs cast a dark cloud over the global economic outlook. But the damage they will do to America goes far beyond the national accounts. As Richard Cooper, an economist who served in the Carter and Clinton administrations, pointed out long ago, “trade policy is foreign policy.” These tariffs—on friend and foe alike, as Mr Trump likes to say—are almost certain to push friends away. It isn’t easy to have good diplomatic relations with a rogue power that flippantly and capriciously blocks trade. Co-operation with allies on all manner of issues, from security to public health, is likely to suffer. Mark Carney, Canada’s prime minister, was not being loose with his words when he said recently that the long-standing co-operative US-Canadian relationship is “over”. Europeans are thinking the same thing. And trust, once lost, is hard to rebuild.

Mr Trump has done a lot of damage—to America and the world. The president was right in at least one of his Rose Garden statements. With tariffs, he said, “we can be so much wealthier than any country, it’s not even believable.” He got that last bit right. ■

Douglas Irwin is the John French Professor of Economics at Dartmouth College.

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French politics

The Le Pen ruling is good for liberal democracy, writes Tarik Abou-Chadi

The Oxford professor says it shouldn't matter whether the verdict emboldens the hard right or not

Apr 10, 2025 08:49 AM



A FRENCH COURT has found Marine Le Pen, the leader of the country's far-right movement, guilty of embezzlement of EU funds and has barred her from running for office for five years. The ban takes effect immediately and will remain in place even while Ms Le Pen appeals. In other respects, however, it is in line with numerous other such verdicts in France, for example against Alain Juppé, a former prime minister who in 2004 was also barred from running for office for abuse of public funds.

Nevertheless, the verdict—which is very likely to keep Ms Le Pen from running in the 2027 French presidential election—has shocked her party, the National Rally (RN), shaken French politics and received much international attention. Many, [including *The Economist*](#), argue that it is a mistake and will only further strengthen the RN. These assessments not only represent a

questionable position on the rule of law, they also misjudge the importance of this decision for strengthening liberal democracy.

While the consequences of the court decision are open to debate, it should go without saying that in a liberal democracy the law needs to be applied. Even if we came to the conclusion that the verdict will ultimately strengthen the RN, this should not affect our assessment of the verdict as right or wrong. Thinking about the counterfactual should make this abundantly clear. Do we really want to argue that the law should not be applied to far-right politicians because decisions might empower them? Such arguments undermine the rule of law—one of the fundamental principles needed to defend against far-right authoritarians.

Criticisms of the court decision do not only ignore this basic point about the rule of law. They also have important blind spots when it comes to assessing the consequences of the ruling.

One argument is that the verdict will strengthen the RN electorally as it will mobilise the party's base and play into its narrative of being the victim of political persecution. However, the electoral consequences of the court decision are more complex than that.

Above everything else, the RN is—barring a successful appeal—going to lose its most popular and skilled politician. In France's highly personalised political system, there can be no doubt that the absence of Ms Le Pen will hurt the RN in future elections. Even if the verdict stokes up parts of the French far right, it will be difficult to make up for the loss of its main candidate in the next presidential vote.

In the long run, too, the absence of Ms Le Pen may prove difficult for the RN. Like other far-right parties, it is organised strongly top-down, with a dominant role for its leader. It is far from obvious that Jordan Bardella, the RN's 29-year-old president, will be able to move smoothly into this role.

Another argument made by those critical of the verdict is that it will further increase social tensions and polarisation. Even if that were the case, what is the alternative? Trying to appease the far right by giving it what it wants? On immigration, most parties of the mainstream left and right have already followed this strategy, demanding or enacting increasingly restrictive measures on immigration and asylum. But this has not weakened the far right; if anything it has strengthened it. Appeasement of authoritarians, whether domestic or on the international stage (see Donald Trump), does not work. Instead it empowers the far right and demoralises those who want to stand up for liberal democracy.

There are two other consequences of the court decision, and both should be receiving more attention. First, far-right parties often rely on corruption and gang-like structures to run their organisation and solidify their support base. Criminal activities are common within these structures: they align well with the disregard for the liberal state and its institutions that is an essential part of far-right ideology. Failure to punish these activities ultimately empowers far-right violence, which is already on the rise in many European countries. It should be celebrated when the institutions of liberal democracy fight back and find effective ways of punishing the criminal behaviour that is at the core of many far-right movements.

Second, the consequences of the ruling should be viewed within the context of the increasing normalisation of the far right in Europe, which has been key to the movement's increasing success. Public opinion today is not necessarily more aligned with the far right than it was 20 years ago. What has changed, however, is that the stigma around the ideology that once kept people from supporting it openly—and voting for it—has gradually disappeared.

Court decisions are important moments in expressing norms. They signal to citizens what is and isn't accepted in a society. At a time when many political parties are accommodating the far right and increasingly adopting its positions, the Le Pen verdict reinstates a

liberal-democratic norm. While it is true that those who espouse liberal democracy have become too reliant on courts to protect its institutions, this should be seen as a call for democratic politicians to do more, not for courts to do less.

Overall, the ruling against Ms Le Pen should be regarded as what it is: the rule of law at work. And anyone considering its consequences should not just assume that it will strengthen support for her, her party and its ideology. On the contrary, the decision marks an important moment for empowering liberal democracy against the threat of the far right. ■

Tarik Abou-Chadi is professor of European politics at Nuffield College, University of Oxford.

<https://www.economist.com/by-invitation/2025/04/02/the-le-pen-ruling-is-good-for-liberal-democracy-writes-tarik-abou-chadi>

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Briefing

- **As Donald Trump's trade war heats up, China is surprisingly confident**

Arise, consumers! :: Should it be?

Arise, consumers!

As Donald Trump's trade war heats up, China is surprisingly confident

Should it be?

Apr 10, 2025 08:50 AM | BEIJING, HONG KONG and SHANGHAI



Editor's note (April 5th 2025): On April 4th China retaliated against Donald Trump's tariffs, announcing a 34% duty on American goods.

FOR THE second time in less than a decade, the world's biggest importer is pummelling the world's biggest exporter with tariffs. On April 2nd America landed its biggest blow yet, raising the average levy on Chinese goods above 60%. Yet the mood in Beijing is not one of panic.

Spot the optimists

1

Stockmarket indices, October 1st 2024=100



Source: LSEG Workspace

In response to Donald Trump's first term as president, Xi Jinping, China's leader, initiated a campaign to reduce China's economic dependence on America. Chinese officials are hoping that a revival in domestic demand, after four years of property troubles and two years of deflation, can cushion the blow from Mr Trump's war on trade. As proof that consumers are cheering up, Li Qiang, China's prime minister, has pointed to *Ne Zha 2*, an animated film that smashed box-office records during the Spring Festival holiday. Whereas American investors have recoiled at their new government's protectionism, sending the S&P 500 down by nearly 4% so far this year, the MSCI China index is up by 15% (see chart 1).

China has lots of experience of Mr Trump. His first administration punished China for obliging American firms to hand over intellectual property, under a legal provision, Section 301, that allows the president to act against countries that abuse international trade. A seven-month inquiry concluded that China's extraction of

technology had cost America at least \$50bn a year. Mr Trump's team therefore slapped tariffs on a similar sum of Chinese imports, from arc lamps to chicken incubators. When China retaliated with levies of its own, America upped the ante. By the end of the tussle, America had imposed tariffs on roughly two-thirds of Chinese goods. At its worst, the war reduced China's GDP by as much as 0.8%, according to Goldman Sachs, a bank. America also almost crippled one of the country's leading telecoms companies, ZTE, by denying it access to American technology, before Mr Trump spared it as a personal "favour" to Mr Xi. The president's team later targeted Huawei, an even bigger icon, which America deemed a threat to national security.

Urgent divergence

Since then, China has tried to become less beholden to America as either a market for its wares or as a supplier of vital technologies. It now sells less than 15% of its exports to America, down from almost a fifth in 2017. Its tech companies are also more robust. Huawei has shown that it can produce surprisingly snazzy semiconductors, despite the efforts of both Mr Trump and Mr Biden to deny it access to advanced chips and chipmaking equipment. DeepSeek, a Chinese AI firm, can almost match the best Western large language models at a fraction of the cost. When Mr Xi met global CEOs in Beijing on March 28th, his chest was out: the message was, China's technological prowess is greater than ever.

Unfortunately, Mr Trump's second trade shock will be much stronger than the first. He had already raised tariffs on Chinese goods by 20 percentage points since returning to power, lifting the average rate above 30% (see chart 2). On April 2nd he said he will raise tariffs by another 34 points. He also removed a loophole that allowed packages worth less than \$800 to escape duties. Further imposts may be on the way. America might, for instance, charge ships built in China an extra fee for docking in its ports.

Trump thump

Mr Trump's ultimate goals are obscure. America's president has painted tariffs as bargaining chips to win concessions from trading partners. On March 26th, for instance, he floated the possibility of reducing tariffs if China permits the sale of TikTok, a Chinese-owned short-video site that is popular in America. A few days earlier Steve Daines, a senator and emissary of Mr Trump, told one of China's deputy prime ministers that trade talks were not possible until China stemmed the flow of fentanyl precursors into the Americas. Mr Trump has also described tariffs variously as a source of revenue, a means to attract investment in manufacturing, and a way to eliminate trade deficits, which he regards as robbery. Even if China is eventually able to negotiate some degree of relief, few in Beijing expect a deal to be struck soon.



Worse, some of the safety-valves that helped China before are unlikely to work as well this time. When tariffs rose in 2018, China

redirected many of its exports to countries like Taiwan and Vietnam. They bundled Chinese components into goods for final sale in America. That dodge may be more difficult in the new war, because Mr Trump is slapping tariffs on all of America's big trading partners.

China also fears a “tariff cascade”, points out Fred Neumann of HSBC, a bank. If Mr Trump’s levies divert Chinese exports from America to other markets, those other countries might impose duties of their own on China. Many countries already have their finger on the trigger. According to WTO statistics, 66 anti-dumping investigations were initiated against China in the first half of 2024 alone, more than in the whole of 2023. Even Russia, China’s “no-limits” friend, has acted to stem the flow of Chinese cars into the country.

To win goodwill, China has removed tariffs on imports from many of the world’s poorest countries. A government researcher argues that China should also woo Europe with unilateral measures to boost trade and revive a long-stalled investment agreement. European diplomats say there is little substance to China’s charm offensive so far. The two parties are still arguing about electric vehicles.

In the face of higher tariffs, a weaker currency could help China’s exporters maintain market share, especially in price-sensitive industries. But the central bank has kept the yuan steady against the dollar. It does not want a sharp depreciation to antagonise other countries or trigger destabilising capital outflows, as happened in 2015. It may also have a more strategic motive. A weaker currency would muffle the impact of tariffs on the dollar price of Chinese goods, sparing American buyers some pain. China may be understandably reluctant to save America from the consequences of its own folly. China’s government has warned exporters not to give in to American pressure on prices. Local customs officials have been monitoring invoices, says an executive at a Chinese exporter

based in Shanghai. They want to discourage anything that “undermines their ability to cause inflation in America”.

Inflation may soon be the least of America’s worries. Many fear it is headed for a sharp slowdown. Indeed, the final reason why the second trade war could be worse for China than the first is a little counterintuitive: America looks more fragile this time. In 2018 it grew robustly even as the trade war raged. Now American consumer confidence is dropping precipitously. The stockmarket is listing. Some leading indicators already pointed to negative growth in the first quarter of the year, even before Mr Trump’s tariff bombshell.

Chinese officials may smirk at the prospect of a recession in America. But a state researcher notes that American demand for Chinese goods is far more sensitive to changes in income than to changes in price. Nimble exporters may be able to dodge American tariffs, he says, but there is no escaping an American recession.

With the outlook for exports becoming more forbidding, China’s domestic economy will have to take up the slack. That might seem unlikely, even laughable. In recent years China has been hobbled by a painful property crisis, strained local-government finances, a crackdown on big tech firms and shattered consumer confidence. Mr Xi has been painfully slow to respond to these problems—probably because he is the cause of many of them.

But in the past six months, policy has begun to turn in a more promising direction. The government has pledged to arrest the fall in the property market and “vigorously” boost household consumption. It is giving local governments more room to borrow. Mr Xi and other Communist Party officials are signalling that private enterprise is back in favour and that foreign investment is welcome. Serendipitously, innovation in AI is also racing ahead, potentially fostering growth.

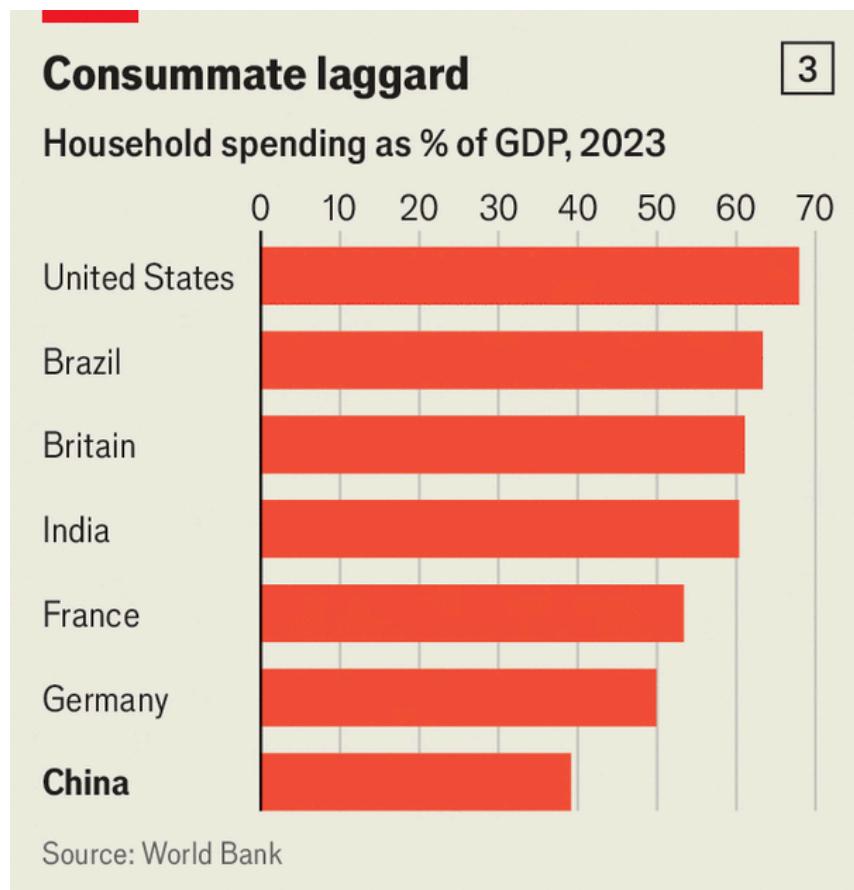
Reviving the property market is the first step. In 2020-21 the central government orchestrated a credit crunch meant to halt the unsustainable expansion of the sector. It succeeded all too well. Most large developers have since buckled under the pressure. Prices tumbled and demand for homes collapsed. Sales of residential floorspace have halved since 2021.

Property and allied industries once accounted for roughly a quarter of China's GDP. Its collapse has therefore reverberated throughout the economy. The slowdown in building hit labour markets and the myriad industries that feed into construction, such as glass and steel. Not even the government was spared. Because local authorities relied heavily on land sales for revenue, their ability to provide services and counteract the downturn was constrained. Ordinary people have also been victims. Homeowners' net worth shrank on paper, denting their willingness to spend. In Shenzhen, the country's sparkling southern tech hub, average home prices fell by nearly 20% between 2021 and 2023. Tens of millions of families have also paid upfront for homes that have never been built by cash-strapped developers.

The good news for the Communist Party, however, is that the worst of the housing crisis appears to be behind it. Sales volumes are falling less steeply now than a year ago. Prices in some large cities, such as Shanghai and Nanjing, have started to rise again. Some analysts believe national prices will stabilise by early next year. Some government researchers argue that the deflation of the property bubble was both desirable and inevitable. Even the timing was good. China succeeded in popping the bubble in the brief interval between the two trade wars. If property speculation had been allowed to continue growing unchecked, only to collapse as tariffs soared, the outcome would have been much worse.

Long-suffering local governments have also been given more relief this year. They have been allowed to raise an additional 6trn yuan (\$830bn) in bonds over three years to refinance riskier "hidden"

liabilities that often lie on the balance-sheets of the investment vehicles they sponsor. They can also issue a record 4.4trn yuan in “special bonds” this year, up from 3.9trn yuan last year. These funds can be used to pay off arrears to companies and employees and even buy land. That should get more money circulating in some of the worst-off places. China’s many local governments are, after all, both big employers and big consumers of goods and services in their own right, says Yao Yang, an economist. They may underpin as much as 30% of domestic consumption.



The financial woes of China’s local government have provoked a broader shift in the party’s thinking on economic policy. In September its powerful 24-member Politburo promised to stabilise the property market and strengthen “counter-cyclical” measures. At the annual meeting of China’s legislature in March, the government unveiled additional borrowing amounting to about 2% of GDP in 2025. Some of that extra money will be spent building better infrastructure, a habitual priority. But an unusually large chunk will

be funnelled to households. Their consumption accounts for only about two-fifths of GDP in China, compared with around a half to two-thirds in most other big economies (see chart 3). “Vigorously” boosting this share ranked first among ten pressing tasks for the government this year, above Mr Xi’s cherished goals of modernising industry and becoming more self-reliant in technology.

To this end, the government has doubled the size of its trade-in scheme for consumer goods such as cars and household appliances, now worth 300bn yuan. It has also broadened its scope to include smartphones and other electronics. Civil servants’ pay has been raised, as has the miserly pension available to city folk who do not work and rural residents. More generous financial aid for students and bigger subsidies for health insurance are also promised. In a 30-point plan released a few days after the legislative meeting, officials pledged to raise the minimum wage and expand child-care subsidies.



Local governments have begun to respond. Hohhot, the provincial capital of Inner Mongolia, has said that it will give families 10,000 yuan upon the birth of their first child, five annual 10,000 yuan payments for a second child, and ten more for a third child. If this sort of scheme were rolled out nationally, it would put about 400bn yuan a year into parents' pockets, according to one calculation. The hope is that such measures will give people more money to spend and at last revive their confidence to spend it (see chart 4).

At the same time, the party has tried to revive the private sector's animal spirits. A meeting between Mr Xi and a handful of entrepreneurs, including Jack Ma, a previously disgraced billionaire, has brought cheer. Mr Ma had been the most famous victim of a crackdown on tech companies, including his e-commerce group, Alibaba, in 2020. The meeting has been seen as a sign that the Communist Party is ready to succour rather than denigrate private business once again. The valuations of many of China's biggest tech companies have soared in response. Alibaba's share price is up by 60% since the start of the year.

The increase comes from a low base. But there is good reason to be excited. A wave of AI exuberance has swept the country since January, as DeepSeek's models have dramatically lowered the cost of the new technology. Its breakthrough has also demonstrated that Chinese tech firms can innovate and thrive despite heavy American export restrictions on semiconductors. Early evidence suggests that Chinese adoption of AI is proceeding apace. The party is encouraging both private firms and arms of government to embrace AI. By one estimate roughly half of the demand for DeepSeek's model comes from the state.

Flappable capital

All these measures will help, but more will be needed. Improved sentiment, visible in the stockmarket, will take time to percolate through the economy. Mr Xi's rehabilitation of Mr Ma will not be

enough to reassure entrepreneurs, says an adviser to senior officials: “Too much has happened in the past five years.” Some cash-strapped local governments have imprisoned businessmen to shake them down. A continuing crackdown on investment banking has seen salaries slashed and some celebrity financiers disappear. And even when the authorities are not hounding private investors, they are crowding them out: the government is easily China’s biggest provider of private equity and venture capital. China’s stockmarket regulator, meanwhile, has stalled most IPOS, creating a backlog of investors keen to cash out. All this leaves the private sector wary of the hype around AI and of the government’s newfound appreciation for entrepreneurship.

More money will be needed as well as more charm. The stimulus unveiled last month should be enough to stop deflation getting worse, but it will not dispel the danger altogether. And it leaves China with little margin for safety. Officials have said they stand ready to do more if need be. “The central government has kept sufficient tools and policy space in reserve,” said Lan Fo’an, the finance minister, in early March. It will “introduce new incremental policies when necessary”, assured Mr Li, the prime minister, a few weeks later. China cannot afford such hesitancy when Mr Trump shows none.

There is little to suggest that Mr Xi has fundamentally changed his views about how the economy works. His acceptance of the importance of consumption and private enterprise is presumably more tactical than heartfelt. But in the aftermath of a property bust and amid another trade war, even he must recognise that investment and exports cannot be the economic engines they were. For two decades economists have urged China to embrace consumption-led growth. If, having exhausted the alternatives, it at last does so, it will be making a virtue of a perilous moment. ■

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Great exhortations

How (and why) J.D. Vance does it

The vice-presidency is a famously terrible job and Donald Trump a famously bad boss. And yet

May 21, 2025 11:16 AM | WASHINGTON, DC



THE SAFE choice for vice-president was not J.D. Vance. He arrived on Donald Trump's presidential ticket with little political experience and plenty of baggage. During his two years in the Senate some senior colleagues found the Ohio freshman's strident opposition to Republican policy orthodoxy presumptuous. And more than a few Republican lawmakers and donors still privately acknowledge they would have preferred someone else. Yet the vice-president, the third-youngest in American history, has proved adept at a role that often ends up as a political dead end. And Mr Vance, seen by America's allies as a divisive figure, is casting himself as a uniter of his party's fractious factions. He argues that he was uniquely placed to bridge the gap between the "techno-optimist" and "populist right" MAGA tribes.

"Both our working people, our populists, and our innovators [...] have the same enemy," Mr Vance said during remarks at the American Dynamism Summit in Washington on March 18th. That

enemy is globalisation and cheap labour. He argued that restricting the flow of people and goods, while loosening regulations and lightening the tax burden of companies and investors, would encourage innovation and benefit workers and entrepreneurs alike. “We can only win by doing what we always did: protecting our workers and supporting our innovators,” he said.

Whether tech leaders—whose businesses benefit from the free flow of goods and services and federal support for scientific research—will buy this new vision as it moves from theory to reality remains to be seen. Mr Vance’s bridge may buckle under the weight of its own contradictions. But if the Republican Party could indeed fold working-class voters who feel nostalgic for a past age into a coalition with techno-optimist entrepreneurs, that would make MAGA a new kind of political movement.

If Mr Vance completes his four-year term as vice-president, it will be the longest he has held a job since serving the same stretch in the Marine Corps after high school. After a tough childhood, the Ivy League-educated lawyer worked at three venture-capital firms in six years and published his memoir, “Hillbilly Elegy”, when he was just 31. The book’s success expanded his already ample access to elite circles, and his time as American progressives’ favourite conservative led him to believe many affluent Americans looked down on the people he grew up with.

Mr Vance, whose career in elected office was half as long as Mr Trump’s, didn’t bring the Washington know-how of Dick Cheney or Mike Pence to the vice-presidency. Yet he has taken on a big portfolio, divided into four roles: spokesman, dealmaker, project manager and talent scout.

Mr Vance is aware that his most important task is staying on the same page as Mr Trump, which is never easy. Yet, as part of a MAGA vanguard putting more intellectual scaffolding on Mr Trump’s

movement, he relishes making flag-planting speeches (and sometimes actually planting flags).

In February he delivered a pair of addresses castigating European governments for their shortcomings. The leaked Signal chat demonstrated that Mr Vance's private and public views on foreign policy did not diverge, even if he doesn't always agree with the president. But like the elder millennial he is, he also takes time to do battle on social media, including with an *Economist* correspondent, and to speculate about the IQ of a former British government minister. His Greenland trip united these instincts: to show loyalty to his boss by making his wilder ideas seem substantive and to troll liberals and foreigners.

After nearly a decade of cable TV appearances, Mr Vance is adept on old media too. Though he lacks Mr Trump's peculiar charisma, he is as talented a brawler. And the most important member of his audience agrees. "He is a feisty guy, isn't he?" the president said on election night. "He really looks forward to it, and then he just goes and absolutely obliterates them."

At the beginning of the administration, he worked on seeing through cabinet nominees to confirmation. With picks like Robert F. Kennedy junior, Tulsi Gabbard and Pete Hegseth, the task seemed as enviable as Kamala Harris's responsibility for solving the root cause of America's immigration crisis. Nearly every one of Mr Trump's cabinet picks made it through, and Mr Vance had to cast a tie-breaking vote only once. Much of this success was thanks to atmospheric pressure created by Mr Trump and Elon Musk. Yet Mr Vance quietly played a role by listening to uncertain senators and assuaging their concerns. "J.D. is a jack of all trades, and he has been instrumental in working with the Senate to help advance President Trump's cabinet nominees and our shared agenda," says John Thune, the Senate majority leader.

Ivy League elegy

Beyond Congress, Mr Trump has assigned his deputy to a mix of special projects. One of these tasks is crafting a deal that would enable TikTok to remain accessible in America, despite a law that ought to have forced its sale or closure by now. Another job is as finance chairman of the Republican National Committee, the first vice-president in that post. Developing deeper ties with some of the Republican Party's biggest donors at the same time will be helpful in the future.

In addition to these tasks, Mr Vance has left his imprint on the administration in his role as HR manager. Vance acolytes have taken influential positions beyond his own office, and he has also supported efforts to keep nominees in line with the Trump agenda. Before the election, in a joint interview with Donald Trump junior, the most influential Trump family member of the second term, Mr Vance said that they had a shared interest in “keeping the snakes out of the administration”. While Mr Trump senior is in charge of top selections, Mr Vance’s influence can be seen at the lower levels, in the thousands of jobs that the president would not personally vet.

To what end is Mr Vance doing all this? He was a Trump critic before adjusting both his style and his views during the president’s first term. Yet he had long been interested in politics. Before he found fame he became friends with conservative intellectuals known as “reformicons”, who sought to shift the Republican Party away from its pro-business image towards helping voters more directly.

“There’s an idea out there that a lot of this is opportunism. But I think that J.D. believes that US public policy, foreign and domestic, should be geared toward advancing the interests of the American working class and of the American family,” says Michael Strain, a conservative wonk at the American Enterprise Institute, who has known Mr Vance for about a decade. “He has changed his views on Trump personally but he has consistently filtered everything

through the questions: Is this good for the worker? Is this good for families?”

Seen in this context, his dressing down of Ukraine’s president, Volodymyr Zelensky, was rooted in his view that a conflict involving America would hit poorest Americans hardest. Mr Vance —a vociferous critic of aid to Ukraine—believes in a restrained use of America’s limited resources around the world. His scepticism of support for Kyiv goes back to his time serving in Iraq. “It’s the same exact talking-points 20 years later with different names,” he said on the Senate floor when opposing aid to Ukraine in 2024. “The obsessive focus on moralism: democracy is good, Saddam Hussein is bad, America good, tyranny bad. That is no way to run a foreign policy.” His friends believe Mr Vance has been ahead of the political curve on Ukraine, opposing assistance for the country in the days before Russia’s renewed invasion in 2022, and that his strident tone will age well with time. His sharper edge, particularly when criticising Europe, is consistent with his own rhetorical transformation and Mr Trump’s anger about the continent not spending more on defence.

Yet there is a paradox here, too. Mr Vance’s own trajectory, from Hillbilly to the Ivy League, ran via service in the Iraq war. Not every question can be answered by asking what is best for the working class. Debates about how corporate tax-cuts might affect families, for example, have persisted for decades within conservative circles. What does nuclear modernisation mean for the working class?

Then there is the question of what happens after Mr Trump’s second (or maybe third) term. Mr Vance has been coy, recently telling NBC News that, “If I was like a central figure to getting the Russia-Ukraine crisis solved, who gives a shit what I do after this?” The RealClearPolitics polling average shows that he has a net-negative favourability rating. Yet he would be the front-runner for the Republican nomination in 2028, if he chooses to launch a

presidential campaign from within the administration. Mr Trump has held off anointing him as his successor, and recent history suggests that the president would enjoy watching several competitors vie for his endorsement. ■

<https://www.economist.com/united-states/2025/04/03/how-and-why-jd-vance-does-it>

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Madison as hell

The Trump train slows

Results from Florida and Wisconsin suggest a familiar pattern in American politics

Apr 10, 2025 08:50 AM | WASHINGTON, DC



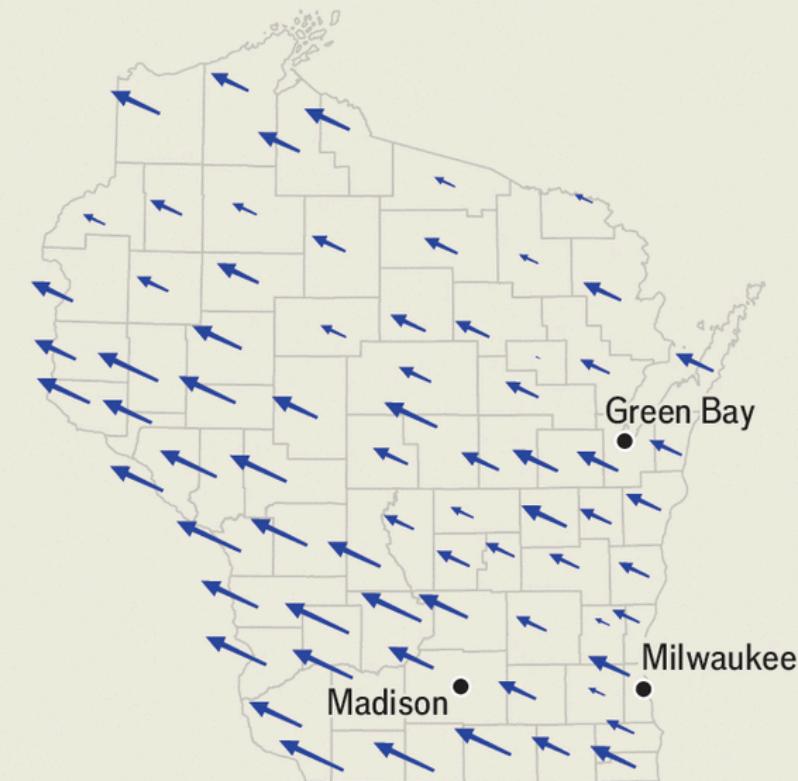
THESE DAYS are dire and dour for Democrats. But April 1st brought a brief reprieve—and not because of jokes. That was the day that the most expensive judicial election in American history in the battleground state of Wisconsin ended in a decisive triumph for the left-leaning candidate. It had drawn \$100m of spending, including an estimated \$25m from Elon Musk who also, perhaps counterproductively, personally campaigned in the state. The same day, two special elections in Florida for vacant congressional seats took place in safe Republican districts. Although they did not win, Democrats improved their margins by 17 and 20 percentage points compared with the general elections held just five months ago. Cory Booker, a Democratic senator from New Jersey, staged a one-man protest on the floor of the Senate, excoriating President Donald Trump's administration for 25 hours straight—a stunt, to be sure, but one that demonstrated proof of life in a party that supporters worried had gone limp.

South-easter

Wisconsin Supreme Court election 2025

Change in county vote margin from the
2024 presidential election, percentage points

Swing to
Democrats 15 10 5 5 10 15 Swing to
Republicans



Spending in support of candidates, to April 1st

Brad Schimel \$53.4m

Susan Crawford \$45.2m

Sources: Associated Press; Brennan Centre for Justice

These are signs that a backlash is building to Mr Trump's thundering first months in office. "What you can take away from my race is Democrats are really mad," says Randy Fine, one of the newly elected Republicans from Florida. "That should come as a

surprise to no one.” Republicans had been so nervous about preserving their razor-thin margin in the House of Representatives that they withdrew the nomination of Elise Stefanik, a New York congresswoman, to be ambassador to the United Nations, in case they lost her seat.

Mr Musk has relished taking his chainsaw to the federal government, firing thousands of bureaucrats and cancelling contracts with impunity. That has also made him a radioactive figure. On April 2nd *Politico*, an American news outfit, reported that Mr Trump had informed his inner circle that Mr Musk’s turn in power would be concluding soon. Having the world’s richest man so involved in the gutting of the federal government may prove a liability long after Mr Musk’s departure from Washington—it does not require political genius to write the copy for television advertisements leading up to the 2026 midterm elections.

There is also greater appetite for self-criticism among Democrats over their electoral failures. “People felt patronised by Democrats. There was this idea that if you’re a woman, you must care about abortion. If you’re Latino, you must care about immigration,” says Mallory McMorrow, a Democratic state senator from Michigan who announced her candidacy for the US senate on April 2nd. Ms McMorrow, who is 38 years old, has called for Chuck Schumer, the 74-year-old top Democrat in the Senate, to step aside from leadership because the rules he grew up with no longer apply. “Trump has completely taken over this party and remade it in his image to a party that prioritises tearing down the government piece by piece...and that requires very different leadership,” says Ms McMorrow. The old guard of Democratic politics—the Bidens, the Clintons, Nancy Pelosi—have almost aged out of relevance.

There is even a dim sense of optimism about who will emerge in upcoming elections. Two states, Virginia and New Jersey, will elect new governors in November of this year—contests that will be seen as bellwethers for the congressional elections of 2026.

Historical political patterns suggest that, absent some sort of calamitous implosion, Democrats should recapture control of the House thereby ending Mr Trump's legislative prospects. Even if the president is woefully unpopular, though, it is unlikely that Republicans would lose control of the Senate. There are not enough vulnerable incumbents. Still, momentum matters in American politics. Mr Trump's momentum has made him appear unstoppable; it may finally be slowing. ■

<https://www.economist.com/united-states/2025/04/02/the-trump-train-slows>

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[Turn it down](#)

How Donald Trump is shaping other countries' politics

He is boosting the centre and centre-left and delighting the hard right

Apr 10, 2025 08:50 AM



THE PRESIDENT's ability to bend reality is a political superpower. Before last year's election, our YouGov polling showed that just 12% of Republican voters thought that Canada was "unfriendly" or an "enemy". In the most recent survey, which took place between March 22nd and 25th, that share has more than doubled to 27%. Similarly, last year 17% of Republicans viewed the EU as "unfriendly" or as an "enemy"; that has now grown to 29%. America's allies can choose whether to be alarmed by the trend, or comforted by the fact that even now only 30% of Republicans consider them to be enemies.

Political scientists often say that public opinion in America is thermostatic. What that means is that when one party wins, voters move slightly in the other direction to rebalance politics. And indeed when Mr Trump was in the White House before, the modal voter became a bit more Democratic. Then when Joe Biden was

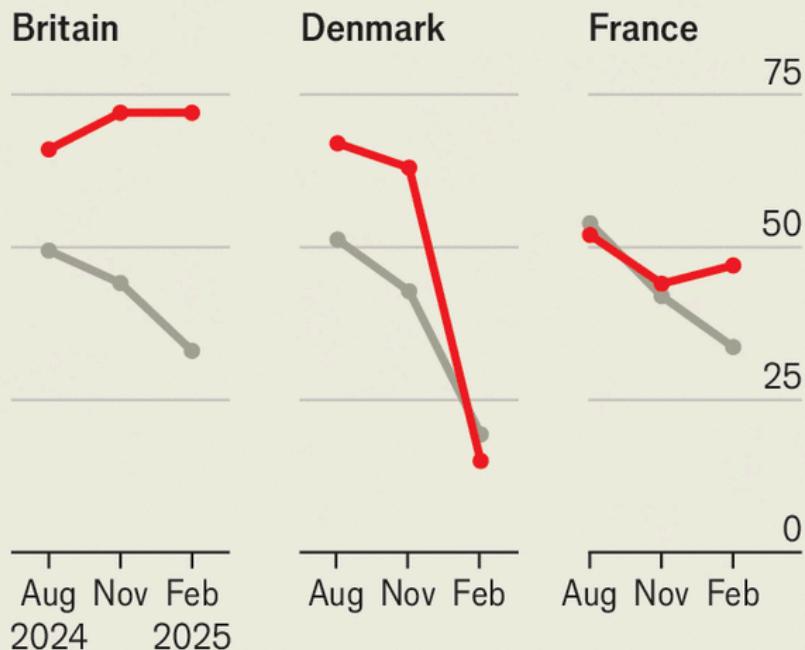
president, the modal voter became a bit more Republican, which resulted in Mr Trump winning in 2024. Now he is in office, public opinion is shifting back on the margin.

The nationalist international

Voters with a favourable opinion of the US, %

By previous vote: — Hard-right — Other

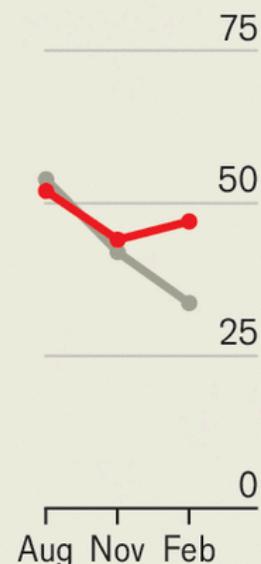
Britain



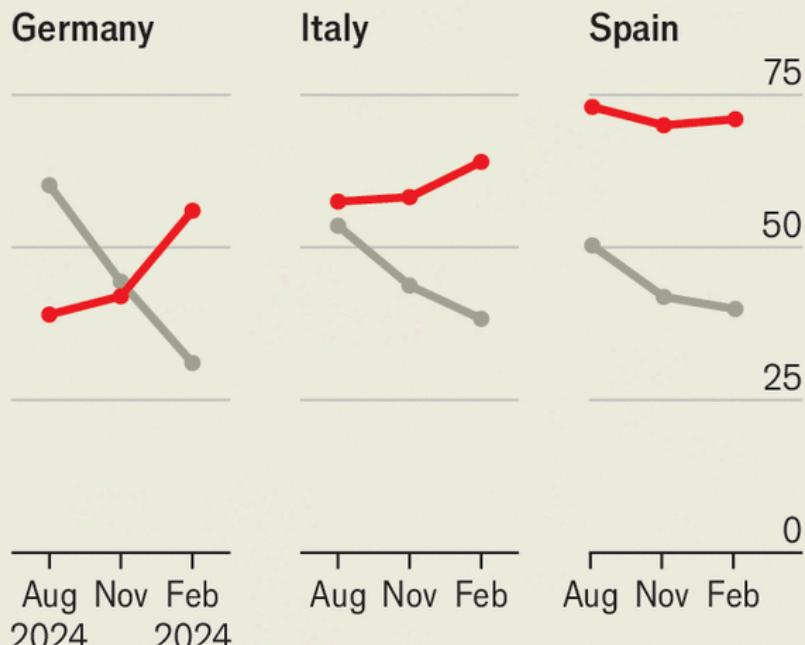
Denmark



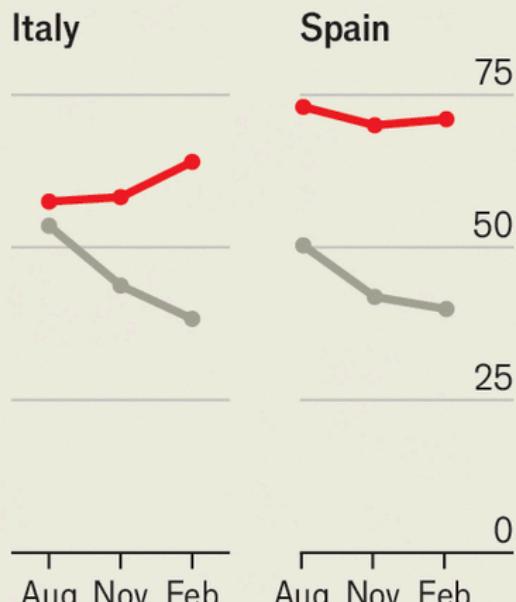
France



Germany



Italy



Spain



Sources: YouGov; *The Economist*

This is true of presidential approval ratings. It is also true on individual issues: support for immigration increased when Mr Trump was in office last time and declined when Mr Biden was sworn, as voters adjusted the thermostat. Mr Trump's enthusiasm for committing illegal immigrants with tattoos to indefinite imprisonment with no trial in El Salvador will probably have the effect of boosting support for immigration again.

Less noticed, is how American politics in the Trump era is shaping public opinion in other rich democracies. Voters outside America also seem to be behaving thermostatically. In Canada, Britain and France, voters have responded to Mr Trump's return to the White House by expressing support for parties and leaders on the centre and centre-left. The success of the MAGA movement has helped to revive the fortunes of both Emmanuel Macron and Sir Keir Starmer. It is hard to see how Mark Carney would have become Canada's prime minister without Mr Trump's threats to take over northern North America.

Since Mr Trump's election win, the share of Canucks, Brits and Frenchies with a favourable view of the United States has decreased. The same happened in 2016 and during the second Iraq war. But the average disguises another interesting pattern. On the European hard right—parties like the AfD in Germany, the Brothers of Italy, National Rally in France—voters have become more favourably disposed towards America since Mr Trump won (see chart).

Voters on the European hard right see a champion in Mr Trump and no doubt hope that having an ally in the White House will boost their own electoral fortunes. Yet if it is true that America is now exporting its thermostatic politics, these parties will probably fare better when he is out of office and there is a Democratic president to complain about. Then the cycle will begin again. ■

<https://www.economist.com/united-states/2025/04/03/how-donald-trump-is-shaping-other-countries-politics>

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The zip ties that bind

Is it ever right to pay disabled workers pennies per hour?

It is legal to do so in most American states

Apr 10, 2025 08:50 AM | Lawrenceville, Georgia



IN A SMALL building on Hi Hope Lane, Jeffrey Pennington sits at a desk packing ten-piece sets of zip ties. A diagram on a piece of paper helps him count before he drops the ties into a resealable bag and begins again. Mr Pennington, who has Down's syndrome and autism and struggles to speak, once dreamed of waiting tables at Wendy's, a fast-food joint. Today he is one of 77 disabled people working in "the shop" at Creative Enterprises, a Georgia non-profit. Mr Pennington and his co-workers assemble allergy-test and home-repair kits for big companies. Each week Mr Pennington proudly takes home a pay cheque, but after about ten hours' work it amounts to only about \$3.00.

Creative Enterprises is one of over 700 organisations in America with certificates from the federal government allowing them to pay disabled workers less than minimum wage. The size of this workforce is at least 36,000. Their conditions are authorised by Section 14(c) of the Fair Labour Standards Act, a law passed in

1938 to provide employment training for disabled veterans and workers injured in factories or farms. Today these workers—most of whom are intellectually disabled—make hotel beds, do corporate laundry, pack pharmaceutical pill boxes and shred files, among other jobs.

Because they are paid based on their productivity rather than time worked, some, like Mr Pennington, earn mere cents each hour. Roughly half of those employed in these “sheltered workshops”, as they are known, make under \$3.50 an hour, according to a government analysis, or less than half the federal minimum wage.

In December the Department of Labour, then still under Joe Biden’s management, proposed a rule that would phase the scheme out over three years. As many as 18 states have already banned sheltered workshops and others, including Georgia, have bills before lawmakers. Since the mid 1990s the number of people in sheltered workshops has dropped from almost a quarter of a million. Behind the push to get rid of the remaining workshops is a country-wide network of activists, who reckon the system violates people’s civil rights and defies the Americans with Disabilities Act, which bans discrimination. Although sheltered workshops are supposed to prepare people to go into outside jobs, many workers stay in them for decades. “This is about keeping people with disabilities poor and taking away the dignity of work from them,” says Erin Prangley, who campaigns for change on Capitol Hill.

According to Jill Jacobs, the boss of the National Association of Councils on Developmental Disabilities, the organisations that still hold certificates do so because they bolster profits. Barely having to pay for labour, she says, allows them to undercut other bidders for competitive contracts with companies like Amazon. Georgian advocates point to Creative Enterprises’s \$1.6m profit last year—and its CEO’s \$236,000 salary—as evidence for this view.

Leigh McIntosh, who runs Creative Enterprises, sees things very differently, however. She says that many in sheltered workshops simply cannot do a regular job—and most have tried. By her estimation those at Creative are about 15% as productive as standard workers, and it would not be economically viable to pay them a full hourly wage. Each year she places about 40 people from her non-profit in outside jobs. Those who choose to stay, who tend to have much lower abilities, take pride in their work: parents of Creative workers report taking special trips to the bank to deposit pay cheques each Friday. “It makes them feel normal,” one says.

Indeed, it is the parents of disabled workers who seem most opposed to the advocacy groups. Parents of workers at Creative fear that, if sheltered workshops are banned, their children will lose what little choice and purpose they now have. Mr Pennington’s mother says he loves his job and does not know the difference between \$0.25 and \$25. She feels frustrated by disability activists insisting that someone like her son can do more and ought to be treated like a regular worker. “He has the mental capacity of a kindergartener,” she says as her eyes well with tears. “How could a five-year-old work at Target?” ■

<https://www.economist.com/united-states/2025/04/03/is-it-ever-right-to-pay-disabled-workers-pennies-per-hour>

Losing count

DOGE comes for the data wonks

America may soon be unable to measure itself properly

Apr 10, 2025 08:50 AM | New York



FOR NEARLY three decades the federal government has painstakingly surveyed tens of thousands of Americans each year about their health. Door-knockers collect data on the financial toll of chronic conditions like obesity and asthma, and probe the exact doses of medications sufferers take. The result, known as the Medical Expenditure Panel Survey (MEPS), is the single most comprehensive, nationally representative portrait of American health care, a balkanised and unwieldy \$5trn industry that accounts for some 17% of GDP.

MEPS is part of a largely hidden infrastructure of government statistics collection now in the crosshairs of the Department of Government Efficiency (DOGE). In mid-March officials at a unit of the Department of Health and Human Services (HHS) that runs the survey told employees that DOGE had slated them for an 80-90% reduction in staff and that this would “not be a negotiation”. Since then scores of researchers have taken voluntary buyouts. Those left behind worry about the integrity of MEPS. “Very unclear whether or

how we can put on MEPS” with roughly half of the staff leaving, one said. On March 27th, the health secretary, Robert F. Kennedy junior, announced an overall reduction of 10,000 personnel at the department, in addition to those who took buyouts.

There are scores of underpublicised government surveys like MEPS that document trends in everything from house prices to the amount of lead in people’s blood. Many provide standard-setting datasets and insights into the world’s largest economy that the private sector has no incentive to replicate.

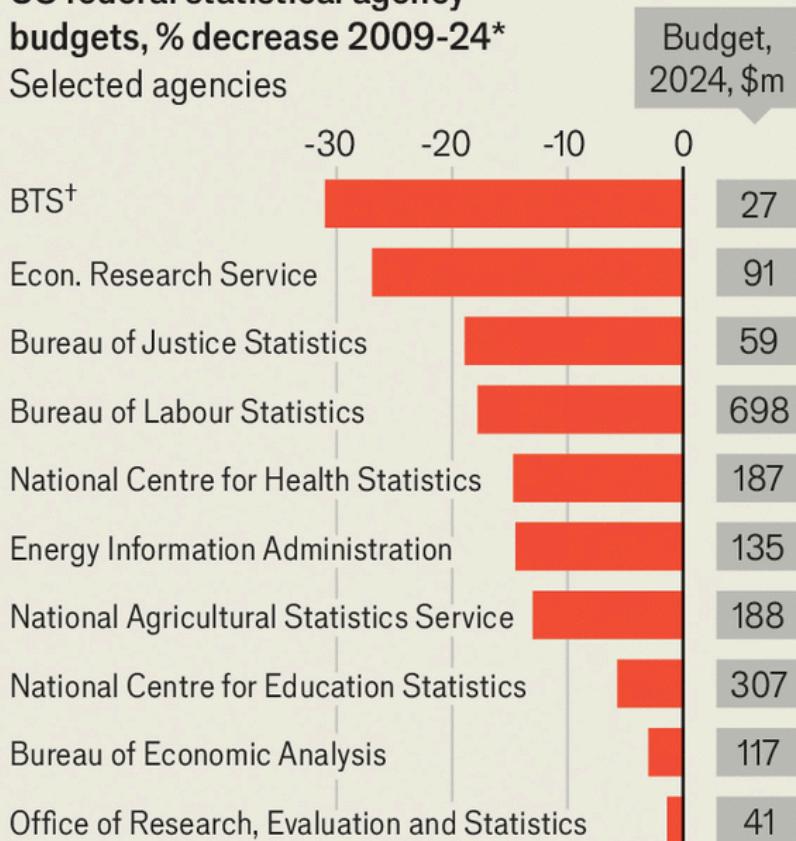
Even so, America’s system of statistics research is overly analogue and needs modernising. “Using surveys as the main source of information is just not working” because it is too slow and suffers from declining rates of participation, says Julia Lane, an economist at New York University. In a world where the economy shifts by the day, lags in traditional surveys—whose results can take weeks or even years to refine and publish—are unsatisfactory. One practical reform DOGE might encourage is better integration of administrative data such as tax records and social-security filings which often capture the entire population and are collected as a matter of course.

As in so many other areas, however, DOGE’s sledgehammer is more likely to cause harm than to achieve improvements. And for all its clunkiness, America’s current system manages a spectacular feat. From Inuits in remote corners of Alaska to Spanish-speakers in the Bronx, it measures the country and its inhabitants remarkably well, given that the population is highly diverse and spread out over 4m square miles. Each month surveys from the federal government reach about 1.5m people, a number roughly equivalent to the population of Hawaii or West Virginia.

Counting on less

1

US federal statistical agency budgets, % decrease 2009-24*
Selected agencies



*Fiscal years ending September, adjusted for inflation

[†]Bureau of Transportation Statistics

Source: American Statistical Association

The MEPS case suggests how DOGE's haphazard cuts risk upending an elaborate ecosystem. Contracted employees at Westat, a private research firm, conduct the survey for the Agency for Healthcare Research and Quality (AHRQ), a part of HHS, and the National Centre for Health Statistics, a part of the Centres for Disease Control and Prevention. Specialised field staff go door to door collecting sensitive personal health and financial data from a sample of Americans. Those data are then combined with information from the respondents' medical providers. Experts at AHRQ turn this into a nationally representative sample through data-weighting and imputation.

No private firm currently has the expertise or access to doctors and individual medical files to manage the entire survey themselves. Health-insurance companies can see their own customers but not beyond them. “MEPS allows us to ask, for people who look like America, what happens when you gain weight and how does that affect your probability of ending up in the hospital? How does that raise your medical expenditures?” says John Cawley, an economist at Cornell University who studies obesity. At stake, for example, is the timely question of whether expensive GLP-1 drugs are worth the cost to insurers in the long run.

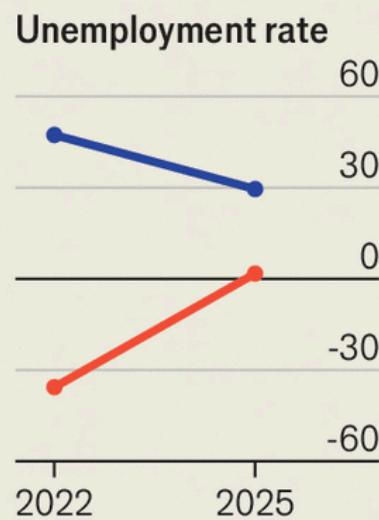
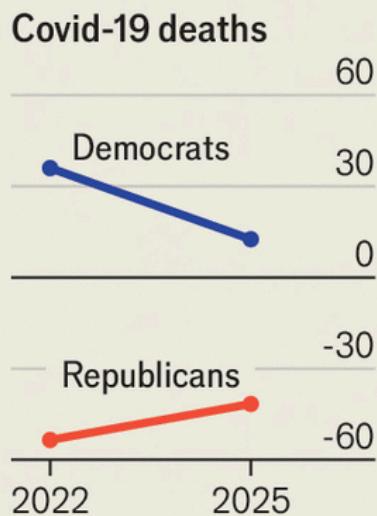
Sources in AHRQ say they expect that only a skeleton crew will be preserved to run MEPS. That is unlikely to be sufficient. Manpower is intrinsic to successful survey research. “You can’t just input data through a machine,” says Steve Pierson, a director at the American Statistical Association. Experience is equally essential. Specialists are tasked with measuring every slice of a constantly changing and often invisible economy: just ask someone at the Bureau of Labour Statistics (BLS) how difficult it is to account for employees of the gig economy in the unemployment rate. “It’s not just resource- and labour-intensive, but expertise-intensive, too” Mr Pierson says.

Even before DOGE, America’s statistical stewards were making do with less. Funding has flatlined and in many cases declined, even as response rates to surveys have plummeted. Over the past 15 years, the budget for the BLS has decreased by 18% in real terms. The National Centre for Health Statistics, which co-sponsors MEPS, has seen a similar decline (see chart 1). Though these agencies are non-partisan, Americans’ trust in the statistics they produce now ebbs and flows with the fortunes of their preferred political party (see chart 2).

Contingent faith

2

United States, net trust in government statistics, percentage points



Source: YouGov, April 4th-7th 2022 and March 6th-8th 2025

DOGE has so far spared America's most prominent number-crunchers at the BEA, BLS and the Census Bureau, which help produce some of the most market-sensitive government data. But their employees are on edge about what may be coming. Even modest funding cuts can reverberate, as agencies reduce survey sample sizes in an effort to save costs, which can produce less reliable results. Tiny variations in survey measures like the

Consumer Price Index, which is constructed using both online prices and surveys of brick-and-mortar stores, can cause significant distortions. Entitlements like social security are indexed to CPI, so “if it’s off by even a tenth of a percent, the federal government will overpay or underpay beneficiaries by about a billion dollars a year,” says Erica Groshen, a former commissioner of BLS.

At the statistical arm of the Department of Agriculture, specialists track commodities as they move through American and global markets. “Seafood is complicated”, notes one data wonk, because you “have to understand both aquaculture and wild catch, and both finfish and shellfish”. It is the kind of real-time data-collection that will be important if Donald Trump’s tariffs ignite a prolonged trade war. But in mid-February DOGE fired probationary employees at the department. Since then a federal judge has ruled the move was unlawful and ordered that the workers be reinstated, but the litigation is ongoing.

A sudden elimination of surveys could rattle the private sector, too. Analysts at financial firms guzzle up government data releases, scrutinising even slight shifts in figures. Firms can use their own data, but these can provide a limited and skewed picture. “The only way for the private sector to capture what’s going on is to make assumptions” about the data they do not have, says Karen Dynan, a former chief economist at the Treasury Department. “And the only way they can do that is if they have nationally representative numbers from the government.” Some of those numbers seem likely to decline in availability and reliability. ■

<https://www.economist.com/united-states/2025/03/30/doge-comes-for-the-data-wonks>

Lexington

Donald Trump is attacking what made American universities great

More than Middle East Studies is in trouble

Apr 10, 2025 08:50 AM



THE CONSERVATIVE counter-revolution began with a secret memo, at least as the tale is often told on America's political left, with the mix of fear and envy characteristic of the conspiracy-minded. In the summer of 1971 Lewis Powell was an eminent corporate lawyer, soon to be nominated and confirmed for the Supreme Court, when he drafted a confidential proposal for the US Chamber of Commerce. Powell laid out a costly, co-ordinated, years-long programme to counter the left's influence in the media, the courts, the boardroom and, above all, universities. "There is reason to believe that the campus is the single most dynamic source" of an intensifying assault on free enterprise, he warned.

The memo seems dated now, though not because the conservative institutions that Powell envisaged have become part of the political wallpaper or the matters that preoccupied him have faded away. The alarms Powell was ringing about Marxist faculty and "ideological warfare" against "the values of Western society", and

even about the specific influence of Herbert Marcuse and Eldridge Cleaver, can be heard, if anything, more loudly half a century on. What seems dated is Powell's reasonableness. Liberal thought, he cautioned, was "essential to a balanced viewpoint"; conservatives should just insist on the same chances to speak that universities accorded communists. "Few things are more sanctified in American life than academic freedom," Powell observed. "The ultimate responsibility for intellectual integrity on the campus must remain on the administrations and faculties."

Did political imagination fail Powell, or did principle get in the way? Whichever the obstacle, it is not impeding Donald Trump. Like a bully going from table to table in the school cafeteria, he is muscling his way through the Ivy League, threatening or withholding federal grants to force ideological change, impounding money meant for the sciences to insist on changes in the humanities or even athletics. His most recent target is Princeton University. On April 1st its president, Christopher Eisgruber, disclosed that the government had suspended dozens of research grants to the college. He said it was not clear why.

Princeton was not among the ten universities listed for review by Mr Trump's task force on antisemitism, the main reason the administration has given so far for its crackdown. But Mr Eisgruber has been unusual among college presidents in speaking up to defend higher education. In mid-March, in an essay in the *Atlantic*, he called the administration's cancellation of \$400m in grants to Columbia University "the greatest threat to American universities since the Red Scare of the 1950s". He is also chairman of the board of the Association of American Universities, which on March 31st issued a statement warning that "the withdrawal of research funding for reasons unrelated to research sets a dangerous and counter-productive precedent".

Universities are so vulnerable to Mr Trump for a reason they, and America, are so strong. After the second world war, the

government hit upon the idea that America could lead the world in innovation by sponsoring university research, an investment that has yielded countless breakthroughs and the best research universities in the world. The partnership was premised on the principles of academic freedom developed in the first half of the century and endorsed in 1957 by the Supreme Court, which found that “to impose any straitjacket upon the intellectual leaders in our colleges and universities would imperil the future of our Nation.”

Mr Trump sees no need to honour the terms of that partnership. Thus Harvard risks losing up to \$9bn in federal grants and contracts because the administration accuses it of not protecting Jewish students and of “promoting divisive ideologies”. Hoping to head off Mr Trump, Harvard had taken such steps as pushing out two leaders of its Centre for Middle Eastern Studies, but he was not mollified. The administration has also suspended \$175m in grants to the University of Pennsylvania because, three years ago, it allowed a transgender woman to compete on its women’s team, in compliance with intercollegiate regulations.

The administration does not appear to have the law on its side. By statute, the government is supposed to hold a hearing and then submit a written report to Congress of a legal violation before cutting off funds—and even then it can cut off money only to the specific noncompliant programme. But Mr Trump certainly has politics on his side. He knows how to pick his culture battles. Elite universities, which have become engines of inequality in American life, would not have been sympathetic targets even before their campuses were swept by identitarian politics and then protests over the war in Gaza. Now Harvard’s own president says he has been the victim of antisemitism on the job. Baiting Democrats into a defence of fancy colleges would further pigeonhole them as the party of the wealthy and credentialed. The failure of university presidents to speak up for one another—with such honourable exceptions as Mr Eisgruber—is making each more vulnerable.

Biology 101

But Mr Trump seems unlikely to stop with the Ivy League, and who knows how extreme his demands may become. His executive order of March 27th demanding an overhaul of the Smithsonian Institution may offer hints. Mr Trump singled out a sculpture exhibition for representing America, along with other societies, as having “used race to establish and maintain systems of power, privilege, and disenfranchisement”. Which, of course, it did. Even more shocking, he condemned the exhibition for promoting the idea that race “is not a biological reality but a social construct”. To promote the idea that race is a biological reality is to nurture the feedstock of racism. It would be a dark day indeed if America’s great research universities were ever tasked with that project. ■

<https://www.economist.com/united-states/2025/04/03/donald-trump-is-attacking-what-made-american-universities-great>

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The rise before the fall :: Amidst Donald Trump's threats of mass deportation, migrants try to secure their cash

Pix a winner

Brazil's government-run payments system has become dominant

Pix has spiced up Brazil's fusty banking sector, but it gives the central bank a worrying amount of power

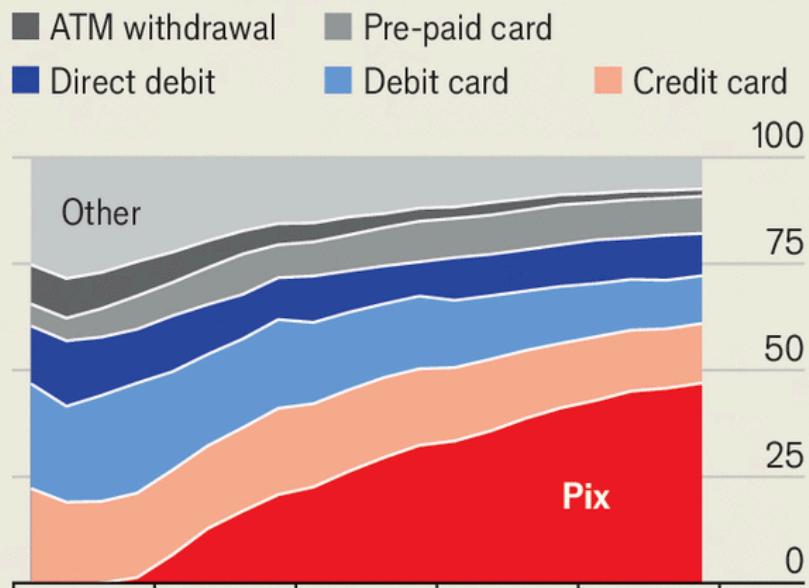
Apr 10, 2025 08:50 AM | São Paulo



IN NOVEMBER 2020 the Central Bank of Brazil (BCB) launched Pix, a digital payment system, into the teeth of the covid-19 pandemic. Avoiding physical contact at a time when that was much desired, instantaneous, free and easy-to-use, Pix took off. Users need the recipient's national ID number, phone number or a QR code to move money. By 2024 (see chart) it had become Brazil's most popular payment technology, displacing both cash and cards. The number of transactions increased from 9bn in 2021 to 63bn in 2024, moving 26trn reais (\$4.5trn). No country has adopted such a system faster.

Pix clicks in payments mix

Brazil, payment methods,
% of non-cash transactions



Source: Central Bank of Brazil

The widespread use of a frictionless, cheap payment platform has spurred competition in Brazil's stale banking sector. It is also fostering further innovation. Pix provides the bedrock on which the BCB is building Drex, a digital version of the real, which it plans to launch after tests, due to finish this year. It would then be one of just a handful of central banks to have issued a digital currency.

Renato Gomes, one of the eight directors of the BCB, says Pix is fast supplanting cash payments. Cash withdrawals in Brazil are down by nearly 40% from their peak. Pix is expected to overtake credit cards to become the primary method of making online purchases this year. The central bank is constantly adding features to facilitate payments in an ever wider array of scenarios. In February Pix began rolling out contactless payments using smartphones. From June users will be able to use Pix to make recurring payments, such as those for utility bills. All this means more and more money flowing through the banks and retailers' accounts. Mr Gomes says

Pix's mass adoption may well have boosted productivity. Perhaps coincidentally, Brazil's GDP growth has beaten expectations for the past three years in a row.

Pix has also helped shake up Brazil's banks, which used to be highly concentrated. In 2018 six of them accounted for 82% of assets and 86% of loans. Thanks to Pix, smaller firms without resources to open branches or maintain cash machines can now compete. Perhaps the best known of these is NuBank. In 2019 the digital bank, which does not charge users to open an account, had 17m customers in Brazil. In 2024 it surpassed 102m (with another 12m in Mexico and Colombia), becoming the world's largest digital bank outside China. It has moved into loans, too.

Pix is free to consumers and cheap for merchants, with fees of 0.22% on average. The fees banks charge to merchants for processing card payments are some ten times higher. Competition is forcing them to cut these to attract customers. Many retailers offer discounts for shoppers who pay with Pix rather than cards or cash.

Old-fashioned banks have benefited a bit, as Pix has let them shut down costly, under-used branches. Pix requires users to have a bank account, so its adoption means more customers to whom loans and other services may be sold. But most of this growth has gone to NuBank and its ilk.

Pix was not the first instant-payment method promoted by a central bank in an emerging country. That prize goes to India's Unified Payments Interface (UPI), which was launched in 2016. CoDi, Mexico's version of Pix, got going in 2019. Yet Pix has been adopted much faster than either UPI or CoDi. Other countries are following Brazil's lead. In February Colombia introduced an instant-payment system, developed in partnership with one of the fintech companies that worked on Pix.

But unlike India, where UPI is run by an industry body, Pix is managed entirely by the BCB. Though it consulted with financial institutions during development, the BCB alone runs Pix's infrastructure and controls the encrypted database that stores all transactions. Virtually all big banks in Brazil were forced to start using Pix when it was launched.

This concentration of power in a central bank is unusual, and has led to criticism. "Now we live in a democracy, but imagine if this existed under an autocracy and all your information was available to the government," says the head of one prominent fintech company. He thinks citizens in richer countries would balk at the government having Pix's level of access to all financial transactions. Also, if the system is ever hacked or breaks down, the fallout would be greater than if a single bank were attacked.

Brazilians seem unbothered. Pix is going global, with payment processors across Latin America starting to accept it. Brazil's central bankers are talking to countries that host large numbers of Brazilian immigrants to allow remittances to be sent through Pix. That could undercut money-transfer companies that charge high fees.

Pix's spread has also made it easier for the BCB to launch its digital real, Drex. Doing so requires a register of users and a centralised record of financial transactions. Pix provides both, as each user must have a tax identification number registered with their connected bank account. The BCB is piloting Drex on a wholesale basis with firms such as Santander, Visa, Mastercard and Google.

The biggest drawback for the government is that Pix's popularity means any bad news connected to it causes problems. In January Brazil's federal tax agency announced that it would require all firms handling Pix transactions to disclose those worth more than 5,000 reais. Right-wing groups falsely spun this to say that the left-wing administration of President Luiz Inácio Lula da Silva was

going to tax Pix transfers. The ensuing uproar was so intense that Lula's approval ratings plunged to their lowest point yet—and the government reversed the measure. That is a small price to pay for such digital wonders. ■

<https://www.economist.com/the-americas/2025/04/03/brazils-government-run-payments-system-has-become-dominant>

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A turnaround, eh?

The Liberal Party's polling surge is Canada's largest ever

Our forecast suggests Mark Carney has an 83% chance of winning. That is thanks to Trump

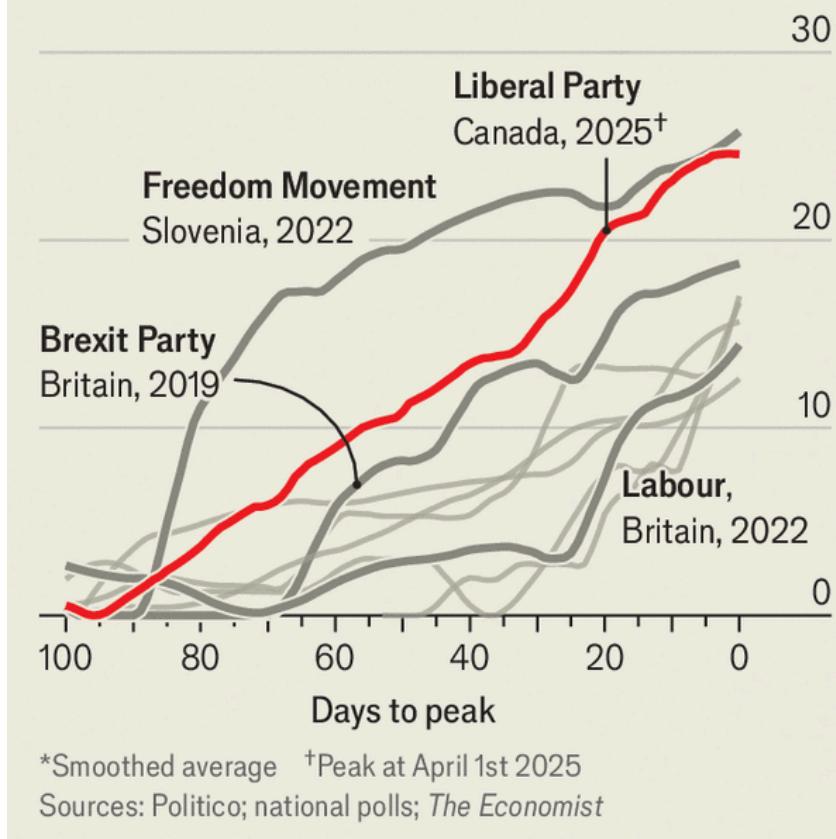
Apr 10, 2025 08:50 AM



BY ANY STANDARD, the polling surge that Canada's Liberals are enjoying is extraordinary. Among 31 rich parliamentary or semi-presidential democracies over the past decade, only one party has had a larger spike in support over 100 days than the Liberals' 25-percentage-point gain this year: Slovenia's Freedom Movement (see chart). But in Canada the spike is just an extreme version of the norm. Yes, it is the largest move in the country's polling history, but wild oscillations in voting intentions are standard. The 1993 campaign, when the Progressive Conservatives lost 15 points in just over two months, going from 154 seats to just two, has become an international byword for electoral wipe-out.

Rapid escalation

National polling average, %-point difference
compared with lowest point in 100-day range*
Selected parliamentary democracies



This volatility makes it tricky to predict the results of Canada's election on April 28th. Although public models of the election do exist, they are "now-casts" which estimate who would win if an election were held today. In contrast, this week *The Economist* is launching its first [forecast model](#) of a Canadian election, which accounts for the uncertainty associated with nearly a full month remaining for campaigning. It gives the Liberals a 83% chance of winning the most seats, and a 73% shot at an outright majority.

It might seem outlandish to publish a forecast that, at first glance, seems to have done a poor job during the current election cycle. In January, our model gave the Liberals a 4% chance of winning the most seats—higher than the now-casts, but still low. Yet given the information available at the time, we think this was a reasonable

estimate. The resignation of the disliked Justin Trudeau, belligerence of Donald Trump and ascent of Mark Carney as prime minister have turned Canada's politics on its head since then.



Our forecast accounts for the distribution of votes across 343 constituencies, known as “ridings”. Canada’s first-past-the-post voting system helps the Liberals. Conservative votes are inefficiently concentrated in a small number of western ridings. Liberals win a large number of seats by smaller margins. Our model gives the Liberals a 9% chance of winning the most seats

while losing the popular vote—just as in the two most recent elections (see chart).

Although the voting system hurts the Conservatives, it may be existential for smaller parties. Defectors from the left-wing New Democratic Party have powered the Liberals' rise. The NDP is now polling around 8%, down from the 18% they won in 2021. In our median forecast, they are projected to lose 20 of their 24 seats. That would be their worst tally ever. They have a 9% chance of winning no seats at all. Canada's Green Party is wiped out in more than half of our simulated elections; the hard-right People's Party of Canada again fails to win a seat four times out of five.

Between Canada's fickle electorate, a voting system that exaggerates swings and the possibility of a big polling error, a wide range of outcomes is possible. *The Economist's* forecast will be updated daily. ■

Correction (April 4th 2025): An earlier version of the first chart in this piece had an incorrect date on the label for Labour's polling data.

<https://www.economist.com/the-americas/2025/04/03/the-liberal-partys-polling-surge-is-canadas-largest-ever>

An iron fist, please

Peruvians long for a Bukele-like strongman to beat crime

Amid rife insecurity, people are despairing of their crooked politicians

Apr 10, 2025 08:49 AM | Lima



Fear leads to anger

ON MARCH 16TH members of a legendary Peruvian *cumbia* band, Armonía 10, were heading from one packed concert venue to the next in Lima, Peru's capital, when men on motorcycles attacked their bus. Bullets flew through the windshield, killing the band's lead singer, Paul Flores. Waiting fans gasped in horror at the news. Police suspect the attack was related to an extortion attempt by a local gang.

Peruvians have watched their country descend to new depths of lawlessness in the past year. Street gangs run rampant in Lima and other cities along the Pacific coast. They extract "protection" fees from virtually anyone with a public-facing business, from *cumbia* bands to transport firms—and kill those who do not pay. At the same time, drug trafficking is rising in the Peruvian Amazon region and gangs are taking control of mines in the Andes.

Amid the outcry after Mr Flores' killing, President Dina Boluarte declared a 30-day state of emergency in Lima. On March 25th she called a general election for one year hence, in an effort, she said, to end Peru's instability.

Law and order have never been Peru's forte. It has a stubbornly large informal economy. The police are riddled with corruption. Many livelihoods depend on cocaine and illicit gold. The crime wave washing over the country is a reminder that things can still get worse. In 2024 contract killings made up half of all homicides, which have doubled in five years. Reports of extortion have surged more than eight-fold, even though many victims choose not to refer threats to the police; those who do often discover that their extortionists find out within hours. "The gangs have better intelligence than the police," says Katherine Gómez, who runs a market where most vendors suffer extortion.

Increased criminality is curbing legitimate business. "We've never seen this level of penetration of illegal mining before," says Pablo de la Flor, who works for Peru's largest gold mine, La Poderosa. Armed groups fighting for control of the mine have killed 18 of the company's workers in the past three years. They have also destroyed 17 high-voltage transmission towers on which the firm relies for power.

Peru is not the only Latin American country to have recently tipped towards chaos. In Ecuador, just to Peru's north, new drug-trafficking routes have paved the way to record crime rates. But no single factor explains Peru's recent surge of crime. Pandemic-era disruptions pushed robbers into predatory lending and extortion. Peru's backlogged justice system and overcrowded prisons have not helped. Nor has the proliferation of weapons trafficking.

Perhaps the most striking aspect of Peru's insecurity crisis is the way that its elected officials have responded. Far from getting tough on crime, legislators have instead passed laws that throw up

hurdles for prosecutors. It is no secret that these measures aim to shield politicians and their allies from corruption probes that can be aggressive. Lawmakers have publicly admitted as much. But the measures also help criminals evade justice. Will Freeman of the New York-based Council on Foreign Relations calls the so-called counter-reforms “one of the most systematic, ruthless attempts to weaken institutions anywhere in the region recently”.

Will Peru be the next Ecuador? Its homicide rate is still well below its northern neighbour’s. But if law and order do continue to deteriorate, the fallout could be bigger. Peru’s population and GDP are much larger. Emigration is already rising. Experts say it is not too late to control the crime wave, but it would require a political will that has so far been lacking. Despite recent problems, Peru’s justice system is still much stronger than Ecuador’s pre-meltdown, says Mr Freeman.

Many Peruvians long for an “iron-fisted” leader like El Salvador’s president, Nayib Bukele. In parts of Lima, “THE PERUVIAN BUKELE” is painted in large red letters on walls along main roads, pleading for a strongman. More than 40 political parties have registered for next year’s general election. The one that sounds most like Mr Bukele may well win. ■

<https://www.economist.com/the-americas/2025/04/03/peruvians-long-for-a-bukele-like-strongman-to-beat-crime>

The rise before the fall

Latin American migrants transfer money like never before

Amidst Donald Trump's threats of mass deportation, migrants try to secure their cash

Apr 10, 2015 08:49 AM | NOGALES, Mexico



ANTONIO ORDUÑA has lived in Arizona for 30 years as an undocumented migrant, now working as a gardener. In January, after Donald Trump took office, Mr Orduña wired most of his life savings to Mexico, afraid he might be deported at any moment. As well as the financial loss, he would lose the ability to see his two sons born in the United States. “It’s a manhunt,” he says. “It’s a nightmare.”

There are many in Mr Orduña’s position. “Fearing deportation, they send more money,” says Álvaro González Ricci, president of Guatemala’s central bank. Remittances from the United States to several Latin American countries have hit record highs. Those to Guatemala were up 24% year on year in January. Remittances to Nicaragua jumped by 22%, to Honduras by 17% and El Salvador by 13%. Mexico, the world’s second-largest recipient after India,

recorded a more modest 2% rise to \$4.7bn—its highest-ever total for January.

The surge may prove short-lived. If Mr Trump does carry out mass deportations, remittances would slow or even decline. Manuel Orozco of the Inter-American Dialogue, a think-tank, forecasts that remittances would grow by just 2% in 2025 if 500,000 of the migrants already living in the United States illegally were deported.

Mr Trump's deportation surge has not yet begun. The White House has published deportation videos replete with handcuffs and shackles, and is spending \$200m on a self-deportation campaign urging undocumented immigrants to leave the United States voluntarily. But just 38,000 migrants were deported in Mr Trump's first month in office, well below the monthly average of 57,000 during the last full year of Joe Biden's presidency.

Deportations are low partly because the number of migrants entering the United States has fallen sharply owing to Mr Trump's border-enforcement measures. Just 11,700 people were apprehended trying to cross the south-west border in February, down 94% from the same month last year. Many stay in Mexico instead. "We haven't seen these deported migrants yet," says Francisco Loureiro, who runs a migrant shelter in Nogales, Sonora.

As a lone deportation bus rolls across the border, a Mexican officer shrugs: "This is nothing—there were many more coming under Biden." Mr Orduña will not be alone in hoping it stays that way. ■

<https://www.economist.com/the-americas/2025/04/03/latin-american-migrants-transfer-money-like-never-before>

Asia

- **India sees opportunity, as well as risk, in Trump's trade war**

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Banyan :: Both main parties may need their support

Tariff king v tariff man

India sees opportunity, as well as risk, in Trump's trade war

Narendra Modi hopes to strike a deal that will unleash growth

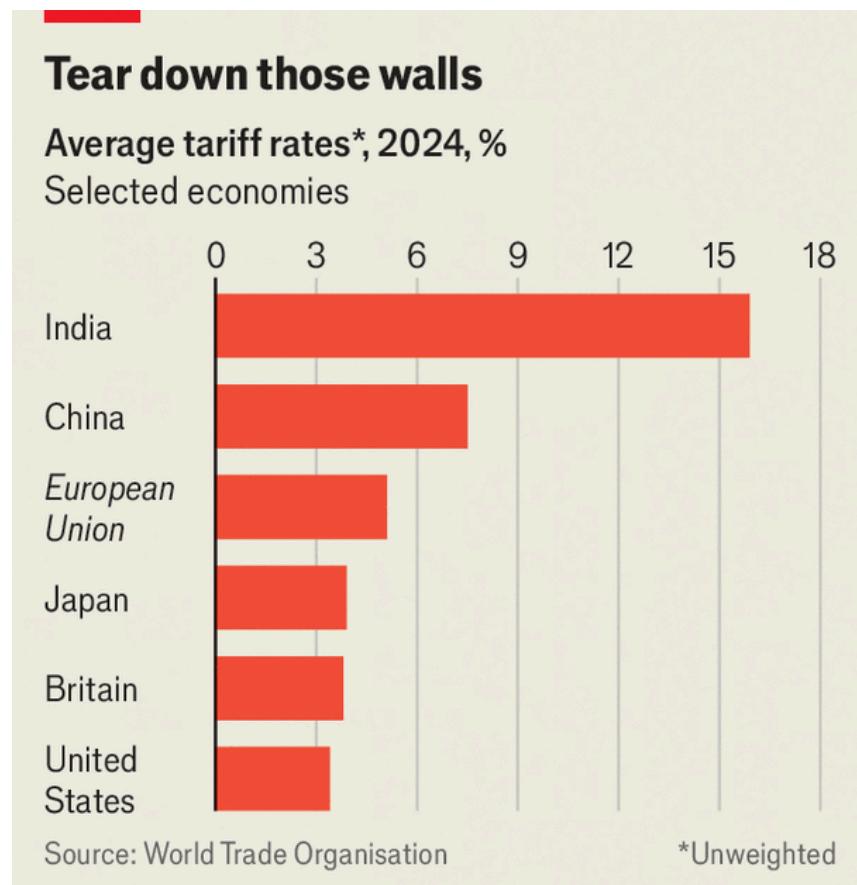
Apr 10, 2025 08:50 AM | Delhi



HOWEVER ONE views Donald Trump's trade policy, he is not far wrong in calling India a "tariff king". Jawaharlal Nehru, its first prime minister, saw foreign trade as a path to colonisation and admired the Soviet Union's drive for self-reliance. His protectionist *dirigisme* endured until the Soviet Union's collapse in 1991 triggered market-opening reforms in India. Even then, its tariffs remained high by global standards. And in the past decade they have climbed again.

Now India faces another watershed moment. On April 2nd Mr Trump unveiled "reciprocal" tariffs on America's trade partners, including a 27% levy on Indian goods. In public, Indian officials sound upbeat. They suggest India can weather any short-term pain and quickly agree to a trade deal with America that would unleash growth. Some even compare it to 1991. But privately many worry that any deal would face fierce resistance at home. And a drawn-

out trade war could jeopardise the ambitious economic and political agenda of the prime minister, Narendra Modi.



India had tried to appease Mr Trump by reducing tariffs on goods including bourbon and motorbikes before Mr Modi visited Washington in February. That helped: the two leaders agreed to complete the first part of a trade deal by this autumn and to try to expand bilateral goods and services trade to \$500bn by 2030 (from \$210bn in 2024). They also agreed that India would buy more American oil, gas and arms to help cut its big bilateral trade surplus.

Piyush Goyal, India's commerce minister, visited Washington in March and offered to cut more tariffs. Not long after, India widened its offer to cover some 55% of American exports to India. It also scrapped a 6% tax on digital advertisements, cutting costs for American tech giants. Two telecoms operators, Reliance Jio and

Bharti Airtel, struck deals to bring Elon Musk's Starlink satellite-internet service to India.

Although that was not enough to escape new tariffs in the short term, it does seem to have kept trade talks on track. India's commerce ministry said on March 29th that the two sides had reached "an understanding on the next steps". The apparent aim is to reach a goods-trade deal as early as August, with one on services to follow. For now, it seems, India has decided against retaliation.

The new tariffs' direct impact on India's economy will be limited. Bilateral goods trade with America is around 3% of India's GDP (it is 35% of Canada's). Ajay Srivastava, a former Indian trade official who heads the Global Trade Research Initiative, suggests India could benefit from the higher tariffs on several other Asian countries, noting that pharmaceuticals, a big Indian export to America, were exempted.

Still, America is India's largest export market and the tariffs could strain individual sectors that are big employers, such as agriculture. The worst-affected sectors are likely to include seafood, as well as gems and jewellery, says Mr Srivastava. The tariffs could also hit India's exports of electronics, including locally assembled iPhones and other smartphones. India's main share indices opened lower on April 3rd, with technology stocks hit hardest, while pharmaceuticals rallied.

The indirect impact on India will be bigger. Slower global growth caused by Mr Trump's tariffs could trim demand for Indian products, which could face more competition from other countries' exports that would have previously gone to America, such as steel and chemicals. Economists reckon that the tariffs, which were higher than expected, could cut India's growth by around 0.8 percentage points.

Although that is manageable for Mr Modi in the short term, it comes as the economy is slowing and the stockmarket slumping. A long trade war could undermine his goal of boosting India's exports to \$2trn by 2030 from \$778bn in 2023-24 and accelerating annual GDP growth to at least 8%. It could also damage the perception that he gets on well with Mr Trump.

Mr Modi thus appears to be attempting a pivot. Since he took power in 2014 India has increased tariffs as part of his campaign to develop domestic manufacturing. It has also offered production-linked incentives (PLIS), rewarding companies that lift output over a baseline, to attract foreign manufacturers. Quality-control orders, non-tariff barriers that supposedly impose safety standards on imports, have proliferated too.

Yet domestic manufacturing languishes at 14% of GDP, down from 16% in 2015 (in China it is about 25%). Private investment has stagnated and foreign direct investment has gone into reverse. Change may be afoot. Reuters, a news agency, reported on March 24th that the PLI scheme would be allowed to lapse. Mr Goyal recently warned Indian exporters to shed their "protectionist mindset". Having walked away from a big regional trade deal in 2019, India is now negotiating deals with the EU and Britain as well.

Mr Modi would not be the first leader to use trade deals as cover for market-opening reforms (and blame the foreigners for any adverse effects). That is "political economy 101", says Vivek Dehejia of Carleton University in Canada. Many Indian economists say such reforms are long overdue. Countries including Vietnam and Malaysia have done better at attracting manufacturing away from China, in part through low tariffs and trade deals.

The question is whether Mr Modi can meet Mr Trump's demands, especially in politically sensitive areas such as agriculture and e-commerce. Mr Trump may push India to open government

procurement to American firms and remove restrictions on data flows—demands India has long resisted. Meanwhile, India's hope of selling more apparel in America could be thwarted by manufacturers there.

Conceding too much ground could trigger protests not just from India's farmers but from tycoons, who have long been insulated from foreign competition. Many have close ties to Mr Modi and are big donors to his party. The bargaining between India's tariff king and America's tariff man is only just getting started. ■

<https://www.economist.com/asia/2025/04/02/india-sees-opportunity-as-well-as-risk-in-trumps-trade-war>

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South-East Asia's tremor

Myanmar's junta takes advantage of a devastating earthquake

The disaster may entrench a brutal regime

Jul 14, 2025 01:33 PM | Bangkok



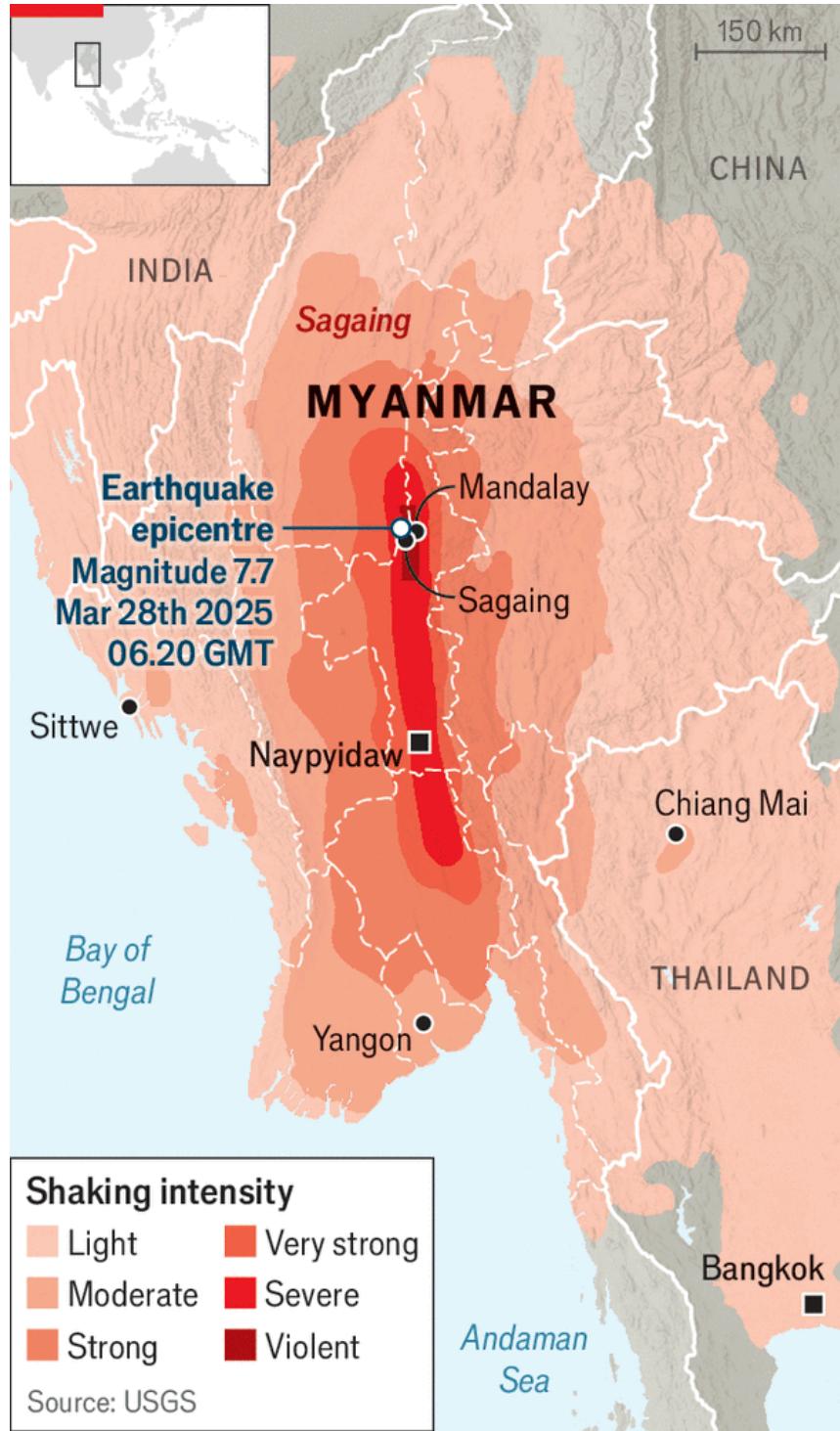
SINCE MARCH 28th, when a powerful earthquake shook Myanmar's central heartlands, the country's brutal junta has tried to show the world its softer side. Min Aung Hlaing, its leader, has visited survivors in a hospital and asked foreigners to send help. Yet the generals who seized power from a democratically elected government four years ago—plunging the country into a civil war that has displaced millions—are also seeking to draw advantage from the catastrophe.

Five days after the 7.7-magnitude quake the official death toll in Myanmar had risen to around 3,000, though the true number is doubtless much higher. Good information is scant, both because the tremor has wrecked communication networks and because the junta has long disrupted data services in order to control what people see. Local journalists work under close scrutiny; the junta has said foreign ones must keep out. Modelling by the American government, using information such as the magnitude of the tremor

and the size of the population it affected, suggests the toll could end up exceeding 10,000.

Destruction in Mandalay, Myanmar's second-largest city, is widespread. More than 500 buildings have been completely destroyed (or close to it), according to analysis of satellite imagery by Microsoft's AI for Good Lab. All across the affected region, the secondary impacts of the quake are starting to bite. Running water, fuel and other basic necessities are in short supply; UN agencies warn of a growing risk from cholera. International aid teams are gaining access, though the going is slow. Journeys along the main road from Yangon (Myanmar's biggest city and business hub) to Mandalay are taking around 13 hours, compared with eight before.

Not long after the tremor, rebel groups who have been fighting the junta said they would suspend offensives so that rescue efforts could get under way. The junta, by contrast, waited until April 2nd to announce that it was also going to pause its fighting, for 20 days. It used the intervening period to give rebel forces a solid thumping. The Kachin Independence Army, an armed group fighting the generals in northern Myanmar, says at least 30 of the young soldiers it was training were killed in an air strike on April 1st. Residents of a township in Sagaing region, an area affected by the quake that lies west of Mandalay, say they suffered bombing the day before. "Most young people here want to help with earthquake relief but they're afraid of being attacked by the army," says a local rebel fighter.



The UN has accused the junta of preventing aid from passing through some checkpoints that lead to regions controlled by rebel groups. On April 1st the regime's soldiers fired shots at a convoy operated by the Chinese Red Cross that was carrying relief supplies to Mandalay through a region that was not under the junta's control, according to the Ta'ang National Liberation Army, a rebel group that was escorting it at the time. Blowback from that incident

could help explain why the generals at last felt obliged to promise a brief ceasefire of their own.

Yet outright conflict is not the only thing that risks leaving vulnerable people without aid. Although Mandalay and Sagaing town, both very close to the epicentre, are under the junta's control, regions around them are rebel territory. On March 30th Ko Zaw Zaw, a mechanic who has been using his tools and skills to help rescue people, drove to Sagaing from a neighbouring city to extract two people from a collapsed home. He says soldiers and police sent his group packing. They accused his band of rescuers of being criminals, thieves or members of the resistance. The people he was trying to help died.

Analysts sense the junta is directing an outsize share of international aid towards its capital, Naypyidaw, which was hit by the earthquake but which does not appear to have needs as great as those of communities closer to the epicentre. Ideally governments would be trying harder to channel help across Myanmar's borders with China, India and Thailand, which abut the vast swathes of the country that the junta does not control. "The junta should not be the automatic go-to partner," says Kim Jolliffe, an analyst who specialises in Myanmar's ethnic politics. "The ethnic armed organisations are not just rebel groups. They are not just insurgents," says Nyantha Lin of Anagat Initiatives, a think-tank. "Some have become excellent at delivering education, health care and agricultural support in the territory they control."

Before the earthquake the junta had been losing territory—and yet its leaders were, oddly, being granted more opportunities to hobnob on the international stage. Min Aung Hlaing recently made official visits to Russia and Belarus, having trekked to China last year. On April 4th he is due to attend a high-level summit in Thailand for countries situated along the Bay of Bengal; this will be his first appearance at a big multilateral meeting since the coup. In the best case the catastrophe could help remind the world that Myanmar

was already suffering a deep humanitarian crisis—and galvanise fresh efforts to resolve it. It is more likely that the international attention ends up strengthening the junta's callous rule. ■

<https://www.economist.com/asia/2025/04/03/myanmars-junta-takes-advantage-of-a-devastating-earthquake>

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Unwanted influence

As Chinese drills begin, Taiwan expels mainland influencers

The government is drawing new lines around acceptable speech

Apr 10, 2025 08:49 AM | TAIPEI



IN THE AIR and seas around [Taiwan](#), China’s armed forces launched large-scale military exercises on April 1st, warning that the “reunification” of the self-ruling island—by military means if necessary—was “an unstoppable trend”. On the same day, Taiwan’s government took action against what it regards as the growing threat from within. Zhao Chan, a woman from the mainland whose online posts promoted Taiwan’s forced takeover by China, was deported. “I love the party and love my country,” she shouted as journalists jostled around her at Taipei’s airport. “Have I done anything wrong?”

Ms Zhao, who calls herself “Xiaowei” online, often posts videos featuring a large Chinese flag, saying things such as: “Come on, my fellow Taiwanese, let’s unite and go home together!!!” She is one of three social-media influencers—all of them women from the Chinese mainland who had married Taiwanese men—who were told in March they were no longer welcome to live on the island.

Also ejected was Liu Zhenya (pictured), who liked to make videos of her daughter singing patriotic Chinese songs in front of iconic buildings in Taipei. “Maybe I’ll wake up tomorrow morning and find the entire island filled with five-star red flags,” Ms Liu had said in a video cheering another Chinese military drill last year. “The very thought fills my heart with joy.”

Taiwan’s national immigration agency decided last month that posts such as these were “advocating military aggression” and “promoting the elimination of our nation’s sovereignty”. It revoked the trio’s residency permits and declared that they would have to leave the country within ten days. Ms Liu appealed; she said Taiwan’s government was wrong to separate her from her husband and children. But she left before she could be kicked out, as did Zhang Yan, a third influencer. Ms Zhao was the last to go, having handed herself into authorities the day after the deadline to depart expired.

The deportations have sparked a debate about free speech in Taiwan. Some say the government has gone too far. If any of the influencers was actually helping the Chinese armed forces attack or infiltrate Taiwan, that would be a security threat, wrote Bruce Liao, a law professor at National Chengchi University. “But if she is only talking about it then no matter how disgusting it is, it’s still just speech.” Such freedoms are what distinguish Taiwan’s democracy from authoritarian regimes, he added.

Others retort that Taiwan needs to rebalance freedom of speech with national-security concerns. Chinese influencers in Taiwan have sometimes made videos echoing official Chinese propaganda. As it staged the latest wargames around Taiwan, China’s military declared Lai Ching-te, Taiwan’s president, a “parasite”. It published a crude cartoon depicting Mr Lai as a green maggot, dangled from a pair of chopsticks while Taiwan burned below.

“We are living in a time when a Chinese blockade is imminent,” and yet pro-Chinese propaganda is flooding Taiwan’s media, says Raymond Sung of the Taiwan National Security Institute. Cracking down on Chinese influencers may only be the government’s “first step” in building a “unified national will to stand against the first wave of Chinese attack,” he says. Muzzling Taiwanese who support Chinese invasion could be next. The justice ministry has said it is thinking about new legislation after public consultations.

If the deported influencers were hoping for a hero’s welcome on the mainland, they may be in for a shock. They have already drawn ridicule from Chinese netizens, who accuse them of milking patriotism for money while enjoying all the benefits of living in Taiwan. “Now they’re getting what they wished for: a return to the motherland’s embrace,” said one influencer inside China. “They can plant red flags here, too.” ■

<https://www.economist.com/asia/2025/04/01/as-chinese-drills-begin-taiwan-expels-mainland-influencers>

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Stans with a plan

Ending Central Asia's endless squabbles over eccentric borders

Leaders are finally fixing the mess they inherited from the Soviet Union

Apr 10, 2025 08:50 AM | ALMATY



DRUMS WERE banged and trumpets blasted when emotional residents of Kyrgyzstan and Tajikistan crossed the border between the two countries for the first time in four years. For a long time Central Asia's most volatile frontier has played host to deadly clashes. But in mid-March Sadyr Japarov, Kyrgyzstan's president, and Emomali Rahmon, his Tajik counterpart, signed a treaty that brings to a close a three-decade dispute over where exactly the border runs. The first people to cross it tearfully embraced relatives living on the other side. The two presidents also sealed their deal with hugs.

The argument relates to lines that were drawn on the map a century ago, when Soviet apparatchiks decided what territory the five Central Asian republics (then part of the Soviet Union) should each control. When the USSR collapsed in 1991, the borders that Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan had been so briskly handed suddenly became unforgiving

international frontiers. This carve-up left families divided. It also created a weird and unhelpful smattering of exclaves: land that belongs to one country but is entirely surrounded by the territory of another.

Border clashes, for example over water and pastureland, became commonplace. The most trivial skirmishes have involved little more than villagers throwing stones. But matters escalated swiftly in 2021, when soldiers from Tajikistan and Kyrgyzstan engaged in armed combat. Further conflict erupted the following year. These clashes cost more than 150 lives; that toll gave the leaders of both countries new impetus to solve the problem. So they have agreed to swap land along parts of their 1,000km border. They have labelled some areas as neutral zones and they have agreed that they will share control of a hotly contested sluice that draws precious water from a river for irrigation.



Not everyone is happy with the treaty, including some residents who are now facing relocation as a result of it. But António Guterres, secretary-general of the UN, has described it as a “historic achievement”. Kyrgyzstan and Tajikistan say they hope trade between them will now soar—perhaps to \$500m by 2030, up from a pitiful \$12m in 2023.

The deal comes roughly two years after another landmark treaty settled a similar dispute between Kyrgyzstan and Uzbekistan. This outbreak of reasonableness is fairly novel; in the past, Central Asian countries have generally preferred to bicker rather than to co-operate. But Russia's invasion of Ukraine in early 2022 has helped bring them much closer. They have a shared fear of Russian expansionism. They also spy a growing opportunity to forge global trade routes that skirt around their domineering neighbour.

Resolving local squabbles will make it easier for the region to focus on the role it wants to play in the world. ■

<https://www.economist.com/asia/2025/04/03/ending-central-asias-endless-squabbles-over-eccentric-borders>

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Banyan

Australia's election could come down to independent MPs

Both main parties may need their support

Apr 10, 2025 08:50 AM



AUSTRALIA'S CAMPAIGN season is officially open, following weeks of speculation. The prime minister, Anthony Albanese, has set May 3rd for the general election. He hopes to become the first prime minister in recent years to serve two consecutive terms, following a convincing win for his (social-democratic) Labor Party in 2022 against the (conservative) Liberal-led ruling coalition. The race is too close to call.

Mr Albanese's chance of keeping his job looks higher than it did a few months ago. Then the Liberal leader, Peter Dutton, was landing punches over inflation, a listless economy and high housing costs (Sydney has the most unaffordable housing in the English-speaking world bar Hong Kong). Above all, Mr Dutton attacked Labor on high immigration. Yet the economy has since turned a corner, the government thinks. In February the central bank cut interest rates at last. The budget that the Treasurer, Jim Chalmers, unveiled on

March 25th proposed modest cuts in taxes, throwing the tax-cutting Liberals off-balance.

But Labor knows it is risky to boast about a recovery that few voters yet feel. Besides, the recovery is unlikely to be full-throated, given poor Australian productivity, over-regulation and risk-averse businesses—all ills the Labor government has done little to cure. And though Mr Albanese is an able tactician and backroom dealmaker, he does not fire up crowds.

So Labor strategists are hoping the opposition coalition will continue to do some of their work for them. By 2022 the Liberal Party had lurched so far to the right, including with a raucous scepticism over climate change, that it lost seats to moderates who ran as independent candidates. So-called “teals”—economic conservatives but social and climate progressives for whom the Liberal Party was once the natural home—chalked up victories in prosperous, inner-suburban areas. That sealed the coalition’s defeat.

Mr Dutton, a hard-right, hard-edged former copper from Queensland, deserves credit for holding together a hotch-potch coalition of arch-conservatives, oil-and-gas interests, populists and moderates. Yet his front bench is underwhelming, while he himself comes across as a knock-off Donald Trump, denigrating the prime minister with weird epithets (“a child in a man’s body”). He has acquired from his detractors the nickname “Temu Trump” after a popular Chinese app that sells heavily discounted merchandise. It does not help that the American president’s own standing in Australia, such as it was, has fallen since announcing tariffs on Australian steel and aluminium.

Even some of Mr Dutton’s colleagues acknowledge that his chief policy proposals are a salmagundi of silliness. His reluctance to concede a proper role for renewables in Australia’s energy mix led to his promotion of nuclear power in a country that has no nuclear experience and a dismal record of state-run investment. In response

to Mr Chalmers's budget he proposed that taxpayers' money should be used to get gas out of remote fields, supposedly cutting electricity prices. It is true that high power costs bother voters. But Australia has vast quantities of gas already, while abundant wind and sun go untapped. Wind, solar power and battery storage should be the priorities; ideology and interests forbid Mr Dutton from acknowledging them. Some Liberals think that won't hurt them in working-class constituencies.

What result is most likely? To hold its majority Labor must defend most of the seats it won at the last election. Things should go its way in Western Australia, where a popular state government has kept the Labor brand strong. Its task is tougher in blue-collar suburbs in New South Wales. Its fortunes hang above all on Victoria, where a Labor government in its fourth term is tainted by rising crime and perceptions of corruption.

The coalition has an even harder path towards a majority. Thus much of the speculation in Canberra, the capital, is over who will manage to form a minority government. If neither Labor nor the coalition wins a majority the independents, who now help make up the largest cross bench in history, will come into play, by offering supply-and-confidence votes in return for getting their priorities onto government agendas. One teal from a prosperous Sydney constituency—Allegra Spender, who wants better regulation, more renewable energy and tax reform—thinks her kind can prod the major parties into action. Their efforts will test whether the centre in Australia can hold—and learn to govern again. ■

<https://www.economist.com/asia/2025/04/03/australias-election-could-come-down-to-independent-mps>

China

- **China could greatly reduce its reliance on coal. It probably will not**
Burn, baby, burn :: Even though solar and wind power are growing at a blistering pace
- **China has a thriving black market for personal data**
Dox shocks :: The surveillance state is good at collecting information but bad at keeping it safe
- **The Panama ports deal is delayed, as China signals dissent**
Taking on water :: Xi Jinping may be wanting to increase leverage over America

Burn, baby, burn

China could greatly reduce its reliance on coal. It probably will not

Even though solar and wind power are growing at a blistering pace

Apr 10, 2025 08:50 AM | SHUOZHOU



IN SHUOZHOU, A nondescript city of 1.6m people in northern China's Shanxi province, the veins of the local economy run black with coal. To the north of the city lies one of the largest open-pit mines in the country. Shuozhou's mines churn out 200m tonnes of the black stuff every year. Lines of lorries carry it to be washed, sorted, then burned in power stations across the country. If China ditched coal in favour of cleaner sources of power, the city would be "finished", warns Sun Zhigang, a recently retired miner who is out walking his dog in the park.

Not slowing down

China, new coal plants, 2024

● Started operation ● Started construction



Sources: Centre for Research on
Energy and Clean Air; Global Energy Monitor

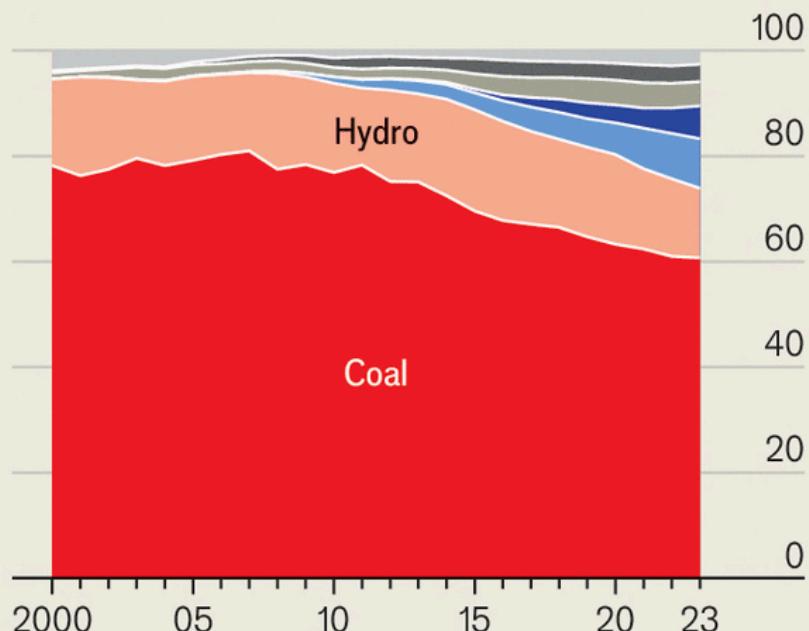
Shuozhou probably need not worry. Wind capacity tripled and solar capacity increased by a factor of 30 from 2014 to 2024, giving China more wind and solar capacity than the rest of the world combined. On March 5th, at the annual session of China's parliament, the prime minister, Li Qiang, boasted of "green" and "low-carbon" development. But few coal-fired plants are being retired in China—and more are being built. Last year construction started on enough of them to produce 100 gigawatts (GW) of power (see map), on top of the 1,170GW of capacity already installed. That addition alone would be roughly equivalent to the entire power capacity of Britain.

Though the share of electricity being generated by coal is shrinking (see chart), the amount of coal being burned continues to increase to meet soaring demand. Officials seem to think that the costs of phasing out the fossil fuel, which supplies over half the power China generates, are too great. Are they right?

Coal own goal

China, electricity production, %

Wind Solar Nuclear Gas Other



Source: Our World in Data

The stakes are high. China’s coal-fired power sector creates about 15% of global carbon-dioxide emissions from fossil fuels. Even though average utilisation per plant has fallen to below 50%, overall generation is still increasing as more plants are built, with China hoping to create still more capacity in case it needs it in future. Coal mines also release methane, another potent greenhouse gas.

Based on current trends, China’s carbon-dioxide emissions may peak in the next year or two, but then level off as coal usage slows, rather than fall rapidly. That would prevent the country from eliminating net emissions—becoming “carbon neutral”—by 2060, as it has pledged. It would also undercut global efforts to combat climate change.

Counting the cost

A faster reduction in coal use would be painful for many. One big cost would fall on power companies. The country's coal-fired plants are, on average, just 12 years old, so most would be able to keep generating power for decades. Their owners would either have to swallow the costs of retiring them early, or else retrofit them to become cleaner by adding technology to try to capture the carbon they release.

An ambitious phase-out could cost as much as \$1.4trn, according to a study published in January by researchers at Tsinghua University in Beijing and at the University of Maryland. Still, that would be spread over decades, and it would also be borne by state-owned firms, rather than more fragile private ones. In theory the government should be able to use China's carbon market, set up in 2021, to motivate firms to clean up. Such schemes can put the more-polluting companies at a competitive disadvantage by making them buy credits to offset emissions.

But China's market has had little impact so far, because regulators just give out most credits free. Another flaw is that the market is not based on companies' total emissions but on their emissions per unit of power. That encourages firms to upgrade their old coal-fired generators to more efficient new ones, but not to stop using coal altogether.

A second cost of cutting coal would fall on workers. In Shuzhou it is hard to find anyone whose job is not linked to the industry. Some families have been working in the mines for three generations. In a part of the city that was purpose-built for miners, a park celebrates the workers with stone carvings of coal trucks, machinery and triumphant labourers.

In the dust

China produces some 4.8bn tonnes of coal annually, more than half the global total, and the industry employs about 2.7m people in

mining and processing. Yet that accounts for just 0.4% of the country's total workforce. And, strikingly, it is only half as many jobs as there were in the industry a decade ago. Thousands of small coal mines have been closed as a result of a government campaign to reduce mining accidents. Most of the remainder have become more automated. Last year one open-pit mine in the western region of Xinjiang boasted that the 300 smart vehicles that it used to strip topsoil were controlled by just six employees. In other words, much of the pain brought about by the layoffs has already been felt.

Wind and solar power, which require lots of workers for installations and maintenance, are a rapidly growing source of jobs. In 2023 the renewable-energy sector employed 7.4m people, a third more than the year before.

The third and biggest cost of cutting coal, as China's leaders see it, would be for the country's energy security. China has to import most of its oil and gas but has big coal reserves. In 2021 officials were spooked when droughts disrupted hydropower supplies, leading to blackouts in some of China's industrial centres. Then in 2022 Russia invaded Ukraine, pushing up oil and gas prices. Meanwhile, a manufacturing boom increased demand for power. All that convinced policymakers that more coal was needed to keep the lights on in factories and houses.

A lobby of mining firms and officials with ties to coal-rich regions is encouraging this line of thinking. So are some local governments, which like to build more power plants than are really needed to avoid having to rely on other regions when demand is high. And things are not helped by conservative grid operators, who want to be sure they will always have enough electricity, according to one academic who advises them: "They always say the more coal plants the better; they never say the fewer the better."

A bolder approach could let China phase down coal without causing power cuts, says Lauri Myllyvirta of the Centre for

Research on Energy and Clean Air (CREA), a think-tank in Finland. It would need much more renewable power and big upgrades to China's grid to let clean energy be transferred over long distances or stored (to offset for the fact it can be generated only when the sun shines or when the wind blows). China is already spending substantial amounts on trying to clean up. Clean-energy investments came to \$940bn, or 10% of GDP, in 2024. In that year alone the country installed more solar-power capacity (277GW) than exists in the whole of the United States (200GW).

The bottleneck is that China lacks a flexible, nationwide power market that could ensure clean power is efficiently dispatched to where it is needed. At the moment most power is sold locally through long-term contracts, which typically favour coal-fired plants by guaranteeing the purchase of fixed amounts of power. Attempts to reform the system have been slow. In the last quarter of 2024 China's wind and solar power use dropped in spite of favourable weather, as a result of an "oversupply" of coal-fired power, according to analysis by CREA.

All this threatens to further entrench the role of coal in the power-generation system and will make it expensive to phase out, says Yan Qin of the Oxford Institute for Energy Studies. After all, the more plants that are built, the higher the cost of abandoning them.

In Shuzhou, at least, few locals believe that China could ever cut its coal habit. When local pits are exhausted, there is plenty more coal elsewhere in China, notes one mine administrator.

Consumption may start to decline soon, he says, but only very slowly. "It can't be phased out," says Zhu Zhiming, a former coal-truck driver who now runs a restaurant near one of the city's mines. "They will keep mining it for a hundred years." ■

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Dox shocks

China has a thriving black market for personal data

The surveillance state is good at collecting information but bad at keeping it safe

Apr 10, 2025 08:49 AM | BEIJING



CHINESE NETIZENS joined people around the world in marvelling that an American journalist could be accidentally invited into a private group chat with senior American national-security officials. But they have also been intrigued by another data leak closer to home. In March the teenage daughter of Xie Guangjun, an executive at Baidu, a tech giant, got into an apparently innocuous online argument over Korean pop music. After the exchanges escalated, she posted some of the private information of her opponents online. Known in English as doxxing, in China it is called *kaihe* (“opening the box”) or *renrou sousuo* (“human flesh search”).

The affair caused a stir. Many suspected the girl had gained access to the information through her father, since Baidu has data on hundreds of millions of Chinese people from its search engine and other apps. Mr Xie and Baidu have denied they were involved. But there is a simpler explanation. Any Chinese teenager can dox

someone if they put their mind to it, because the country has a thriving black market for personal data.

Trade in data takes place on messaging apps such as Telegram, which are technically banned in China but easily accessible to the tech-savvy. Brokers offer everything from someone's current mobile-phone location to their online shopping history. "Whether you're a businessman...a potential father-in-law, or just in love, you can look into your partner, your son-in-law...or the people you're lending money to," promises one broker to their 20,000 Telegram subscribers. When contacted by *The Economist*, they said they could find details of someone's *hukou* (a household-registration document), photo and identity-card number for just 600 yuan (\$80).

In 2018 Robin Li, Baidu's boss, claimed that Chinese people were "not that sensitive about privacy. If they are able to exchange privacy for safety, convenience or efficiency, in many cases they are willing." That may have once been the case, but attitudes are shifting. A survey by Peking University published in 2020 found that Chinese respondents were more concerned about privacy than those in Germany, Japan, Saudi Arabia, Singapore or America.

They have good reasons to worry. Some who have had their data sold simply get hassled by automated texts or phone calls. But others have been put at risk of blackmail or scams. Gangs of fraudsters, often based in South-East Asia, generate much of the demand for Chinese personal data. From January to November last year China charged more than 67,000 people with online and phone fraud, a 60% increase on the previous year.

China's government is wising up to the threat. In 2021 it passed a law which set strict requirements on companies to limit the collection and sale of personal data. Regulators have since slapped huge fines on tech giants for slip-ups. Didi, a ride-hailing firm, was fined \$1.2bn in 2022 for its lax data management. Last year the

police claimed to crack 7,000 cases related to the illegal data trade. In some cases employees at law firms, delivery companies and education consultancies had sold their clients' data to criminal gangs. In others, hackers had extracted the data from mobile apps.

China's authorities are themselves a big part of the problem. The world's biggest surveillance state is very good at collecting data on its citizens but bad at keeping such data safe. Examples abound, and the Chinese media have sometimes been bold in covering the issue. In 2020 a public school in Sichuan province, in south-western China, was found to have uploaded photos of its students, along with their names, grades and identity-card numbers, on an unsecured online database in order to train a facial-recognition system. In 2022 a hacker calling themselves "ChinaDan" stole 1bn records of personal information and criminal cases from the Shanghai police. They appear to have lifted the records from another unsecured database.

Corruption is as much an issue as incompetence, notes Rogier Creemers of the University of Leiden in the Netherlands. Reams of data pass through the hands of ill-paid officials, so it is no surprise that much ends up on the market.

In January the government announced an "action plan" that promised to crack down on "the black and grey industries that illegally obtain, sell or provide data". For the moment Chinese citizens still tend to trust the government with their data (in part because bad news, such as the Shanghai police data leak, is often censored). But if the problems continue, that could change. "At some point people are going to take you at your word," says Mr Creemers. "If you are in charge of everything, why are you not solving this problem?" ■

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Taking on water

The Panama ports deal is delayed, as China signals dissent

Xi Jinping may be wanting to increase leverage over America

Apr 10, 2025 08:50 AM | PANAMA CITY



Stalled

IT WAS NEVER going to be a simple transaction. But the deal hailed by Donald Trump as a way to regain American control of the Panama Canal seems to get more complicated by the week. BlackRock, an American investment firm, was scheduled to sign an agreement on April 2nd to buy 43 ports, including two in Panama, from CK Hutchison (CKH), their Hong Kong-based operator. That signing has now been postponed, even though both sides suggest the deal is still on.

This follows fresh signs of disapproval from China. One of the strongest came on March 28th when its antitrust regulator said it would review the deal “to protect fair competition in the market and safeguard the public interest”. *Ta Kung Pao*, a pro-China newspaper in Hong Kong, has stepped up its criticism since its first diatribe on March 13th. On March 31st it ran a full page of articles including comments from Hong Kong politicians and Chinese

lawyers praising the mainland regulator's decision and urging CKH to rethink. Some suggested the deal could violate Chinese laws. China has also ordered state-owned firms to hold off from new collaboration with businesses linked to CKH's owner, Li Ka-shing, and his family, Bloomberg reported on March 27th. That is one of many informal ways that China could try to sink the deal.

Meanwhile, Panama's authorities are pursuing two potential avenues to cancel CKH's port concessions: an audit, due to be completed soon, and a challenge to their constitutionality in the supreme court. But since Mr Trump's announcement of the BlackRock deal raised the geopolitical stakes, Panamanian officials fear stiffer Chinese resistance to any legal or regulatory action against CKH, as well as to the proposed sale.

Yet it is unclear if Xi Jinping, China's leader, has made a final decision. His foreign ministry continues to avoid commenting directly, saying only that it opposes economic coercion. His central propaganda outlets have yet to chime in. That suggests Mr Xi may be trying to build leverage for any potential negotiations with Mr Trump over the port deal, as well as over trade, Taiwan and other issues. And because BlackRock and CKH agreed to 145 days of exclusive negotiations, there is still room for manoeuvre. ■

<https://www.economist.com/china/2025/04/03/the-panama-ports-deal-is-delayed-as-china-signals-dissent>

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Sunny Sunnis

Syrians are still surprisingly upbeat

Our pioneering poll reveals much optimism, but also big sectarian divisions

Apr 10, 2025 08:50 AM | Damascus



PRESENTING HIS new government on March 29th, Ahmed al-Sharaa, Syria's interim president, called it "a declaration of our shared will to build a new state". It certainly looked that way. The government Mr Sharaa brought to Damascus in December after he toppled Bashar al-Assad was an all-male group of Sunni Islamists and former jihadists. In the new one, loyalists from his civil-war days still hold the top jobs, but technocrats have replaced some obscurantists. There is a minister from each of Syria's minorities: an Alawite (the sect to which Mr Assad belongs), a Christian, a Druze and a Kurd. The sole woman minister does not wear the veil.

The coming months will show whether Mr Sharaa's plan for the country really is as pluralist as the cabinet make-up suggests. Syria's non-Sunni and non-Arab minorities, in particular, remain concerned about his jihadist past and his tendency to centralise power. Last month hundreds, perhaps more, were killed in sectarian violence on the coast. The Kurds ruling Syria's north-east do not

recognise the new government. Yet the results of a rare public-opinion poll conducted on behalf of *The Economist* in March suggest that there is still widespread optimism about Mr Sharaa's ability to rebuild Syria.



The survey, which polled 1,500 Syrians from across the country's provinces and sectarian groups, found that 81% approve of Mr Sharaa's rule (see chart 1). Only 22% say that his past as an al-Qaeda leader should disqualify him from leadership. Large numbers say they feel his new order is safer, freer and less sectarian than Mr Assad's regime. Some 70% are optimistic about the overall direction of the country. The happiest province is Idlib, Mr Sharaa's erstwhile fief, where 99 of the 100 respondents express optimism. Tartus, a religiously mixed province where jihadists killed large numbers of Alawites last month, is the saddest. Even there, 49% said they were optimistic, whereas 23% expressed pessimism.

That the poll could be conducted at all is a good sign in a region where Arab autocrats typically ban independent opinion surveys. Still, conditions were not ideal. Pollsters had to operate in public spaces. Given the difficulty of using methods like random-digit dialling to obtain a representative sample of Syrians, they approached people until they had obtained a pre-specified number of responses from men and women in both rural and urban parts of each of the country's geographical regions. Though the survey did not set sampling targets for ethnicity or religion, answers cleave along religious and ethnic lines in ways that support the poll's credibility.

To counteract some of the biases in the data, *The Economist* has re-weighted the sample by geographical region, age group and identification as a Kurd or Alawite, according to the best available breakdowns of these groups' proportions in the population. The adjustments have only a modest effect on the results. It is harder to account for the lurking fear respondents may have of expressing political opinions after decades of repressive dictatorship. "In Syria, we have a traditional practice of deferring to authority," says Mohammed Shikh Aiyob, the director of Middle East Consulting Solutions, which conducted the poll.

That said, respondents do express plenty of criticism of Mr Sharaa, especially on the economy. More than half of respondents think economic conditions have either stagnated or worsened under him. His decisions to reassess tariffs on imports and allow the unfettered exchange of the dollar generate support. But most government salaries have not been paid since he assumed power. Cash is in short supply.

Most Syrians also strongly oppose Mr Sharaa's policy of integrating foreign fighters into his new army, with 60% of respondents saying they should instead be deported. There is little consensus on how to prosecute crimes committed under the former regime. "The interim administration should consider this optimism

as borrowed, not bought,” says Mr Aiyob. “Preventing it from fading demands meaningful progress on the economy, national dialogue and transitional justice.”



Perhaps unsurprisingly in a country emerging from decades of minority despotism, the poll reveals a deep gulf between the Sunni majority and Syria’s minorities, especially the Alawites, many of whom were loyal to Mr Assad (see chart 2). Only 6% of Sunnis are pessimistic, in contrast with 40% of Alawites. Kurdish, Druze and Christian communities feel poorer, less free and less safe than Sunni Arabs.

One striking cleavage is over the legal system, an important indicator of the country’s future direction. More than 90% of Sunnis favour either the full or partial restoration of Islamic law, which last prevailed in Syria more than a century ago. Only 7% want a fully secular legal system. Among Kurds, Alawites, Druze

and Christians the results are reversed. Some 86% of Druze and Christians and 73% of Kurds want a secular legal system. Support for full Islamic law is also lower among women, with 29% in favour, than men, at 40%. More than three-quarters of respondents favour equal rights for women.

Despite regional differences on other foreign-policy issues, especially on future allies, Syrians broadly agree on how to deal with Israel. Since Mr Assad's fall, Israel has seized hundreds of square kilometres of Syrian territory, beyond the land it already occupies in the Golan Heights, and destroyed Syria's military arsenal. Yet Syrians have no appetite for a fight. Two-thirds favour diplomatic tools to counter Israel. Only 10% favour armed struggle.

All told, despite sectarian divisions, Syrians are surprisingly upbeat. Except for Alawites, three-quarters of whom want elections within a year, most are in no hurry to replace Mr Sharaa. Syrians are giving their new leader a chance. It is up to him to use it wisely.



<https://www.economist.com/middle-east-and-africa/2025/04/02/syrians-are-still-surprisingly-upbeat>

Many bombs, little thought

America steps up bombing the Houthis but lacks a clear strategy

It will be hard to secure the Red Sea without driving the rebel group from power in Yemen

Apr 10, 2025 08:50 AM | DUBAI



WHEN AMERICA started bombing the Houthis on March 15th, your correspondent messaged a diplomat: was this déjà vu or something new? The group, a Shia militia in Yemen, has been bombed so many times by so many people that the diplomat needed clarification. Déjà vu from when Joe Biden bombed them last year? From when Israel did so months later? Or from when a Saudi-led coalition began bombing almost a decade earlier?

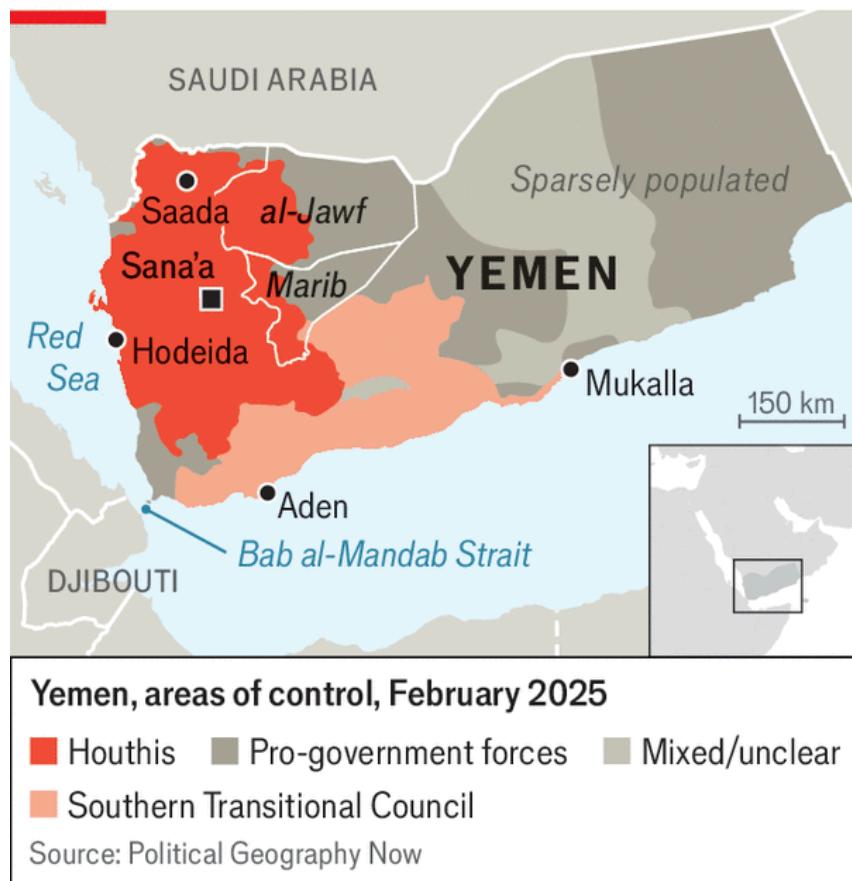
The Houthis have controlled a big swathe of Yemen since 2014. More than two-thirds of the country's 40m people live under their rule. In November 2023 the group began to attack commercial ships in the Red Sea. This was billed as a show of solidarity with Gazans living under Israeli bombardment. In practice it has been a propaganda effort: piracy has done little to help Palestinians, but it has helped the Houthis cement their contested rule.

The attacks led Mr Biden to authorise a campaign of air strikes in January 2024. It was a pinprick effort. Weeks or months would elapse between sorties. The operation was paused in January 2025 after Israel agreed to a ceasefire in Gaza, which led the Houthis to halt their own attacks.

[Read all our coverage of the war in the Middle East](#)

Despite months of quiet, though, shippers remain nervous about sailing through the Red Sea. Transits through the Bab al-Mandab strait are still down by half compared with early 2023.

With the collapse of the Gaza ceasefire last month, firms worry that the Houthis will restart their campaign. The group has already announced a renewed “blockade” on some commercial ships in the Red Sea and resumed firing missiles at Israel. All of this led Donald Trump, America’s president, to launch his own round of air strikes. It has been a more concerted effort than Mr Biden’s: America has bombed Yemen every day since March 15th.



The Pentagon has said little about what it has struck, but Yemen-watchers have put together a patchy picture. Some of the targets, like Mr Biden's, have been military sites: radar stations, missile-storage depots and the like. Other objectives are new. America has repeatedly bombed Saada, the northerly governorate from which the Houthi movement emerged in the 1990s (see map). It has also taken aim at mid-level Houthi commanders. Mohammad al-Basha, a Yemeni analyst in Washington, counts at least 19 dead officers at the rank of major or above.

Advocates for the bombing campaign hope it will reopen the Red Sea. That is a worthy goal but hard to achieve. Shippers say they are not reassured by the recent strikes. In fact, some are now more nervous about passing through the waterway.

The Houthis are unlikely to announce a unilateral halt to their attacks, even under heavy bombardment. They have fought for decades against the Yemeni state, a Saudi-led coalition, and now America and Israel, which itself has carried out retaliatory strikes in Yemen.

America may hope to destroy enough of the Houthi arsenal that the group can no longer carry out attacks. As long as it controls Yemen's Red Sea coast, however, it will seem a menace: even the occasional missile aimed at a passing vessel would keep shippers uneasy. "People are underestimating the Houthis," says one Western military officer in the region. "I doubt much thinking has gone into anything other than an air campaign."

Not even the most hawkish of Mr Trump's advisers have argued for sending troops to Yemen. A more palatable option, which already has the backing of Saudi Arabia, might be to support a coalition of anti-Houthi militias. Some of America's strikes appear intended to help those forces. It has bombed provinces like Marib and al-Jawf, on the edge of Houthi-controlled territory, where the group's hold on power is tenuous.

America is also pushing allies to block the flow of arms from Iran, which sponsors the Houthis. Mr Trump has suggested he might strike Iran itself if it does not stop.

As the fighting escalates, however, so do the risks. In that now-infamous group chat discussing the battle plan, J.D. Vance, the vice-president, was the only official to show concern for American allies. “If there are things we can do upfront to minimise risk to Saudi oil facilities we should do it,” he wrote. The Saudis worry that the Houthis might resume cross-border missile strikes. They tried unsuccessfully for years to remove the Houthis from power—and fear America may fare little better. ■

<https://www.economist.com/middle-east-and-africa/2025/04/03/america-steps-up-bombing-the-houthis-but-lacks-a-clear-strategy>

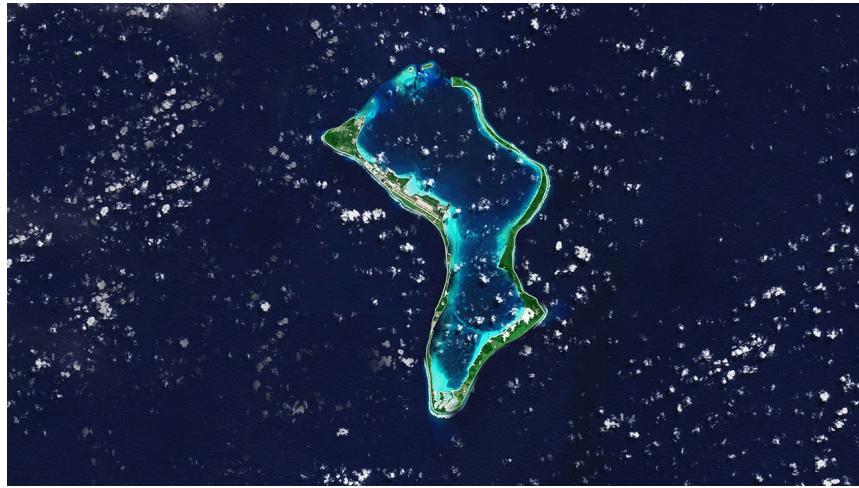
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Island strategy

Talks over the Chagos Islands show the rising clout of Mauritius

And the influence of India, which is building facilities on another Mauritian island

Apr 10, 2025 08:49 AM | Port Louis



Small island, big fuss

IN A TATTY office in Port Louis, the capital of Mauritius, Olivier Bancoult points to the tricolour flag on the wall. It is that of the Chagos Islands, the largest of which, Diego Garcia, hosts a British-American base. Its construction in the early 1970s was preceded by the forcible expulsion of 1,500 Chagossians, including Mr Bancoult, then four years old. Britain detached the Chagos dependency from the colony of Mauritius, 2,000km away, before Mauritius was granted independence in 1968. The orange represents sunsets, says Mr Bancoult. The black is for the dark times faced by Chagossian refugees, some of whom his NGO represents. And the blue? “That is for the seas—and our future.”

A new future for the Chagos is approaching. On April 1st a British government spokesman said that Britain was finalising a deal to hand sovereignty to Mauritius, as it was advised to do in 2019 by

the International Court of Justice. The comments suggest that Donald Trump will not try to block an agreement, though some members of his new team criticised the deal back in October, when it was blessed by the outgoing Biden administration.

Assuming a deal is finalised—and Britain and Mauritius go on to sign a treaty—it would underline the growing geopolitical importance of the island state, often known more for its beaches than its bases. Though small in land mass, Mauritius claims a maritime zone spanning 2.3m square km, roughly the same as the area of Africa's largest country, Algeria.

This part of the Indian Ocean has important shipping lanes and potential mineral resources. It is an arena of competition for the West, China and rising powers, especially India, which is building air and naval facilities on Agaléga, a less well-known pair of Mauritian islands. Narendra Modi, India's prime minister, visited Port Louis in March. Emmanuel Macron, France's president, is expected this month; he may try to head off legal challenges over Tromelin Island, a French territory also claimed by Mauritius. "The powers are competing and we have to take advantage," says Dhananjay Ramful, Mauritius's foreign minister.

To understand the role of Mauritius, start with the Chagos Islands. In a sign of their continuing importance to America, Washington has recently sent several B-2 stealth bombers to Diego Garcia amid rising tensions with Iran; these can carry bunker-buster bombs which, analysts have suggested, would be used in any strike on Iranian nuclear facilities.

Since America was never going to agree to Britain ceding total control over the base, the deal announced last year had a fudge large enough to please Willie Wonka. Mauritius gets sovereignty over the archipelago. But Britain retains "sovereign rights" over Diego Garcia.

Critics of the deal (including *The Economist*) have argued that what one former American official praises as “delegated sovereignty” still leaves the West vulnerable. They say that a future government in Port Louis could renege or give China a base on another of the Chagos’s 60-odd islands. “One base is enough,” insists Mr Ramful. “We’re not Djibouti,” adds an official, referring to the small African state that hosts bases for, among others, America, China, France and Japan.

Navinchandra Ramgoolam, the prime minister, hopes such assurances are sufficient. He has tried to negotiate frontloading payments Britain will make for its rights over Diego Garcia. Mauritius, an off-shore financial centre, needs to close its fiscal deficit to head off a downgrading of its credit rating.

The focus on the Chagos has taken attention away from Agaléga. Indian diplomats reject any comparison between the two. But since India and Mauritius signed a deal in 2015, the construction of a jetty and a long runway has raised questions about whether India is building a base. Mr Ramgoolam has backtracked from a pledge to make that agreement public.

“It’s nothing like a military base,” says Eshan Juman, an MP representing Agaléga. “It’s a loading station,” adds the Mauritian official. Some reckon this is semantic sophistry. “It fools nobody,” says a former minister. “You don’t need such a runway for an island of a few hundred people.”

Though some in the Mauritian elite worry about becoming a vassal state without vessels, many believe outsourcing security to India makes practical sense. Mauritius’s national security adviser has for decades been an Indian. Its coastguard is equipped by India. Giving India a foothold in Agaléga, argues another official, makes all the more sense, given that it is becoming more powerful globally.

Indeed, if Mauritius is the main beneficiary of the Chagos deal, then India, given its influence over the island's foreign policy, is the other. Mauritius's founding prime minister is said to have described the island's foreign policy as being the mistress of many and the wife of none. These days it seems it has got hitched to India. ■

<https://www.economist.com/middle-east-and-africa/2025/04/03/talks-over-the-chagos-islands-show-the-rising-clout-of-mauritius>

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Capitalising on success

Khartoum changes hands, marking a new phase in Sudan's civil war

The national army may push on to Darfur. Risks abound

Apr 10, 2025 08:50 AM | NAIROBI



NEARLY TWO years after being forced to fall back to Port Sudan on the coast, the Sudanese Armed Forces (SAF) under General Abdel Fattah al-Burhan are triumphantly back in charge of Khartoum, the capital. They still face resistance in areas south of the city and in the district of Omdurman on the west bank of the Nile. But the city's recapture marks a turning point [in a war](#) that has killed tens of thousands of people, displaced 12m and caused one of the world's worst famines for decades. The question now is whether the SAF halts its advance or pushes westward (see map).



That will depend partly on pressure from the general's allies. The SAF has advanced on the battlefield in recent months largely thanks to a broad and diverse coalition assembled since the early months of the war, when it lost swathes of the country, including most of Khartoum, to the Rapid Support Forces (RSF), a descendant of the Janjaweed, an ethnically Arab militia that terrorised the vast western region of Darfur for two decades. The RSF is commanded by Muhammad Hamdan Dagalo, better known as Hemedti, who is apparently determined to fight on.

On the SAF's side are foreign backers such as Saudi Arabia, Qatar and neighbouring Egypt, which has reportedly provided air support. Looser associates include Russia, Turkey and Iran, which have sold the army weapons and drones. Some of those countries may now press General Burhan, who has doggedly refused peace

talks, to negotiate with the RSF. To sweeten the deal, outsiders may offer to recognise an SAF-led government in Khartoum and help pay to rebuild the battered city.

Yet competing interests among the army's domestic allies could scupper any such deal. The SAF has enlisted voluntary local defence units, composed of civilians enraged by the RSF's looting and terrorising of populations under its control, and militias from Darfur. It has also fought alongside jihadist brigades with links to the Islamist government of Omar al-Bashir that was ousted in 2019. Faced with the dilemma of whether to continue the fight westwards towards the RSF's base in Darfur, or to consolidate in Khartoum, this shaky alliance could well splinter.

Prominent voices are urging it to push on. "Darfur is part of Sudan," says Amjad Farid, a former government official. "The SAF should not surrender it to the RSF." Many Darfuris, not least the ethnic African groups who have suffered atrocities including possible genocide at the hands of the RSF, probably feel the same.

But such a push could easily end badly. The army has made the biggest recent gains in its traditional strongholds in central Sudan. A ground offensive in Darfur would entail battles on the RSF's home turf and stretched supply lines. As a commander during the first Darfur war, in the 2000s, General Burhan got bogged down in the region. Even with the support of local allies his forces could find themselves in a quagmire again. "The Sudanese Armed Forces have never really won in Darfur," says Kholood Khair of Confluence Advisory, a Sudanese think-tank.

Still, for the moment there is little talk of a ceasefire or negotiations, at least in public. The SAF continues to bomb civilians: a strike on a market in Darfur on March 24th reportedly killed at least 54 people and injured dozens more. In Khartoum there are alarming reports of lawlessness. Gruesome videos have circulated

in recent days appearing to show beheadings of suspected RSF collaborators by groups allied to the army.

There are equally few signs that the RSF, despite its defeat in Khartoum and its recent insistence that it wished to begin dialogue, is ready to sue for peace. In February it announced the formation of a parallel government in the areas under its control. Its chief foreign supporter, the United Arab Emirates, does not appear to have stopped sending it weapons. Almost all of Sudan's immediate neighbours, except Egypt and Eritrea, now fall within the Emiratis' sphere of influence. This means the RSF should be able to continue resupplying itself. "I'd be surprised if the RSF is going to take this one lying down," says Alex Rondos, a former EU special representative to the Horn of Africa.

In Khartoum and its surroundings the SAF's victory should at least make it easier for aid agencies to deliver food and other emergency supplies. That could stave off famine, temporarily reducing the misery for Sudanese in these areas. "But does it actually bring the war closer to the end?" asks Payton Knopf, a former American diplomat. "Probably not." ■

<https://www.economist.com/middle-east-and-africa/2025/03/30/khartoum-changes-hands-marking-a-new-phase-in-sudans-civil-war>

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Bar one

Marine Le Pen's ban polarises France

Pending her appeal, it also opens up the presidential election

Apr 10, 2025 08:50 AM | PARIS



FOR THE better part of a decade Marine Le Pen has worked methodically to transform an extremist, xenophobic fringe movement into a more respectable nationalist party ready to govern. The French hard-right leader had a reasonable chance of winning the highest office in 2027, after three unsuccessful presidential bids. The Paris court ruling on March 31st, however, which barred Ms Le Pen from running for elected office for five years, has upended both her chances and her strategy. Channelling her inner Donald Trump, the visibly furious leader of the National Rally (RN) party declared that “the system has taken out the nuclear bomb...because we are on the verge of winning power...We will not allow the French people to have the presidential election stolen from them.”

The court ruling came as a political thunderbolt. The surprise was not that it found Ms Le Pen guilty, along with eight other current or former members of the European Parliament and 12 former assistants. The meticulous 152-page ruling found the accused had

misused public funds to the tune of €4.1m (\$4.4m), but did not point to any personal enrichment. It did place Ms Le Pen “at the heart” of a system which, between 2004 and 2016, used funds from the EU’s assembly to finance her national party. One parliamentary assistant, said the judges, had never lived in Brussels. Ms Le Pen was also given a €100,000 fine and a prison sentence of four years, two of them suspended and two to be carried out by the use of an electronic bracelet. She denies any wrongdoing.

What really shook the RN leader was the immediate application of the ban, even pending her appeal. The public prosecutors had requested this, but the judges were not obliged to agree. It does not stop Ms Le Pen from continuing to sit as an opposition member of parliament. But, unless overturned on appeal, it will make it impossible for her to run for the presidency at the next election.

The Court of Appeal has now said that it aims to have a decision on Ms Le Pen’s appeal ready by the summer of 2026. This offers a narrow chance for her to rescue her presidential bid. She is also lodging an appeal to the constitutional council, France’s highest constitutional body, for a suspension of the ruling on the grounds of respecting the freedom of the electorate. But as a French constitutional lawyer says, “the timetable is very tight; it is not at all evident that she can get back in the game.”

Furious party figures have seized the chance to portray Ms Le Pen as a victim of a system bent on keeping her from power. Jordan Bardella, the RN’s official president and her 29-year-old protégé, posted on X that “French democracy has been executed.” Ms Le Pen declared that the “rule of law has been totally violated” and that the judges were applying practices “which one thought confined to authoritarian regimes”. She received messages of support from such regimes, including from a Kremlin spokesperson and from Hungary’s Viktor Orban, who posted “Je suis Marine!”

This anti-system message will ring true with her core voters, who have applauded over the years as she depicts herself as the champion of the people battling the Paris elite. A poll by Elabe found that 89% of her supporters considered the ruling to be designed to bar her from running. The party is organising a “peaceful” show of support for Ms Le Pen in Paris on April 6th.

For more recent supporters though, who have been drawn to the scrubbed-up version of the RN with its snappily dressed parliamentarians, the effect could be different. Unlike the party’s adherents, a majority (57%) of all those polled judged the ruling reasonable. Politicians from President Emmanuel Macron’s broad centre have a fresh spring in their step. “She’s playing the Trump card, but I’m not sure how well that will go down here,” says Roland Lescure, a deputy from Mr Macron’s party. In another poll 79% had an unfavourable opinion of Mr Trump.

All of this leaves the RN in some disarray. It was unprepared for the ruling, and scrambled to organise an emergency meeting in response. Ms Le Pen insists that she remains the presidential candidate, and the party is not publicly discussing a back-up plan. If it leaves it too late, though, and her ban is confirmed on appeal, its prospects will be damaged. Mr Bardella is popular, smooth and boasts a 2m-strong TikTok following; but he has little experience, and none outside politics. The party had been preparing him as a potential future prime minister, not a president.

Pending Ms Le Pen’s appeal, the presidential election now looks far more open than it did before the court ruling. Mr Macron cannot constitutionally run for a third consecutive term. There is no single front-runner from the political centre to replace him, but there are plenty of aspirants. Polls give Edouard Philippe, one of his former prime ministers, a slight edge. Gabriel Attal, another ex-prime minister, also fancies his chances. A more open race will intensify rivalry between them, as well as with hopefuls on the left and centre-right. Polls may now begin to sort them more clearly.

Yet this week's ruling is also likely to stir up France's polarised politics. Ms Le Pen is not about to lead, or even encourage, a physical siege of the National Assembly: it is Mr Trump's messaging, not his methods, that appeal. Yet her full-frontal assault on the judicial system borrows vocabulary from the American populist in ways that could put off wider recruits to her cause, while also making her indignant base more determined than ever. ■

<https://www.economist.com/europe/2025/04/03/marine-le-pens-ban-polarises-france>

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'Twere well it were done quickly

The prospect of early elections in Ukraine has everyone in a spin

Volodymyr Zelensky may hold elections after all

Apr 10, 2025 08:49 AM | Kyiv



THE PREMIERE on February 28th of a new staging of “Macbeth” in Kyiv was initially eclipsed by the diplomatic disaster the same day between Volodymyr Zelensky and Donald Trump in the White House. The production has since become the talk of the city’s elite. Ivan Uriovsky, the director, says he decided to put on the tragedy after sensing a change in the country’s mood since Mr Trump’s election: “You can’t do theatre without thinking about politics, war or the people watching.” His viewers are drawing parallels between Shakespeare’s characters and current events. For some, Macbeth resembles the bloodthirsty dictator in Moscow. For others the story of ambition, power and treachery feels closer to home.

In Kyiv, daggers are being sharpened around Mr Zelensky. For months the Ukrainian president has faced intense pressure from Vladimir Putin, who questioned his legitimacy without a hint of irony, and from Mr Trump, who has repeated Mr Putin’s talking-points. They pushed Mr Zelensky to hold elections in the middle of

the war, believing no doubt that Ukrainian voters would do them the favour of unseating him. Two months ago he was believed to be dead-set against a vote. But Mr Trump's treatment of him in early March has bolstered his ratings and appears to have changed his calculus. Preparations are under way for Mr Zelensky to face the electorate for a second time, and soon.

[Read more of our recent coverage of the Ukraine war](#)

Government sources say Mr Zelensky called a meeting in late March to instruct his team to be ready for a vote after a full ceasefire, should one come, as the Americans hope, by late April. The first confirmation may come in the run-up to May 5th, the deadline for a parliamentary vote to extend martial law, which expires on May 8th. Cancelling martial law is necessary to start an election process. Sources differ on the timeline, but most say Mr Zelensky is aiming for the summer. The law requires 60 days for campaigning, so the soonest date would be early July. But some sources say the campaign would need three months, the time election authorities are said to have told parliament they require to reconstitute voter lists in wartime.

Petro Poroshenko, leader of the largest opposition party, predicts elections could come “any time from August to October”. He claims the campaign started with Mr Zelensky’s decision to freeze his assets in February. The move was said to be linked to his long-running trial for alleged treason, but some believe Mr Poroshenko’s trip to America in February—where he met some of Mr Trump’s people—lit the fuse. The former president says Mr Zelensky’s aides warned him not to go, but ascribed this to their “schizophrenia...and paranoia”. The sanctions, he continues, were meant both to rule out his candidacy and to warn off Valery Zaluzhny, Ukraine’s former top general and the one man with a good chance of beating Mr Zelensky if he runs. A government source privately says Mr Poroshenko is not a serious threat, but Mr Zelensky’s dislike of him speeded up the sanctions decision.

That official thinks Mr Zelensky will try for a July election, hoping a short timetable would let him run unopposed. Such a turn would benefit not only the president, since “a long campaign would tear the country apart.” In fact, a rushed vote risks worsening the already bitter relations between the powerful, centralised presidential office and the rest of Ukraine’s political world.

Mr Zelensky’s office denies it is angling for elections. If it tries, it may find them hard to pull off. Opposition leaders insist a quick vote is logistically impossible. Achieving a ceasefire before May 8th would be difficult enough, says Serhiy Vlasenko, a senior lawmaker with the Batkivshchyna party. Finding a way for millions of voters abroad, in the trenches, or in regions occupied by Russia to cast ballots would be “even harder”. The government could use its well-regarded Diia smartphone app. But that would raise questions of transparency and mean changing the constitution, requiring a two-thirds majority in parliament—difficult, since opposition parties oppose voting in wartime. They say a fair election means dismantling wartime propaganda and censorship.

Messrs Putin and Trump may not now want a quick election either. Both presumably demanded one believing it would lead to Mr Zelensky’s exit. With the calculation flipped upside down, they might not sit quiet while he fast-tracks to a second term. Mr Putin holds many cards: his drones and missiles could make cancelling martial law—let alone holding a vote—impossible. But many think elections could help him destabilise Ukraine even if Mr Zelensky wins. An intelligence officer predicts an election campaign would let the Russians turn up their influence: “They will use opinion leaders, soldiers and the opposition to do their bidding.”

Things will not be easier for Ukraine’s next president, whoever that may be and whenever elected. Mr Trump’s rushed diplomacy could lead to a bad peace agreement. In time, some Ukrainians may call for a tougher, more militaristic government. For all his flaws, Volodymyr Zelensky depends too much on popular approval to

ever become a true dictator. Whoever comes after him may be less circumspect. “Whether Caligula or Macbeth, abuse of power is a constant theme in history,” says Mr Urivsky. Theatre lets people “see ourselves in some of the terrible characters. And we hope, as Ukrainians, that we might avoid repeating their mistakes.” ■

<https://www.economist.com/europe/2025/03/30/the-prospect-of-early-elections-in-ukraine-has-everyone-in-a-spin>

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FSB v Army

Russia's army is being subordinated to its security services

Vladimir Putin mistrusts his generals

Apr 10, 2025 08:49 AM



In case the army gets ideas

TWO WEEKS after Russia invaded Ukraine in February 2022, Sergei Beseda's mobile phone went dead. Mr Beseda, a general in the FSB, Russia's main security agency, had been responsible for informing Vladimir Putin about internal dynamics in Ukraine. He was one of the bosses of the FSB's Fifth Service, set up in the 1990s to spy on former Soviet republics. His information led to Mr Putin's mistaken expectation that Ukraine would crumble.

When Ukraine instead fought Russia to a standstill, reports circulated that Mr Beseda had been arrested. Yet on March 24th the 70-year-old spy chief, now an adviser to the head of the FSB, sat in a hotel conference room in Saudi Arabia opposite Michael Waltz, America's national security adviser, negotiating a possible ceasefire.

[Read more of our recent coverage of the Ukraine war](#)

The security services' prominence in the negotiations carries two messages, argues Andrei Soldatov, an intelligence expert living in exile. One is that Mr Putin sees the negotiations as a stage in his military operation rather than a path to ending the war. The other is that the spooks have been rehabilitated: the disastrous invasion is now presented as a success.

Those doing the fighting may disagree. Russia's army has made almost no progress in two years. At least 200,000 soldiers are dead and 600,000 wounded, says Britain's defence ministry. Yet the army must confront not just Ukrainian forces, but its own country's security services. The FSB's military counter-intelligence force, heir to Stalin's infamous SMERSH, is the largest and fastest-growing directorate, says Mr Soldatov. Its job is to watch the armed forces, curb the influence of popular generals and prevent political self-organisation. The scale of purges evokes the Soviet era.

Many countries' armed forces have strained relations with their spy agencies, but in Russia they can be deadly. Mr Putin mistrusts his army, particularly given its thinly veiled resentment at the start of the war. A few days before the invasion Leonid Ivashov, a retired general often used by the general staff to voice its opinions, warned that the use of force against Ukraine would be a disaster. As the blitzkrieg failed, Russia's main journal of military theory implicitly blamed the FSB. Soldiers did not understand its goals or their roles. "Instead of flowers...the rear columns of our troops were met with civilian resistance," it wrote.

To spur the army, Mr Putin let Evgeny Prigozhin (then boss of Wagner, a state-backed mercenary group) criticise Valery Gerasimov, Russia's top commander, and Sergei Shoigu, then the defence minister. But Prigozhin led a mutiny in July 2023 that enjoyed sympathy among some senior officers. The army neither joined nor did much to stop it. After Prigozhin was placated (later dying in a plane crash), several generals disappeared from view.

Ivan Popov, a popular commander who criticised the war's conduct, was demoted.

Most importantly, the media resources that Prigozhin used for independent criticism have been brought under control. Telegram, one of Russia's biggest social-media platforms, hosts dozens of *voyenkory*, or independent war bloggers, with an estimated cumulative audience of 13m. They often diverge from state-directed television propaganda. Igor Strelkov, a war blogger who openly criticised Mr Putin, was arrested after Prigozhin's mutiny. Others have muted their dissent.

Some months later, the FSB began purging the army and defence ministry. Mr Shoigu, a close ally of Mr Putin, was moved to a different post. Three of his former deputies and about 30 staff were arrested. The aim, says Mikhail Komin of the Centre for European Policy Analysis, headquartered in Washington, was both to redistribute cashflows associated with the ministry and to dismantle Mr Shoigu's "clan" of connections in government. His replacement, Andrey Belousov, belongs to no clan. A month after his appointment he met war bloggers, encouraging them to direct their concerns to him. He was allowed to choose only one of his deputies, says Mr Komin; the other two seem to have been picked by Mr Putin. One is Mr Putin's niece.

Three generals have also been arrested, including Vadim Shamarin, deputy head of the general staff, and Mr Popov. The latter recently wrote an open letter to Mr Putin, asking to be transferred back to the front. "I never asked questions, but blindly and without thinking followed the path that was determined by sacred duty, oath, orders and your decrees," he wrote. The Kremlin confirmed that Mr Putin has received the letter. He has yet to respond. ■

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Unifying factor

Irish willingness to join NATO could ease unification

Support for both is rising among Catholics and Protestants

Apr 10, 2025 08:50 AM



IN 1949, WHEN America's ambassador handed Ireland's foreign minister an invitation to join NATO, the answer was a polite no. Ireland wanted no part of an alliance including Britain, its former coloniser, which it blamed for dividing the isle into a mainly Protestant, British north and a Catholic, independent south. In later decades the Irish were leery of being dragged into America's global crusade against communism or, more recently, its "war on terror". Neither chimed well with Ireland's generally anti-colonialist foreign policy.

Today joining the alliance has different connotations: it is a matter of protecting Europe from Russian aggression. Simon Harris, Ireland's defence minister, is pushing for dramatic policy changes. In March he proposed a law to remove the so-called "triple lock", a three-step process governing military involvement overseas. Under the lock, any foreign intervention must be approved by the government, the Dáil (the Irish parliament's lower house) and the

UN Security Council. Lifting the requirement for UN approval could ultimately move Ireland closer to NATO. Mr Harris aims to raise annual defence spending from the current €1.3bn (\$1.4bn) to €3bn by 2028—still less than 1% of GDP.

The government says these measures are needed to defend Ireland and its critical infrastructure, such as undersea cables. The opposition, particularly the leftist Sinn Féin party, says they would erode the country's neutrality. Mary Lou McDonald, Sinn Féin's leader, demands that ending the triple lock be subject to a referendum. In one sense, this reluctance could be self-defeating. More openness to joining NATO might help achieve one of Sinn Féin's lasting goals: unification between the Republic of Ireland and Northern Ireland.

Under the Good Friday Agreement, which brought peace to Northern Ireland in 1998, the province's secretary of state should call a referendum on unification (commonly called a border poll) whenever it seems likely to pass. Changing demography and surveys suggest this could be only a matter of time. There are now more people in Northern Ireland with a Catholic background than with a Protestant one. Support for unification is increasing steadily: a poll by the *Irish Times* in 2022 found 50% against unification and 27% in favour; in 2024 the numbers were 48% and 34% respectively. Protestants are growing increasingly open-minded, with polls finding they are not wild about the notion but could live with it. Most Protestants would want a united Ireland to be in NATO. Northern Irish Catholics, too, are much more likely to back membership than are Irish down south. Joining NATO might help overcome reluctance to unification among those most opposed to it.

Other developments are also making unification more appealing. Protestants once feared the Catholic church's influence on the republic's government, but that is declining, as liberal reforms (including same-sex marriage and wider access to contraception) show. The south's economy is strong, with unemployment near its

lowest levels ever. Meanwhile, Northern Irelanders see less and less value in staying in Britain. The north's economy is poor: wages and GDP growth are below the United Kingdom's average. The Brexit deal struck with the European Union in 2023 keeps the province in the EU's single market for goods anyway.

Poll numbers notwithstanding, it will be years before unification reaches the agenda. Sinn Féin wants a border poll before 2030. Other parties, in Britain and Ireland, are less eager. But like NATO membership, it is a possibility many in Ireland are starting to take seriously. ■

<https://www.economist.com/europe/2025/04/03/irish-willingness-to-join-nato-could-ease-unification>

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Goodies for grannies

Germany's Mütterrente is a poor way to pay parents

A recession is not the time to raise benefits for those who had kids long ago

Apr 10, 2025 08:50 AM | BERLIN



Hard to put a price on

GERMANY'S CONSTITUTIONAL debt brake has led to chronic underinvestment, so Friedrich Merz's move to exempt both a €500bn (\$539bn) infrastructure fund and defence expenditure over 1% of GDP is good news. But the looser purse strings of Germany's chancellor-in-waiting have emboldened the parties in his expected coalition to offer goodies to voters. One is likely to be an expansion of the *Mütterrente* ("mothers' pension"), a benefit to compensate parents for years spent raising children rather than working. It is almost exclusively claimed by women.

A pet project of the Christian Social Union, the Bavarian sister party of Mr Merz's Christian Democrats (CDU), the *Mütterrente* was introduced in 2014. Those who had children before 1992 were credited with up to a year of public pension payments, those

afterwards with up to three. In 2019 the difference was narrowed. The incoming coalition wants to eliminate it altogether.

There is no reason why parents who had children before 1992 should be disadvantaged. But the logic of pensions for years not worked is complicated. Economists at the Leibniz Centre for European Economic Research, in Mannheim, argue that contributions from grown children keep the pay-as-you-go (PAYG) pension system going, and that childless pensioners are thus relying on other people's children, whom they did not help raise. They propose funding mothers' pensions by cutting benefits for those without children. But politicians have shied away from such debates, so the *Mütterrente* remains an unfunded liability.

The top-up of mothers' pensions will cost around €5bn this year and €50bn over two decades. That is trifling compared with the debt Germany is taking on for defence and infrastructure. But making unfunded pension promises at a time when Germany is in recession (and ageing rapidly) is irresponsible. The younger cohort of the CDU agrees. "It's not the right sign," says Pascal Reddig, a 29-year-old novice MP for the CDU. Still, he admits that it is a done deal. The grannies who qualify will get an additional €20 a month. That will do little to help the 20% of the elderly at risk of poverty; for that goal a targeted benefit would be better. But it will add to the burden on the stretched PAYG system. ■

Correction (April 7th 2025): The original version of this story misnamed and mislocated the Leibniz Centre for European Economic Research. Sorry.

<https://www.economist.com/europe/2025/04/03/germanys-mutterrente-is-a-poor-way-to-pay-parents>

Charlemagne

Europe cannot fathom what Trumpian America wants from it

From tariffs to Ukraine, Europeans are stuck in the Fog of Peace

Apr 10, 2025 08:50 AM



CARL VON CLAUSEWITZ, a 19th-century Prussian general, described warfare as “the realm of uncertainty”. The fellow never had to deal with an American administration run by Donald Trump. Forget the fog of war Clausewitz posited; Europe is discovering the perils of wading through the haze of Pax Americana, MAGA edition. Wish it luck. Being the biggest trading partner of a country that seeks “liberation” through tariffs, or a decades-long military ally of a superpower now parroting Kremlin talking points, is akin to inching through a geopolitical pea-souper. Europe is hardly alone in being flummoxed by Mr Trump (many Americans are, too). But it faces a unique problem: Europe cannot fathom what it should do to fix its already broken relationship with the new administration. Even if Europeans wanted to help their historical partner—a big “if” these days—disagreements abound as to what that partner wants.

The alliance with America has never been entirely straightforward. Yankee gripes about anaemic European military spending go back decades. A continent striving for ever-closer union was occasionally splintered into factions for American convenience, as when George W. Bush's lot tried to pit "old Europe" against "new Europe" during the Gulf war. American regulators clobbered French and German firms with billion-dollar fines while decrying any constraints on their own tech giants doing business in the European Union. Even pro-European administrations wound up blindsiding the continent's policymakers. In 2022 Joe Biden announced generous green-industry subsidies (*Bravo!*) which turned out to be closed to market-leading firms in Europe (*Zut alors!*).

But this time is different. The Trumpian top brass making decisions of great import to Europe—not least over the fate of Ukraine—hold America's historical allies in startling contempt. In a recent leak from a not-so-secret Signal group of top officials, Europe was decried as "PATHETIC" by Pete Hegseth, the defence secretary. J.D. Vance was just as critical, though this was predictable after the vice-president had blasted Europeans at a conference in Munich in February. Mr Trump had himself set the tone, imagining that the EU had been set up with the sole intent to "screw" America. On April 2nd he whacked European imports with a tariff rate of 20%. Ursula von der Leyen, president of the European Commission, said she felt "let down by our oldest ally".

Speaking to diplomats in Brussels and beyond, Charlemagne has heard three theories to explain MAGA hatred of Europe. Understanding which is correct matters, because each comes with its own set of remedies to assuage the Euro-bashers.

The first possibility is that Mr Trump simply shares his predecessors' desire that Europeans bear the burden for their own defence, and feels unconstrained by diplomatic niceties in making the case. Barack Obama warned over a decade ago that America

would “pivot to Asia” (ie, away from Europe and the Middle East) to address a Chinese threat that has since grown more acute. That did little to motivate Europe into spending more. By contrast, Trumpian goading—insulting as it might seem—has been effective at getting allies to step up. If scrimping on defence is indeed what troubles America, the solution is on its way: Europe will promise to spend much more on defence at a NATO summit in June.

The second theory of MAGA Euro-hostility is more worrying. According to this school, the invective directed at Europe is about more than freeloading on defence. After all, America’s Asian allies also underspend on their armed forces but are facing no such abuse. Rather, Europe is being punished for its crime of *lèse-Amérique*. By banging on about global norms, Europeans are an irritant to might-makes-right Trumpians. How dare the EU regulate Big Tech? How dare Denmark think Greenland would not be better off in American hands? Europe’s role should be to play second fiddle, or, better yet, pipe down. On this reading, to be a better ally, Europe would have to bend the knee, for example by helping constrain China at Washington’s behest. This may be humiliating, if not downright unrealistic in the case of ceding Greenland, which is not Denmark’s to give away. But seasoned EU diplomats think it may provide the basis for a fraught but workable relationship.

Yet some European officials perceive a third kind of MAGA animosity, one they are powerless to do anything about. For this contempt is aimed at a continent that exists only in the imagination of Fox News presenters (as Mr Hegseth once was). Europhobes of this type see it as a flailing continent on the economic skids, one bent on demographic suicide, where the only people who enjoy free speech are Muslim extremists imposing sharia on a woke populace. For them, Europe is a cautionary tale: what America might degenerate into without Mr Trump’s “help”. This fantastical vision offers Europe no way to indulge America, short of handing over power to the likes of Alternative for Germany, a Nazi-adjacent party bafflingly admired by Mr Vance.

Who do you think we are?

To be fair to the MAGA Euro-bashers, their spite towards Europe is reciprocated—as any leak of European leaders’ candid Signal chats about Mr Trump and his team would probably attest.

Without any certainty as to why they are loathed in Washington, Europeans are falling back on their old diplomatic instincts: keep engaging and don’t despair. Sometimes it works. On March 29th Alexander Stubb, Finland’s president, spent hours playing golf with Mr Trump at Mar-a-Lago. Soon after, Mr Trump declared himself “pissed off” with Russia’s Vladimir Putin for failing to agree to a ceasefire in Ukraine—a useful win for Europe. Many hope America might still give concrete support to a Europe-led “reassurance force” in Ukraine. Occasionally, the two old allies still manage to find one another, through the bitter mist. ■

<https://www.economist.com/europe/2025/04/03/europe-cannot-fathom-what-trumpian-america-wants-from-it>

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The small-boat business

How to run a smuggling business

Transporting people across the English Channel is a tough job for an entrepreneur

Apr 28, 2025 11:25 AM | Dunkirk



“**T**HREE ARE different types of smuggler,” explains an Iranian man who crossed the English Channel in an inflatable boat and was subsequently given [asylum](#) in Britain. “Some of the smugglers have a brand. They are famous for using brand-new dinghies, and for using lifejackets. Others are cheap, but not safe at all. They have used faulty dinghies.”

The smugglers, who transported 36,800 migrants across the English Channel last year, have been called many things. Opening a summit on illegal immigration on March 31st, Sir Keir Starmer, Britain’s prime minister, described them as evil and exploitative. So they are. But they are also entrepreneurs. Smugglers sell a service that is in high demand, albeit a dangerous one that killed 82 people in 2024 according to the Missing Migrants Project, run by the [UN](#). Seeing them as businesspeople operating in a highly competitive, multimillion-euro market helps to explain why their boats are so hard to stop.

Success in the smuggling business means bringing together migrants, boats and engines on the coast of Belgium or France, under the noses of the police. To do this, smugglers must be adept at marketing, procurement, logistics, accounting and human relations. They face difficulties that many businesspeople do not have, such as a multitude of languages and the impossibility of suing clients who try to get out of paying. Only skilled entrepreneurs are likely to prosper.

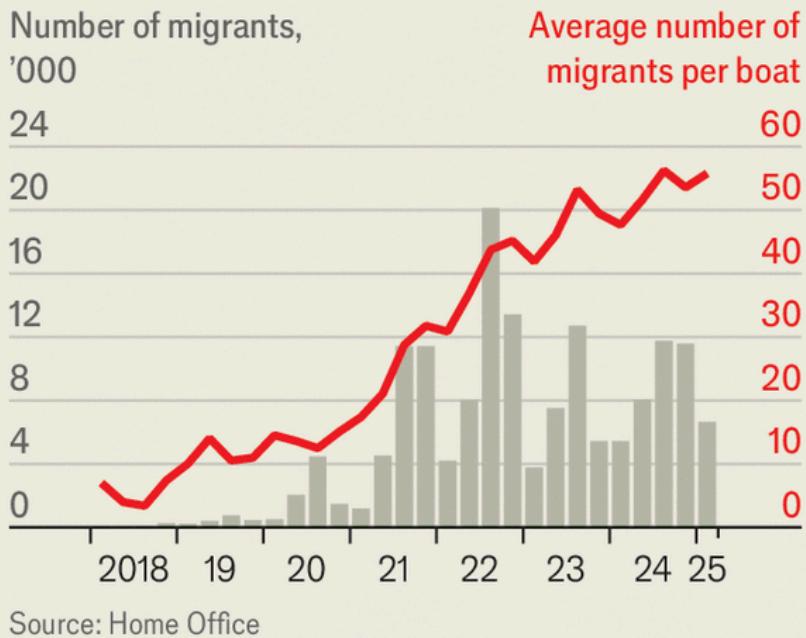
Like many other travel businesses, smugglers advertise their services online, on social-media platforms such as TikTok. The platforms and the police try to eradicate them—since 2021 Britain's National Crime Agency (NCA) has helped remove some 18,000 social-media accounts, advertisements and web pages. The adverts presumably work, because the British government runs social-media campaigns of its own, trying to deter would-be migrants in Albania, Iraq and Vietnam.

Adverts are often generic, with a boat, smiling migrants and a phone number. But Dan Barcroft, senior manager of the NCA team covering organised immigration crime, has seen slicker campaigns that build brands. In some, asylum-seekers praise particular smugglers. Others make outlandish claims about the quality of the channel crossing. “A VIP service is being promised, with food and drink on board,” says Mr Barcroft. “That’s just a lie.” Smugglers are not, of course, subject to the Advertising Standards Authority.

Word of mouth can be just as important for recruiting customers. West of Dunkirk in northern France, in a squalid woodland camp where about 800 migrants live in tents, your correspondent meets a young Afghan man who says he has paid €1,500 (\$1,620) for passage to Britain. He applied for asylum in Belgium three years ago, and was rejected; he heard about a channel smuggler through the migrant grapevine.

Boatloads

Britain, migrants crossing the English Channel in small boats



The person who connected him to his smuggler might not have been motivated purely by altruism. Smugglers employ recruiters in places where migrants gather. Researchers at the Global Initiative against Transnational Organised Crime (GI-TOC), a Swiss research outfit, found one in Belgium who was paid €100-200 for every new lead. Smugglers also use brokers, who assemble groups of migrants and buy passage for all of them.

A smuggling outfit that has found enough migrants to fill a vessel, whether through direct marketing, recruiters or brokers, needs a boat and an outboard motor. A few years ago those could be purchased from sporting-goods shops in France. As the police cracked down, smugglers became importers, bringing specially made boats from China and Turkey. That is more difficult, but the advantage is that buyers can specify what they want. What they want, above all, is large dinghies that can maximise profits per launch (see chart). So far this year the average number of migrants per boat reaching Britain is 56, up from 13 in 2020.

Supply-chain resilience

Boat supply has become a distinct business. Dealers supply more than one smuggling outfit, and a wise smuggler will use more than one dealer. Germany is the centre of the trade. In December police raided homes and warehouses in the south and west of the country, recovering 21 boats, 24 motors and items including lifejackets.

Dealers may be both wholesalers and retailers. In October an undercover journalist with the BBC met a man in Essen, in north-west Germany, who offered to sell him a boat and an engine for €8,000, or to deliver the goods to a site a few hundred metres from the French coast for €15,000. A canny buyer could probably drive both prices down.

The NCA says that boats are becoming more expensive, partly because of police work at the border between Turkey and Bulgaria, where dogs sniff them out. Criminal entrepreneurs have responded by adopting different logistics practices. A few years ago, says Felix Sinclair, head of the unit that gathers intelligence on immigration crime, vehicles would carry several boats to the coast at once. Dinghies were often buried among sand dunes. These days they are transported singly, exactly when they are required. “They move just enough, just in time,” he says—just like a car manufacturer.

One of the hardest aspects of the smuggling business is the imperative to stay away from the coast, lest you be arrested. “The smuggler never accepts the risk. They’re very intelligent,” says an Afghan man who arrived in Britain in an inflatable boat and claimed asylum. He communicated with his smuggler via an encrypted messaging app. “He might have been in France, he might have been in Afghanistan,” he says.

Instead, smugglers employ numerous workers known to the French authorities as *petites mains*, or small hands. These men (as they

usually are) liaise with migrants, transport people and equipment to beaches, and inflate boats. Xavier Delrieu, the head of OLTIM, which tackles immigration crime in France, says they are a mixture. Some are would-be migrants who cannot pay for passage and are trying to earn a place on a boat; others are migrants who have decided to stay and work in northern France; still others are French people who have fallen on hard times.

The small hands take great legal risks in return for a few hundred euros per boat, or the equivalent sum in free passage. These subcontractors are not as pathetic as they look, however. Some run smuggling sidelines, adding their own passengers to boats. Others lead poor migrants to beaches, where they try to rush onto departing boats—a practice that has led to deaths.

Every boat needs a pilot, and these tend to be poor asylum-seekers. In 2024 Ibrahima Bah, a Senegalese man, was convicted of manslaughter in Britain after the inflatable boat that he was steering folded up, killing four people. Mr Bah, who had gained experience piloting a boat across the Mediterranean, was offered free passage across the channel if he agreed to steer. When he saw the boat, he balked, saying it was too full. The smugglers pressed him.

Most voyages do not end so catastrophically. But boat pilots are often prosecuted under British immigration laws if they happen to be photographed by border guards. Victoria Taylor, a researcher at the University of Oxford, has discovered that 69 pilots were charged in the first three quarters of 2024. The biggest group, with 19 charges, were from Sudan. Sudanese people are often both poor and Arabic-speaking, which makes them easier to tutor, Arabic being commonly spoken among smugglers and small hands. Pilots tend to plead guilty and are jailed for nine months.

Moving migrants is not enough, of course. Money must move, too. Migrants and smugglers usually arrange payment through

hawaladars—informal bankers who rely on trust. Mr Sinclair of the NCA says that funds are often held in escrow, and released when a migrant arrives safely. Smugglers may photograph migrants or their passports to prove they were on a boat, and to intimidate them.



Channelling profits

Pricing is highly variable. It fluctuates according to demand and smugglers' calculations about migrants' ability to pay. Sub-Saharan Africans might be charged €900 to €1,200, whereas Iraqi Kurds and Syrians pay €1,200 to €1,500 and Albanians and Turks pay even more. Some migrants pay only for the crossing, whereas others, notably Vietnamese, purchase bundles of services that take them across Asia and Europe to Britain. Rather than living in squalid camps, they stay in safe houses away from the coast, and are brought to beaches when boats are ready.

When reporting raids and arrests, police and prosecutors tend to argue that smuggling is hugely profitable. A single boat, they say, can bring in more than €100,000. But the police sometimes overstate the prices that are paid, and they overlook the cost of running a smuggling network. Boats are expensive, and some are seized: the French police claim to prevent about half of migrants from setting off. Pilots often travel free. And many small hands must be paid.

The outlook for Smugglers Inc

Issa Mohamed Omar, a Somali man who tried to reach Britain in a boat, recently gave a detailed account of smuggling to a public inquiry. He describes a labour-intensive operation, involving negotiators, interpreters and boat dispatchers. The smugglers' flunkies were so numerous that they occupied an entire section of the camp in northern France where he was staying. Mr Omar never made it to Britain. His boat collapsed mid-channel, killing everyone except him and one other man. When he closes his eyes, he still hears the screams of the dying.

Tuesday Reitano, of GI-TOC, suggests that the smuggling business is not as profitable as it looks. Established Albanian and Italian criminal groups could have muscled in but chose not to, perhaps because migrant-smuggling attracts so much police attention, which could have turned to their drug-trafficking activities. Instead the business is dominated by Iraqi Kurds, who learned the trade while migrating.

Migrants sometimes refer to smugglers as “mafia”, and they can be violent to migrants and to other smugglers. But they seem to be loose networks of entrepreneurs rather than stable, hierarchical criminal organisations. Barriers to entry are low, because of the rise of ancillary businesses such as migrant recruiters, brokers and boat dealers, which supply more than one network. Mr Delrieu says that Afghans are getting more involved in the trade, without provoking obvious hostility from the established Iraqi Kurds.

Police action may have prevented monopolies from forming. The huge number of gendarmes and drones in northern France (many paid for by British taxpayers) has driven smugglers to spread out. Since August 2024 they have launched boats from as far east as De Panne in Belgium and as far south as Dieppe in Normandy. Along that more than 200km-long stretch, many smugglers could be operating without knowing of the others' activities.

Competition has helped to keep prices down. Pistiwan Jameel, a broker in Britain who was found guilty of facilitating illegal migration and was sentenced in February, was recorded complaining about this. And competition has probably made the smuggling industry resilient. Another smuggler, broker, driver or boat supplier will always be ready to take on more work if someone is arrested.

Britain and other European countries can disrupt smuggling operations and raise the cost of doing business, although they might make cross-channel journeys more lethal in the process. They probably cannot end the trade, unless they stop granting asylum altogether or provide another way for claimants to reach Britain. The country accepts only a small number of [UN-vetted refugees](#), which might provide people with an alternative to dangerous, watery journeys.

“If you think the smugglers are bad people, I agree with you,” says the Iranian refugee quoted at the beginning of this article. “It’s a long and unsafe journey, a dangerous journey. But do you think it’s possible to go to the British embassy in Iran and get a visa?” ■

<https://www.economist.com/britain/2025/04/01/britains-plan-to-smash-people-smuggling-gangs-has-a-big-problem>

The fortunate few

Every year, a few thousand people win Britain's refugee lottery

They often end up in villages

Apr 10, 2025 08:50 AM



Safer spaces

NOT EVERYONE has to clamber onto a dangerous inflatable dinghy in the middle of the night. Some refugees fly to Britain. They are welcomed at the airport and often taken directly to furnished houses, where smiling volunteers and case workers help them register with doctors and local schools. They can work and claim benefits immediately.

Since 2010 Britain has resettled some 65,000 refugees, not including Hong Kongers or Ukrainians. Such people were deemed legitimate and deserving of protection by the UN High Commissioner for Refugees or the British government. A decade ago most were Syrians. Today Afghans are the largest group.

Being picked is like winning the lottery, but with added pressure. Khadeja Alamary, who fled Syria for Jordan, got a phone call from the UN asking if she would like to be resettled in an unspecified

Western country. She had to answer immediately, without waiting for her husband to return from work. “They didn’t give me any chance to think,” she says. In November 2017 she and her family arrived in a Devon village.

Ordinary asylum-seekers are often dispersed to cities and towns, especially poor ones where cheap hotels abound. Resettled refugees are scattered more widely. If a local council or a community group can find an appropriate house in a village, they go there. Breckland, in rural Norfolk, has 106 resettled Afghans but no asylum-seekers. Argyll and Bute, a beautiful part of Scotland, has 61 resettled Afghans and no asylum-seekers.

British villages are not always well supplied with mosques and halal food. Lubna al Zain, a Syrian woman who was resettled in rural Nottinghamshire, says that “everything” is in Nottingham, an hour away by bus. Members of her family have struggled to find jobs. On the plus side, says Duncan Wells, the head of resettlement programmes at the Refugee Council, a charity, people sometimes learn English quickly if they are plunged into a monoglot world.

Despite their lack of control, and the difficulties they face, resettled refugees are hugely grateful. Their accounts of Britain are full of words like “cosy”, “nice”, “sweet” and “love”. Tamanna, an Afghan refugee, requested a home in southern England but was placed in Yorkshire. She applied for more than 200 jobs before getting one. Still, she says: “When I compare myself to people who came through illegal ways, we are very fortunate.”

Indeed, the main problem with the resettlement schemes is that they are so small. Last year just 7,815 refugees were resettled in Britain. Almost five times as many people arrived in small boats, and 14 times as many claimed asylum. They are drops in a vast ocean. ■

<https://www.economist.com/britain/2025/04/03/every-year-a-few-thousand-people-win-britains-refugee-lottery>

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Death by committee?

The assisted-dying bill isn't dead. It is in limbo

Waverers, not zealots, will decide its fate

Apr 10, 2025 08:49 AM



IS THE ASSISTED-DYING bill dead? Scouring the British headlines over the past week, you could be forgiven for thinking as much. The latest source of unrest came on March 25th when a parliamentary committee finished its line-by-line scrutiny of draft legislation that could give certain adults in England and Wales the right to die. During the nine-week process, MPs adopted several consequential amendments, including scrapping an oversight role for a high-court judge and extending the implementation period from two years to four. The latter was enough for the *Telegraph*, a right-wing newspaper, to declare that it had been dealt a “mortal blow”. The *Sunday Times* pronounced it “doomed”.

Rumours of the bill’s demise have been greatly exaggerated—largely, unsurprisingly, by its opponents. Advocates agree that the bill looks very different from the one that passed a second reading last November. But they insist this is a strength. Unusually for a private member’s bill, the committee was able to accept written and oral evidence. Expert witnesses suggested that an independent

panel of a psychiatrist, a social worker and a senior lawyer would be better at scrutinising applications for signs of coercion than the High Court. Around a fifth of the 150 or so amendments voted through by the committee came from opponents. The changes have only added to a thicket of safeguards, not detracted from them: any law would still be the strictest of its kind in the world.

Two things work against it. The first is that the careful work of the committee has happened largely out of sight of fellow politicians and the public. MPs have been focusing on welfare cuts, the war in Ukraine and tariffs—as have journalists. Running commentaries of the 90 hours of debate have largely been restricted to the Twitter feeds of the most diehard opponents.

The second is the decision to delay the implementation of the bill until 2029, an election year. This could present an opportunity to bury any legislation (the request came from the health department run by Wes Streeting, who opposes it). On March 26th the prime minister, Sir Keir Starmer, a supporter of assisted dying, appeared to promise Kim Leadbeater, the bill's sponsor, that legislation would be implemented if passed by MPs. Yet Ms Leadbeater will have to push the government to ensure that the deadline is a backstop.

Before that, however, the votes of several dozen wavering MPs will decide the fate of the bill. Most seem yet to make up their minds. An impact assessment by the government, due to be published shortly, may solidify opinions. Further amendments can be tabled by MPs before the bill returns to the Commons on April 25th. The battle to convince them resumes. ■

<https://www.economist.com/britain/2025/04/03/the-assisted-dying-bill-isnt-dead-it-is-in-limbo>

Fiscal frictions

Britain's budget watchdog has ruffled feathers in Westminster

But OBR sceptics risk shooting the messenger

Apr 10, 2025 08:50 AM



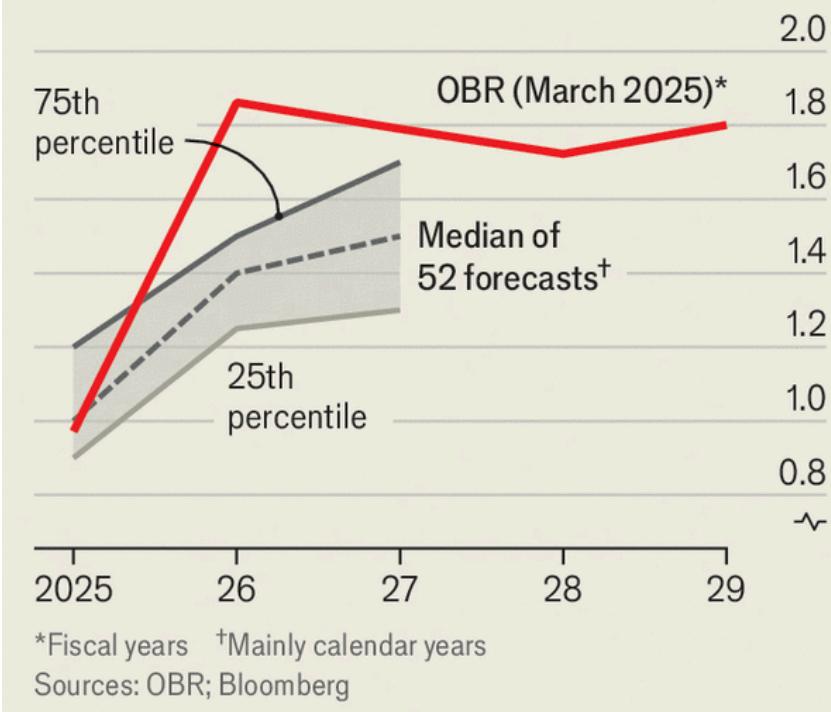
CUTTING WELFARE is rarely comfortable for the Labour Party. But the scramble to trim the health-benefits bill ahead of the [Spring Statement](#) last month was particularly messy. After weeks of rows Liz Kendall, the welfare secretary, promised Parliament that her cobbled-together reforms would save £5bn (\$6.5bn) a year. Unfortunately the Office for Budget Responsibility (OBR), Britain's fiscal watchdog, reckoned she had over-egged the savings by a billion-plus. Cue a hasty rejig and even deeper cuts.

Richard Hughes, the OBR's boss, is quietly scathing. "Agreed deadlines were missed," he says. "It wasn't accompanied by the usual kind of economic analysis that we would expect." The episode underlines the OBR's growing role. Recent chancellors, especially the incumbent, Rachel Reeves, have set rigid fiscal rules that leave little headroom. This gives even ambiguous OBR calls, such as those over savings from benefits reform, a do-or-die weight.

Office for Bullishness Relatively

1

Britain, GDP growth forecasts, %



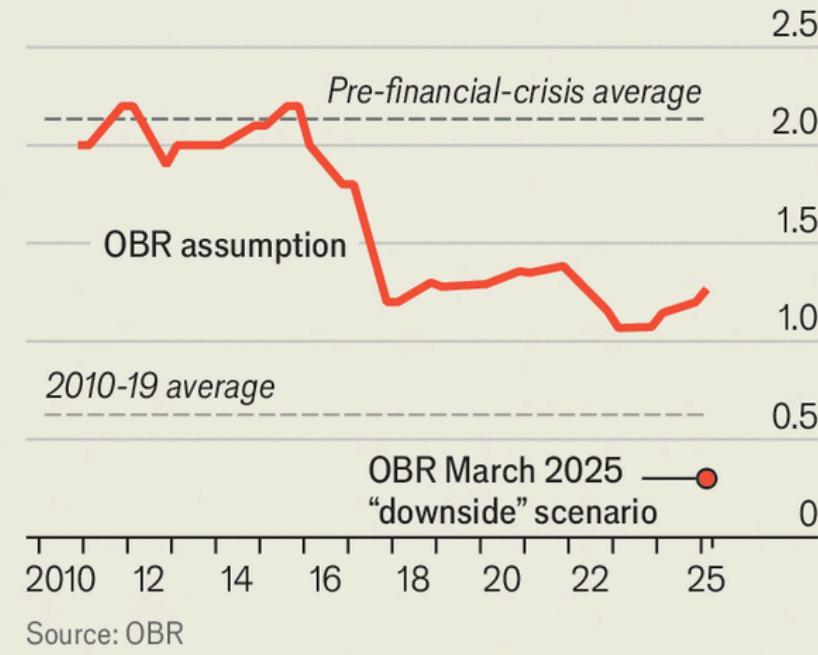
Frustration with the OBR is growing. That will become even more obvious at the next budget. Ms Reeves will be lucky to be only a few billion pounds off her main fiscal rule by then. Today she has only £9.9bn (0.3% of GDP) of headroom. But half of that disappears if she keeps fuel duty frozen (which is likely). If gilt yields do not fall further, that will knock off a few billion more, leaving her only just above zero.

The even bigger question is whether the OBR might also lower its medium-term growth forecasts, which have long been higher than most (see chart 1). Underlying such estimates is the concept of trend productivity: how much more efficient British workers will get in the long run. The OBR assumes that Britain will beat its shabby post-financial-crisis productivity performance (see chart 2). Fifteen years on, that view is harder to credit.

Room to fall

2

Britain, trend productivity, annual
% increase at end of forecast

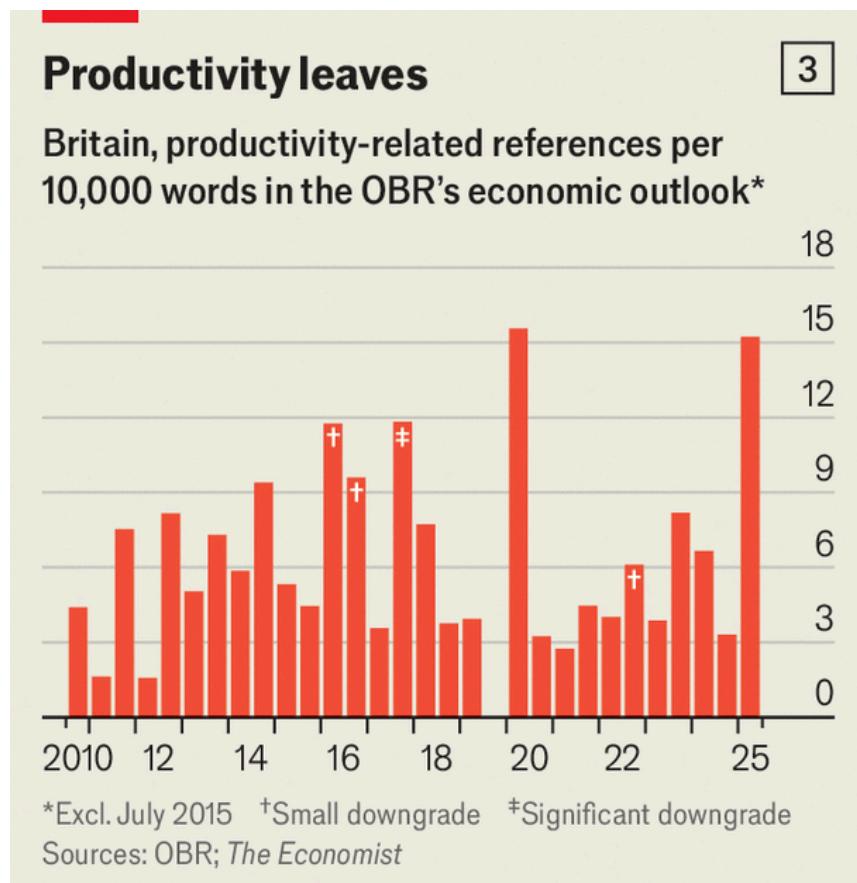


Source: OBR

Even a small nudge down could be painful. The downside scenario that the OBR laid out at the Spring Statement, where the dire productivity growth in 2024 persists, would knock off £60bn in headroom. The fact that the OBR is raising the matter now is a worrying sign; long discussion of productivity in its reports has usually come with downgrades (see chart 3), for example, when the OBR stopped assuming a return to pre-crisis productivity growth in 2017. (The OBR argues that its numbers reflect the sweep of British economic history and do not over-focus on recent years).

Conversely, some MPs question whether the OBR may be too pessimistic. One line of criticism is that the OBR underplays the impact of the government's borrowing-to-invest. Jeevun Sandher, a Labour MP, says "if the OBR got its multiplier wrong in the 2010s, you would have seen growth lower than expected and borrowing higher than expected. That's what happened repeatedly—it looks like that parameter is wrong." The OBR stresses that such borrowing

also imposes wider costs by raising interest rates—as reflected in gilt-market jitters after the last budget.



A final nuisance could be the beefed-up powers that Ms Reeves gave the OBR after last summer's £22bn "black hole", allowing it to forecast overspending. "Instead of being quite mechanical, the OBR will be able to do investigatory work to say: 'The government says the reserve isn't oversubscribed but we're sceptical. So we're going to make a change,'" says James Nation of Forefront Advisers, a consultancy. Mr Hughes plays the changes down, saying they are merely a "codification of what was a pre-existing arrangement".

Across the government, arm's-length bodies are falling out of vogue. The largest, NHS England, has just been abolished. The OBR has a powerful protector in the bond market, which would object if it were sidelined. Yet soon that shield may be tested. ■

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You'd better release me

What happens when Britain frees thousands of prisoners at once?

An early-discharge programme has shone light on a problem

Apr 10, 2025 08:49 AM | MORPETH



Walking the line

FEW THINGS are more certain to generate bad headlines than releasing thousands of prisoners early—as Britain’s government did last autumn. Some of the country’s more attention-seeking villains duly arranged showy cars, and were only too happy to brief the waiting press. “Big up Keir Starmer,” said Daniel Dowling-Brooks, who had been in for kidnap and grievous bodily harm. Things got worse when it emerged that 37 inmates had been wrongly released. One committed a sexual assault hours after being freed.

Given that start, ministers will now feel that Britain’s largest-ever prisoner release could have gone worse. More than 3,000 prisoners were let out over two days—almost as many as is typical in a month. Releases have continued at an elevated rate since. So far, there is no sign of the “crime wave” some critics feared. Rates of

recall to prison, already high by historical and international standards, have merely remained steady.

But the action has shone light on a neglected point of failure in Britain's prisons: release. More than four in ten who walk out of the gates are back within a year. For those on short sentences it is even worse. High reoffending is often put down to lousy conditions inside. But stretched prisons also push out inmates with little or no plan for housing or work. Seen this way, emergency releases are a quick fix that exacerbates the underlying problem.

Under the government's latest scheme, a prisoner becomes eligible for release after serving 40% of their sentence (down from 50%), with the exception of sexual offenders and serious violent offenders. This has little merit. Public understanding of sentencing is already poor. Politicians attempting to explain why criminals should serve less than half of their tariff behind bars will not help. Still, it was the least-bad option the government had, since it inherited prisons so full that they were days from turning away new inmates.

The most obvious thing a freed prisoner needs is a home. Those without settled accommodation are twice as likely to end up back in custody. Yet less than half of freed prisoners had a place to go to in the year to August 2024. Those data were collected before the two big tranches in September and October; things have probably got worse. One prison officer admits that the sheer number of releases meant housing-resettlement work was often not completed before cells had to be vacated.

Parting gifts of a tent and a sleeping bag have become more common. Upon release, around one in eight inmates are now homeless or sleeping rough. Those problems seem to persist: three months after being let out, almost one in ten were still sleeping rough, and only two-thirds had found settled accommodation. Part of the problem, inevitably, is the scarcity of social housing. But

hostels are also riddled with drugs and criminality. Given that choice, says Nathan, a prisoner with months left to serve, many take the tent.

The second thing a freed prisoner needs is work. Yet only around one in five has a job after six weeks. After six months, it is still less than one in three. Some have little interest in going straight. But for those who do, the path is often narrow and precarious. Only a handful of prisons are rated “good” for rehabilitation and release planning. Britain also has stringent criminal records compared with other rich countries. Even minor crimes stay on them for years, in effect barring ex-offenders from many entry-level jobs.

Some of these problems are hard to fix. But establishing rudimentary links between life inside and outside should not be. To see how it can be done better, visit HMP Northumberland, a large men’s prison north of Newcastle. There the Oswin Project, a charity, runs a host of activities—a market garden, a bakery, two cafés, a bike-repair shop, a building-and-decorating businesses—that purposefully span the prison fence. The idea is that inmates gain skills they can put to use outside.

Last year Oswin employed around 240 current and former inmates, many in profit-making activities. On the day your correspondent visits, guards are tucking into meat pies prepared by inmates. One of the bakers, nearing the end of a sentence for drug offences, says the charity is helping him to look for work outside. Oswin also runs a peer-mentoring network and helps released prisoners find housing, filling gaps left by a threadbare probation service. It calculates that only 4% of the inmates it has worked with have gone on to reoffend.

The main factor preventing this kind of work in most prisons is not a lack of money or space, says Fiona Sample, a doughty former vicar who founded Oswin ten years ago. It is risk-aversion. Years of lobbying and legal discussions (“like wading through treacle”)

were required to get security clearance for a handful of volunteers to train bakers and gardeners. Prison governors like high walls, but staff have come round to the project. Ms Sample has plans to convert a disused block into a pie factory, to supply local football stadiums.

Yet having weathered two waves of early releases, HMP Northumberland and other prisons may soon have to brace for more. Ministers rode out the headlines and bought themselves a little time, but the prison population has shot back up and is now even higher than when they entered office. Even though more cells are being built, without more radical measures supply will outstrip demand soon. There is one underrated way to ease the pressure: get better at release. ■

<https://www.economist.com/britain/2025/04/03/what-happens-when-britain-frees-thousands-of-prisoners-at-once>

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Bagehot

The tyranny of TikTokkers who turn up

What happens when people are savvier than the state thinks?

Apr 10, 2025 08:51 AM



AN AFGHAN ASYLUM-SEEKER chugging across the [English Channel](#) at eight knots, an Australian nearing retirement, and the parent of a child with special needs have something in common. Each knows more than the British state thinks they do.

The British government has long assumed people are, in general, ignorant about the state's obligations. Increasingly, the opposite is the norm: people know too much. The knowledge comes from peculiar sources. TikTok is a font of information for people trying to claim asylum. Reddit forums, such as r/DWPhelp, offer expert guidance to people navigating the Department for Work and Pensions. Memes about welfare entitlements, shared on WhatsApp and Facebook (which is increasingly an old-people's home), cut through better than any government campaign. What happens when people are savvier than the state assumes?

Some consequences are mixed. Governments have long struggled to sign up old people to pension credit, which tops up the income

of elderly poor folk. Until recently, a third of qualifying pensioners did not apply for something worth up to £4,300 (\$5,600) a year. Labour's decision to scrap the less valuable winter-fuel allowance (worth about £300) for everyone except those on pension credit changed that. A flurry of cross-generational social-media cajoling meant that, this time, pensioners actually signed up for free money. About 235,000 people applied for pension credit in the wake of the announcement, up 81% from the same period the previous year. Cutting winter-fuel allowance was a cost-saving measure. It will now save fewer costs.

Other consequences are negative. When unlikely loopholes appear, they go viral. Britain is tweaking its rules on making backdated national-insurance contributions to qualify for a pension. This has caused ructions in, of all places, Australia. A three-year stint working in Britain—common enough among Australians—is enough to qualify for a portion of a state pension, if someone is willing to make seven years of backdated contributions for a few thousand pounds in total. Given that a state pension is worth at least £3,000 per year from retirement, it is a good deal. How-to guides were splashed over Instagram. Up to 2m people could qualify, even if few are likely to apply. It is not fraud; it is people claiming entitlements when few thought they would.

Relying on ignorance about entitlements has long been a tool of the British state. When it comes to asylum, it no longer works. Asylum-seekers in Calais have an intricate knowledge of both Britain's and the EU's asylum system. Again, the knowledge stems from the same sources: on TikTok smugglers advertise their services, while advice on the ins and outs of the British asylum system circulates freely on messaging apps. Britain, like much of Europe, introduced generous asylum obligations in the expectation that few people would come. Now lots do.

Low take-up is the secret sauce of many British benefits. It means the British state can, at times, be generous. Under the Motability

scheme, disabled people can swap a mobility allowance worth about £75 a week for a car. Thanks to various government subsidies and guarantees—since the government pays Motability directly, its cost of borrowing is low while it is VAT-exempt—it is a bargain. A BMW i4 costs about £650 a month from a normal leasing company; it is half that on Motability. About 815,000 people use Motability. Another 1.6m people are entitled to it. Some prefer the cash. Plenty of others simply do not yet know what good value the scheme is. Thanks to TikTok, Reddit and X, they soon will.

What happens when everyone tries to claim what they are owed? Special-needs provision is an unhappy example. Education, Health and Care plans allow parents to claim benefits worth tens of thousands if their child has learning difficulties. The number of children on plans has risen from under 240,000 in 2014 to nearly 600,000 in 2024. Partly, this is due to an increase in cases. Often, it is awareness. People have realised help is on offer. They are guided on their way by a slew of advice, from Reddit to Mumsnet, an influential messageboard, to TikTok. The result? About 20 councils are at risk of bankruptcy solely from special-needs provision.

A welfare run

Debates around the generosity of the British state become lost in allegations of fraud. Only a fraction of people are gaming the system. Reducing the state's obligations to people who are in genuine need is the only option to save proper money. It is also the most painful. Of all the steps taken by the Labour government so far, cutting disability benefits by £5bn has been the most poisonous. Originally, it was supposed to save £8bn. The Office for Budget Responsibility thought it would save barely half that, as people work around the system. TikTok is not easy to overpower.

If people are savvier about dealing with the state, then perhaps it is because they are more cynical about its future. About a third of people do not think there will be a pension in 30 years' time,

according to the Institute for Fiscal Studies. That creates an incentive for people to take what they can today. It is similar to a bank run: people do not think the state can live up to its obligations tomorrow, so people withdraw all they can today. A welfare run is under way.

Stemming it leads to ugly choices. The government can slash more obligations—whether to pensioners, the disabled or asylum-seekers—or it can find ways to pay for what it has promised. Given its fiscal position, this means one thing: higher taxes. When challenged by an activist about Labour's drift to the right, Tony Blair replied: "It's worse than you think, I actually believe it." The same formulation works for the obligations of the British state: it's worse than you think, people are actually entitled to them. Now, thanks to TikTok, Reddit and their ilk, they know they are. ■

<https://www.economist.com/britain/2025/04/02/the-tyranny-of-tiktokkers-who-turn-up>

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International

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Pillage people

State capture is a growing threat. Reversing it is hard

The 15-70-15 rule and other ways to prise powerful fingers from the public coffers

Apr 10, 2025 08:49 AM | Cape Town, Dhaka, Tallinn and Warsaw

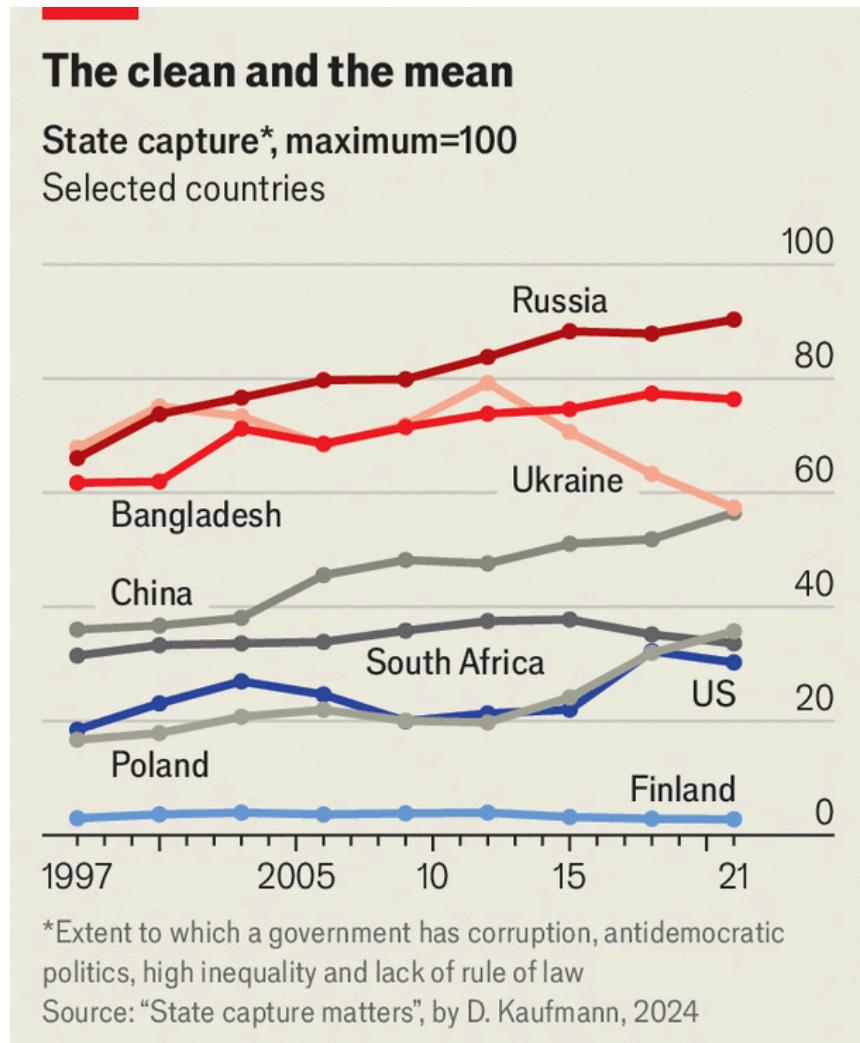


BANK REGULATORS are seldom celebrities. But Ahsan Mansur, the governor of Bangladesh's central bank, is an exception. Since he took over in August, after an autocratic prime minister, Sheikh Hasina, was overthrown by protests, his job has been to untangle the criminal mess she left behind.

Connected tycoons schemed with military-intelligence agents to loot the banking system, Mr Mansur says, siphoning away \$21bn. The spooks helped the tycoons to forcibly take over banks and then issue loans to their new shareholders, which were not repaid, alleges Mr Mansur. On some occasions, he says, agents seized board members from their homes and forced them at gunpoint to resign.

The pillaging of Bangladeshi savings was a brazen example of a global scourge: state capture. This is when the powers and

resources of the state are hijacked for the benefit of a few. It is a broader concept than corruption, since it includes acts that are not against the law, but should be. It can involve rewriting rules to benefit insiders, stuffing institutions with placemen, channelling favours to cronies, intimidating businesses into appeasing the powerful, and gutting checks and balances. The aim may be self-enrichment, or strengthening the captor's grip on power, or both.



The threat appears to be growing. The world's most disruptive state of late, Russia, is treated as private property by Vladimir Putin. China boasts of progress against corruption under President Xi Jinping. But according to an index created by Daniel Kaufmann of the Brookings Institution, a think-tank in Washington, state capture in China has grown worse (see chart). And the elephant in the room is America, which is at risk of two kinds of state capture: a

president asserting powers he shouldn't have, and moguls such as Elon Musk acquiring unwarranted sway.

Resisting state capture as it advances is hard enough. Reversing it once it has taken hold is an even taller order—but not an impossible one. Mr Kaufmann's index offers a reasonable yardstick. It combines measures of the rule of law, the influence of special interests, the extent of corruption and also inequality, on the assumption that captured states funnel goodies to the few. It gives a snapshot only every three years, so there is much that it misses. But it suggests that changes at the top can make a big difference.

Ukraine got better after tossing out a Kremlin-backed kleptocrat in 2014. Conversely, Russia got much worse as Mr Putin became all-powerful: its score of 90 on Mr Kaufmann's index is now matched only by a handful of gangster states.

Occasionally a reversal of state capture is sudden and revolutionary. In Estonia, after the collapse of the Soviet Union, a predatory communist dictatorship was swiftly replaced by a transparent, democratic system. Free competition replaced an “economy of favours”. But in most places, improvement is gradual and fragile.

Three more recent examples—Bangladesh, Poland and South Africa—offer a mixture of hope and caution. Each has ejected a leader or ruling party that was engaging in state capture: the autocratic Sheikh Hasina in Bangladesh in 2024, the Law and Justice (PiS) party in Poland in 2023, President Jacob Zuma of South Africa in 2018. Each country now has a government that is either determined to reform (Bangladesh, Poland) or at least has strong elements eager to do so (South Africa).

Several factors will affect their chances of success. Christopher Stone, a professor of public integrity at Oxford University, says they should not try to punish every wrongdoer. Prosecutions are

time-consuming, costly and often fail. They should make examples of a few ringleaders, but focus on fixing rotten institutions.

When reforming, remember the “15-70-15” rule. Richard Pennington, a police reformer in New Orleans, reckoned that 15% of cops were the drivers of corruption, 70% went along with it and 15% were clean. This ratio applies at many institutions, argues Professor Stone. The best approach is to sack or sideline the filthy 15%, promote the honest staff and persuade the complicit middle that norms have changed. This can be done institution by institution, allowing measurable progress, which can generate support from voters for further reforms.

Bangladesh’s interim government is aiming at big fish, such as Sheikh Hasina, the former prime minister, who is fighting extradition from India. But it has resisted pressure from student leaders to ban her party, the Awami League. Instead it is planning reforms of the police, courts and other institutions captured by Sheikh Hasina’s cronies, before holding elections in late 2025 or early 2026.

At the central bank Mr Mansur also favours reform over revenge. He has blocked the sale of shares in a dozen banks, replaced their boards and begun a comprehensive audit. Meanwhile, he hopes to build a new financial architecture to boost business confidence and limit future opportunities for state capture. Proposed reforms would protect bank depositors and make political interference harder.

In South Africa state capture was worst under Mr Zuma, who gutted watchdogs and enabled the looting of public funds. The ruling party, the African National Congress (ANC), narrowly voted to sack him in 2017, but efforts to hold him accountable for corruption stalled. When he was briefly jailed in 2021, his supporters rioted and brought the country to a standstill, costing perhaps 0.8% of GDP.

Cyril Ramaphosa, Mr Zuma’s successor, oversaw a clean-up of the tax authority and, with less success, the prosecution service, which had both been captured. Further momentum for reform came in 2024, when the ANC lost its majority and formed a coalition with the Democratic Alliance (DA), a liberal outfit with a relatively clean record. The DA now controls six ministries, including home affairs and public works.

Leon Schreiber, the young DA politician who runs home affairs, says it was in shocking shape when he took over. Crooked staff sold fake IDs, enabling widespread benefit fraud. Honest South Africans could not get documents quickly, but dozens of Libyan militiamen somehow received student visas to come and get private military training in South Africa.

Mr Schreiber started by sacking some of the worst offenders. “These are mafias,” he says. “The official who swaps a photo around for someone to get an ID that they don’t qualify for—they are not doing it [just] once.” Mr Schreiber talks of “consequences” for the most corrupt, “encouragement for those who...want to do the right thing, but have never felt safe doing it”, and clarity that graft will not be tolerated.

Digitisation helps, too. “We’re still issuing IDs from the 1960s with photos you can manually switch!” laments Mr Schreiber. He says he is trying to remove human discretion wherever it is not needed.

Pessimists note that the coalition is shaky and could easily collapse. Also, a policy of “black economic empowerment”, recently berated by Mr Musk, provides a smokescreen for politicians steering favours to cronies, and is not about to be abolished. Optimists retort that, since the king of state capture, Mr Zuma, was sacked, South Africa has cleaned up tax collection, identity and some public-works projects. This is not nothing.

State capture in Poland involved less financial corruption than in Bangladesh or South Africa, but was instead mainly an energetic power grab. Between 2015 and 2023 Poland's ruling party, PiS, used illicit methods to gain control of the courts and the public media. Now a liberal government under Donald Tusk, a former eurocrat, is trying to undo the damage.

Prosecutions are not the most important tool. The new government has brought legal cases and launched parliamentary inquiries into abuses under PiS, from the improper use of public funds to unlawful snooping. Critics say these have made little headway, but “that is the nature of criminal trials,” shrugs Adam Bodnar, the justice minister.

More progress has been made with state media firms, but using questionable methods. When the new government tried to purge them of PiS propagandists, Poland's president, Andrzej Duda, a PiS ally, vetoed their budgets. So the liberals got creative, putting the state media companies into liquidation and appointing interim bosses—who still run the show.

Reforming the courts has been even trickier. PiS stuffed the constitutional court with supporters, using illegal methods. It also asserted unconstitutional control of the body that appoints judges, and set up a mechanism to punish judges who questioned its nobbling of the legal system.

The biggest obstacle to reform is Mr Duda. When parliament passed two bills to restore impartiality to the constitutional court, Mr Duda referred them to the court itself, which sat on them. Reform will get easier if Mr Duda's camp loses the presidential election in May, as polls suggest they will. But the window may be narrow. The next parliamentary election is due by 2027, and voters may tire of Mr Tusk's government if it does not show more results. In the longer run, Stanley Bill of Cambridge University sees a trend towards “majoritarian democracy”, where successive governments

invoke exceptional circumstances to justify intrusions into institutions. Norms may erode, he fears.

In many countries, would-be state captors tell a rousing story: that the deep state is a conspiracy, so a strong leader must smash it. Defenders of the rule of law often lack a similarly compelling tale —the safeguards that ensure institutional independence are typically arcane and dull. Somehow, they must find a counter-narrative, argues Mr Kaufmann.

“Public anger at state capture is really important to any effort to dislodge it,” agrees Professor Stone. Patriotism can help. Estonia’s reforms were popular partly because people saw them as part of a revolution against Russian imperialism. South Africans rallied against state capture partly because some of the culprits were foreign. (Mr Zuma’s bagmen were Indian-born.) But nationalism can cut both ways. Mr Putin and his imitators muzzle foreign-funded anti-corruption NGOs on the grounds that they are “foreign agents”.

All the evidence suggests that reversing state capture is extremely hard. Far better not to let it take root in the first place. ■

<https://www.economist.com/international/2025/04/03/state-capture-is-a-growing-threat-reversing-it-is-hard>

The Telegram

China debates whether Trump is a revolutionary, or just rude

Its experts cannot decide whether the second Trump presidency is a threat or an opportunity

Apr 10, 2025 08:50 AM



LOGICALLY, CHINESE communists should be good at spotting revolutionaries. In reality, officials in Beijing are as clueless as anyone when it comes to the most urgent question in world politics. Namely, is the second coming of President Donald Trump a ruder, rougher version of the first? Or is he now an out-and-out radical—willing to break any principle and abandon any ally to advance the national interest, as he sees it?

China has a lot at stake. For Xi Jinping and his regime, the first Trump presidency was a grave disappointment. Your columnist was posted to Beijing from 2018 to 2024. Early on he heard members of China's ruling elite declare, approvingly, that Mr Trump was a transactional businessman with little interest in ideology. By the end of his first term, though, Chinese officials sighed in private that Mr Trump had been “hijacked” by anti-China hawks from America’s “deep state”. His administration imposed export controls

on advanced American technologies and bullied allies to shun Chinese tech firms. It accused China of genocide in its far-western region of Xinjiang, and increased arms sales to Taiwan, the democratic island that Chinese leaders claim for their own.

Seen from Beijing, the first Trump term and Joe Biden's presidency blended unhappily into each other. Curbs on high-tech trade multiplied. American envoys rallied Australia, India, Japan, the Philippines, South Korea and other friends to build coalitions and networks to counter and check China in its own region.

Now Mr Trump is back. The Telegram was recently in Beijing and Shanghai and heard Chinese officials and experts unable to decide whether his second presidency will be more of the same, or a radical departure. One camp fears that, for China, Trump 2.0 will be a repeat of the first. This group is sure that America and China are locked in a generational struggle for primacy that will outlast Mr Trump. These Chinese officials and analysts admit to surprise at Trump-world's early bullying of such neighbours as Canada and Mexico, and its loud disdain for allies in Europe. But they see no reason to doubt that, once Mr Trump has imposed a more or less brutal peace settlement on Ukraine and has secured trade concessions from America's old friends in the West, his gaze will swivel dangerously back to China.

This camp takes seriously a faction dubbed the “prioritisers”, meaning Trump aides who want to withdraw American forces from Europe in order to concentrate on containing China in Asia. On cue, Pete Hegseth, America's defence secretary, sounded tough on a recent tour of Asia. In Manila he reaffirmed American support for the Philippines, whose territorial disputes with China have caused repeated confrontations in the South China Sea. In Tokyo Mr Hegseth called Japan “our indispensable partner in deterring Communist Chinese military aggression”.

There is another Chinese camp, though, that sees today's Washington as a city in the grip of a revolution. This group believes that "America First" may soon mean "America Alone", as Mr Trump pulls down the pillars of the global trading system and betrays allies in Asia as well as Europe. This more alarmist faction sees both threats and opportunities in Trumpian radicalism.

In today's Beijing, it is striking to hear scholars and retired party officials compare the second Trump term to the Cultural Revolution of 1966-76, in which they themselves suffered terribly. In effect, they are accusing Mr Trump of wrecking a global order that benefits everyone, including China and America. Mao Zedong's fanatical supporters purged anyone deemed disloyal to the supreme leader, and destroyed state institutions and great universities. One survivor spoke at a Beijing policy forum of a lesson that he absorbed in those grim years. "Chairman Mao thought that you could destroy the old system and a new system would emerge." Instead, China remained in chaos until Mao's death.

Others see China making gains as Mr Trump shatters Western unity. Among them is Wu Xinbo, of Fudan University in Shanghai, a frequent visitor to Washington as Chinese delegations try to forge ties with Trump-world. "Look at the way the Ukraine war is ending," he says. "Taiwan should know very clearly it can't count on US military support in the Taiwan Strait."

An expert on the South China Sea, Wu Shicun, questions whether America would provide the Philippines with military supplies or armed support should Chinese and Philippine naval or coastguard vessels clash again. That would set a new precedent. The Philippine government is being "prudent" right now "because they don't know whether the Trump administration will provide the same support as Biden," suggests Professor Wu, founder of the National Institute for South China Sea Studies. Another scholar just back from Japan

happily reports hearing “panic” there about Mr Trump’s long-term intentions.

The Great Helmsman, DC edition

Both groups of analysts broadly agree, though, that the second Trump presidency is usefully focused on economics and domestic concerns, rather than on geopolitical rivalries with China. There is talk of trying to engage with the treasury secretary, Scott Bessent, who is seen as “reasonable”. Elon Musk is called a potentially invaluable advocate: a close Trump ally and China-admirer with huge investments in that country, notably in a giant Tesla electric-car plant. On the other hand, Chinese scholars wonder if Mr Musk might be “boxed in” by China hawks in Washington.

For now, Chinese leaders are hedging. To date, China has retaliated cautiously against Mr Trump’s tariffs. Still, on April 1st it mounted unusually large military drills around Taiwan. As a well-connected figure puts it, China has “two hands” ready as it waits for Mr Trump to reveal his stance. If America wants to shake hands, China can. If fighting looms, Chinese fists are ready. ■

<https://www.economist.com/international/2025/04/01/china-debates-whether-trump-is-a-revolutionary-or-just-rude>

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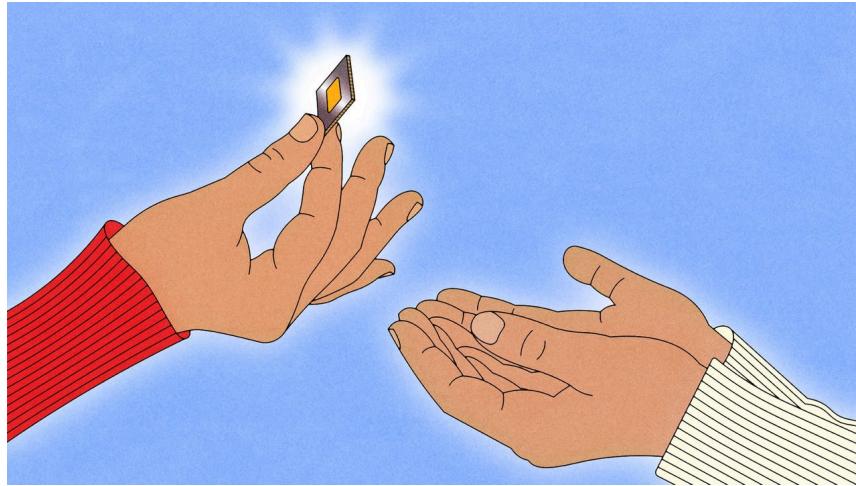
Schumpeter :: No, definitely not Tesla

Use it or lose it

China and America are racing to develop the best AI. But who is ahead in using it?

The race is closer than many in America would like to believe

Apr 10, 2025 08:50 AM | BEIJING AND SAN FRANCISCO



WHO IS BETTER at the technology of the future: America or China? Speculation is at fever pitch. The world's most famous artificial-intelligence company, OpenAI, is American. Models produced by DeepSeek, a Chinese competitor, are almost as good—and cheaper.

The true winner of the AI race, however, may not be the country that invents the best models. It is more likely to be the country where governments, businesses and ordinary people use AI at scale every day. For everything from economic growth to military power, technological diffusion ultimately matters more than technological innovation. On that front, the race is closer than many in America believe.

A popular view in the West holds that China is better at inventing new technologies than implementing them. The country has invested heavily in research institutes, generating scientific breakthrough after breakthrough. In the 2010s China filed about

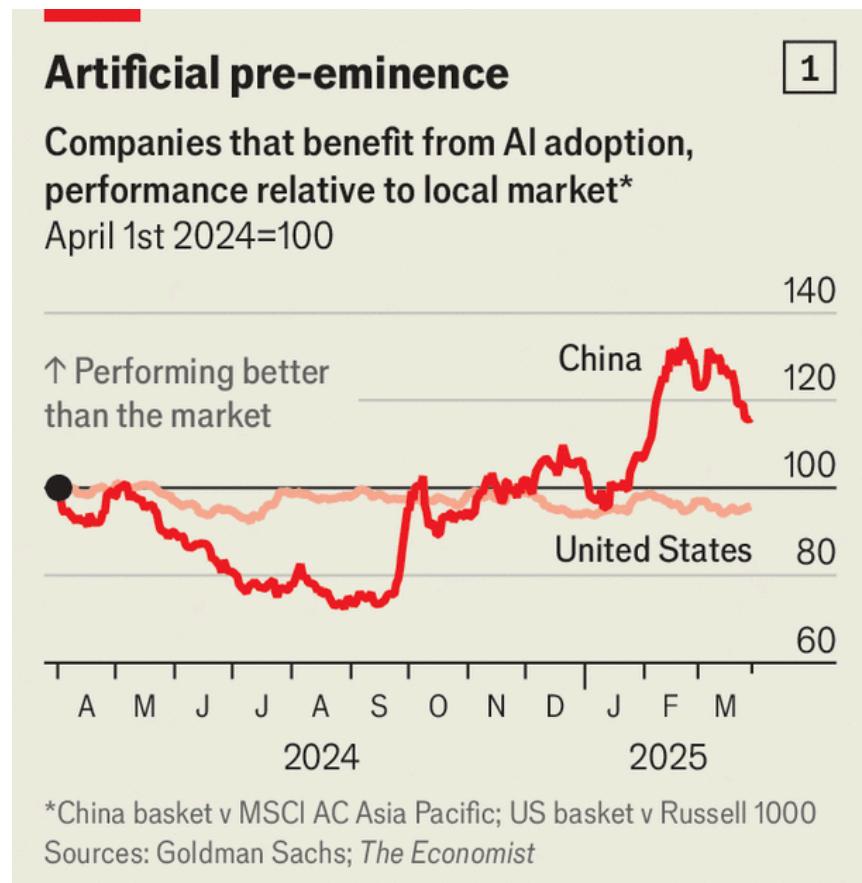
half of the world's new patents. But it has long been bad at putting them to use. In a recent paper, Jeffrey Ding of George Washington University draws on data from 2020 from the World Intellectual Property Organisation (WIPO), a trade group, to estimate that China is the world's 14th-best innovator of technology, but only the 47th-best adopter.

"A diffusion-centric approach reveals that China is far from being a science and technology superpower," says Mr Ding. China has been slow to develop links between academia and industry. It has remained closed to foreign expertise. A turgid political system, risk aversion and blunted market incentives are among the culprits. America, by contrast, has historically excelled at both innovating and diffusing new tech, from electricity to cars.

Many assume that China will be slow to adopt AI, too. Its economy, more dependent on manufacturing and agriculture than America's, seems to have fewer companies which can benefit from the technology. Cloud computing is used less widely by Chinese firms than American ones, depriving them of scalable computing power. A consensus is forming. America's score on the IMF's "AI preparedness index" is 20% higher than China's. In October Capital Economics, a consultancy, prepared a similar ranking, placing America first and China miles behind. Goldman Sachs, a bank, predicts that 30% of Chinese firms will have adopted AI by 2030, compared with 40% of American ones.

Yet America's advantage is not as clear as many think. China is catching up fast at adopting technology. According to the latest figures from WIPO, China ranks 32nd globally for technological diffusion, 15 places higher than in 2020. From electric vehicles to QR codes and robots which deliver room service, the Chinese consumer is exposed to more sophisticated technology than the American one. Some tech figures now believe that China, not America, is the quintessential adopter. As Han Jizhong of the Chinese Academy of Sciences argued in 2023, "We have surpassed

Americans in many technologies not because of pioneering technological advances, but because of the application capabilities formed from our huge market.”



Investors are starting to wonder if China will be quicker to apply AI, too. A number of banks, including Goldman Sachs and Morgan Stanley, have produced share-price indices of companies that should see higher productivity as a result of AI adoption. Goldman's index for America, for instance, includes Walgreens Boots Alliance, a pharmacy which hopes to use AI for things like managing prescriptions. Morgan Stanley's index for China includes China Literature, a publisher with an AI model to help writers, and Transsion Holdings, a phone-maker which has added an AI assistant to its devices. Whereas Goldman's AI beneficiaries listed in America have underperformed the local market recently, in China the putative AI beneficiaries have outperformed (see chart 1).

Cross-country data on AI adoption are scarce. But looking at the amount spent by large companies on the technology suggests that America is ahead. American firms are big buyers of enterprise software—things like human-resources and accounting apps. Many sellers of this software, such as Salesforce and Microsoft, are infusing AI into their products. China's enterprise-software market is about a tenth the size of America's, and “not really that vibrant”, as Chi Ping Lau, the president of Tencent, a Chinese tech giant, said in November when explaining why his firm's AI sales are smaller than American rivals'.

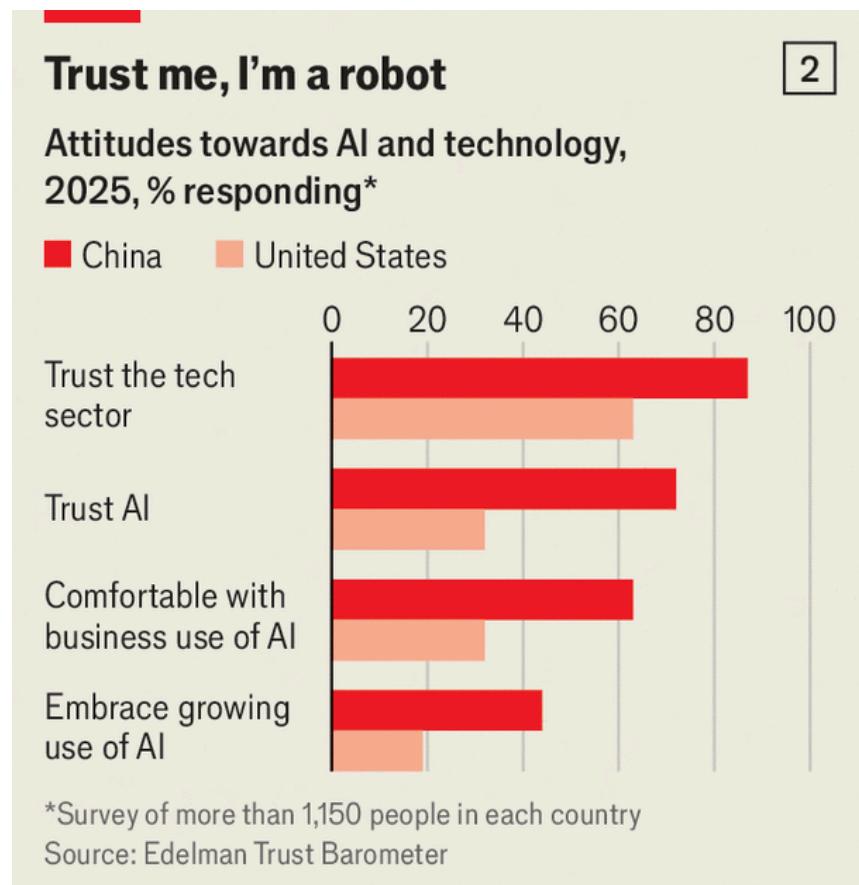
Yet AI sales may exaggerate America's lead, for a dollar spent on Chinese AI services gets much more than a dollar spent on American ones. Prices in China are lower thanks to a price war raging among the country's cloud-computing firms, as well as the fact that most Chinese models are open-source. Last year ByteDance, another big Chinese tech company, slashed the price of its Doubao chatbot, making it 99% cheaper than OpenAI's ChatGPT.

A different way to gauge adoption is survey data. Last year a study by IBM, an American tech firm, found that 50% of Chinese companies used AI, versus a third of American ones. Research by McKinsey, a consultancy, suggests that 19% of Chinese people use AI at work, whereas 12% of North Americans do. Work by Japan's government finds that a much higher share of Chinese firms than American ones have established a policy for generative-AI use.

Top of the bots

China's adoption of AI seems to be concentrated in three parts of the economy: the public sector, consumer tech and business hardware. Take the state first, which by one estimate accounts for roughly half of the demand for DeepSeek's model. With the Communist Party's encouragement, local governments are already using AI for all manner of things, from rationalising hospital

records to answering citizens' questions and finding missing persons.



State backing may be inspiring others to adopt. Consider the second group, consumers, who seem keener to experiment with AI in China than in America (see chart 2). One reason, again, is price: fierce competition has made most Chinese chatbots free. Another is trust. "People in China have been more optimistic about how technology can improve their lives...in part because China doesn't have many nostalgic memories of pre-technological eras," argues Tilly Zhang of Gavekal Dragonomics, a consultancy. Trust is reinforced by the fact that some popular AI models in China, such as DeepSeek's R1, show their reasoning, reducing fears of hallucinations, according to Wei Sun of Counterpoint, a firm of analysts.

Rolling out consumer-facing AI features is also riskier in America than in China. One entrepreneur trying to sell AI features to

American firms complains that lawyers get in the way, with fears about data protection and copyright infringement. “There is no case law on generative AI...so lawyers take a CYA [cover-your-ass] approach,” he says. Such objections are less common in China, where copyright and data protection are weakly enforced.

Technologies such as payment by QR code, which often requires access to personal data, have been widely adopted, with Chinese consumers seemingly happy to hand over their data to buy a coffee. The loose regulatory environment could quickly change, however, if an AI product provokes a government crackdown.

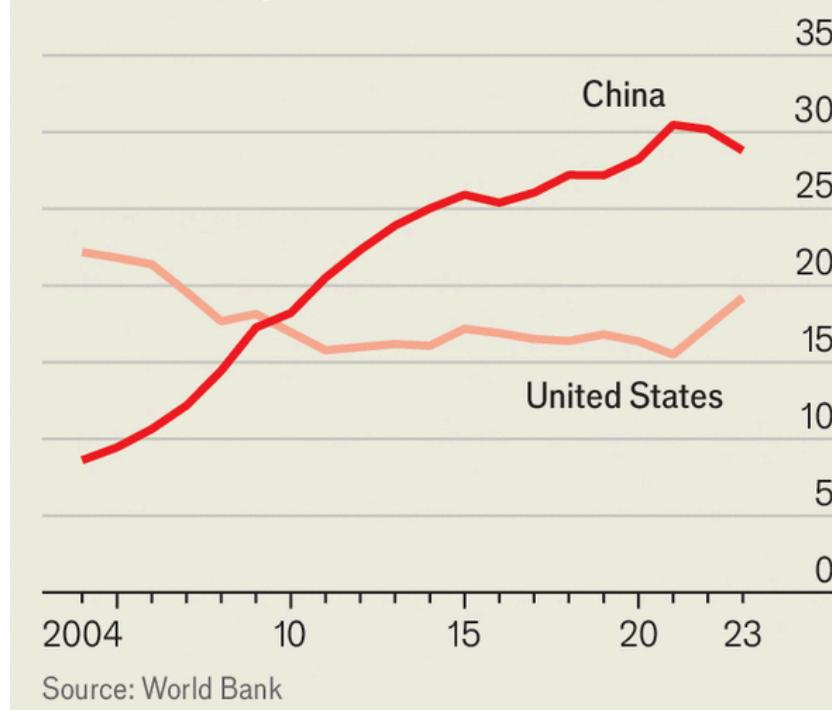
With more demand and easier supply, Chinese consumers have lots of AI options. In the past year ByteDance has released at least seven apps with AI functions. Tencent has promoted its chatbot within its WeChat platform. They are hardly alone: American tech firms, from Google to Meta, are stuffing their products with AI-powered features. But Chinese consumers seem more aware of these changes than those in the West: 81% of them know which types of products use AI, compared with 39% of Americans, according to Ipsos, a pollster. Lifelike “sales bots” on streaming platforms have proved so effective that China’s millions of human influencers are worried they will lose income.

After the state and consumers, the manufacturing sector is the third big customer for Chinese AI services. This marks a radical departure from America. According to our analysis of information from PitchBook, a data provider, last year 3% of America’s venture-capital dollars in AI went into manufacturing. In China the equivalent share was 43%. Some industrialists in Asia see manufacturing as the area where China may break away most from America in terms of AI adoption.

The world is not enough

3

Manufacturing value added, % of world total



Source: World Bank

Li Qiang, China's premier, has called for the country to "combine digital technologies with the country's manufacturing and market strengths". Already China has a nearly 30% share of global manufacturing, up from 20% in 2011 (see chart 3). It has more industrial robots per manufacturing worker than almost any other rich country. Now it is pushing ahead in new fields. In February BYD, an electric-vehicle maker, launched an advanced driver-assistance technology at no extra cost (Tesla, America's EV champion, charges about \$9,000 per car for its equivalent). Companies like Unitree and EngineAI make robots which dance and do kung-fu. Investors have been floored. Stocks of the biggest Chinese firms involved in humanoid robotics have risen by a third this year.

Software and hard power

AI is especially helpful given America's sanctions on Chinese purchases of high technology. In 2019-23 (the latest available data)

Chinese imports of American capital equipment fell by more than 20% in real terms, depriving Chinese firms of the latest hardware. But better software, powered by AI, allows them to get more out of old kit. AI sensors can detect when hardware is about to break, for instance; other tools help to reduce energy consumption. From Chinese economic data, we estimate that China's manufacturing sector buys twice as much software as a decade ago.

America still has a big advantage: brute force. This year Amazon, Alphabet, Microsoft and Meta will invest some \$300bn in new technologies, with much going on AI. Alibaba, Baidu, ByteDance and Tencent will invest about one-sixth of that. According to data from Dell'Oro Group, a firm of analysts, American spending on AI servers outstripped Chinese investment almost fourfold last year. America has ten times China's number of data centres. All this could help America's AI capabilities to get ever more sophisticated than China's.

But the example of DeepSeek, which achieved cutting-edge capabilities at a fraction of the price of its American rivals, suggests that financial firepower only goes so far. Many in Chinese AI, including Joe Tsai, the chairman of Alibaba, reckon that America is overspending in any case. In March Mr Tsai warned that the pace of data-centre construction in America may outstrip initial demand for AI services.

The AI race will not be won in the high-tech clusters of Palo Alto or Hangzhou. Instead it will be won in places like Dayton and Zhengzhou, where ordinary companies and consumers harness the technology to do extraordinary things. China still faces many obstacles to adoption: data can be hard to access and combine, and many of its companies are not yet digitised. But the widespread belief that America will be faster to take advantage of the new technology is open to question. Even if America has the best AI models, what good are they if not enough people use them? ■

<https://www.economist.com/business/2025/04/03/china-and-america-are-racing-to-develop-the-best-ai-but-who-is-ahead-in-using-it>

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Faster, higher...richer?

Athletics pays less than other sports. Michael Johnson wants to change that

Grand Slam Track, a new series of races, plans a fan-friendly format

Apr 10, 2025 08:51 AM



“**T**RACK AND FIELD has failed to reach its potential for years,” says Michael Johnson, an American sprinter with four Olympic gold medals. A ranking of the 100 best-paid athletes in the world by *Sportico*, a trade publication, does not feature a single athletics star. Indeed, the journal estimates that the highest-profile track athlete, America’s Noah Lyles, may not have earned enough last year to make the top 1,000.

What keeps athletics in the slow lane? Whereas most individual sports hold several contests a year, giving athletes a platform and generating content for broadcasters, athletics’ main events—the Olympics and World Championships—provide just three competitions every four years. In 2010 World Athletics, the sport’s governing body, introduced the Diamond League, comprising 15 meets a year. It has struggled: with so many disciplines, each meet contains only a selection of events, and athletes can pick and

choose when to compete, meaning the field is sometimes thin. Without big stars locked in, broadcast revenue is limited. Prize money was capped at \$10,000 last year.

Mr Johnson hopes to change things with Grand Slam Track, which begins in Kingston, Jamaica on April 4th. The competition, backed by Winners Alliance, a sports-rights company, consists of four “slams”, mirroring the number in tennis and golf. Its athletes must compete in all four. “Our biggest innovation is that we put the athletes under contract,” Mr Johnson says, so that fans know who will appear. Four events are intended to provide enough space for narratives to develop, while being a small enough commitment to persuade elite athletes to sign up.

The schedule is streamlined: the longest discipline is 5,000m and there are no field events. Winners will receive \$100,000, plus a base salary. Mr Johnson was encouraged when he signed up his first athlete, the American 400m hurdles world-record holder, Sydney McLaughlin-Levrone (pictured), whom he calls “notorious” for rarely competing. Of 45 athletes who won Olympic medals in relevant disciplines in Paris last year, Grand Slam Track has 21 under contract.

Even with stacked fields and bumper prizes, Grand Slam Track must chase something more ephemeral: excitement. It has hedged its bets by hosting its first events in modest venues. Kingston’s National Stadium holds 35,000, less than half the capacity of the Stade de France. Venues for the next three meets, in Miami, Philadelphia and Los Angeles, are similarly realistic. “For the first year, they really need the stands to be full,” says Ed Warner, a former head of UK Athletics. “There is nothing that a TV producer likes less than empty seats.” ■

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Shock and ore

Donald Trump digs deep to revive American mining

Reducing dependency on imports will be hard

Apr 10, 2025 08:49 AM



DONALD TRUMP wants minerals, and lots of them. America's president is interested in [Greenland](#) for, among other things, its vast store of minerals and the largest deposits of rare earths outside China. In [Ukraine](#) he is eyeing the country's apparently significant lithium resources. Noting Mr Trump's interest, in February the Democratic Republic of Congo's leaders offered America their mineral reserves.

Yet the hankering for foreign minerals is only part of it: Mr Trump's bigger ambitions are at home, where he hopes to supercharge a declining industry that has gained strategic importance. Last month the president told Congress that he planned to take "historic action" to expand production of critical minerals and rare earths in America. On March 20th he set out the boldest measures the mining industry has seen in decades, with an executive order that aims to speed up permitting, prioritise land-use for mining and provide financial support.

The government seems to be motivated by America's dependency on metal imports, at a time when supply chains are fraught with geopolitical risks. Mr Trump's boosterism has made industry bosses tentatively hopeful. But there are doubts about whether his proposals are enough to draw investment into America's mines and towards ore processing. They may not be enough to dig the industry out of its hole.

From its pole position in the 1950s America has fallen far behind on mining and processing metals and minerals. The industry's "risk-taking ability" has fallen, says one mining boss. Production of metal ore declined by about 3% a year in 2019-24; that of critical minerals such as copper and nickel fell, too. For 12 of the 50 minerals America lists as "critical", including gallium, graphite and manganese, it depends on other countries. In particular, China's grip on the metals needed to make electricity grids and data centres is a worry in Washington.

A lot of investment will be required before digging can start. Mining is notoriously capital-intensive. According to McKinsey, a consultancy, to close the global supply gap for copper alone would require \$200bn of capital expenditure over the next decade. Mr Trump's list of metals and minerals, including everything from uranium to nickel and coal, will require yet more. What is more, mining timelines are decades long and often delayed. For projects valued at over \$1bn, delays add, on average, over 50% to initial timelines and 80% to budgets, according to McKinsey.

America's new, swaggeringly named National Energy Dominance Council hopes to streamline the process. A mining project can require 30 permits, including those to work on federal, private or tribal lands, or issued under the National Environmental Policy Act or through the Fish and Wildlife Service. Consultations include everyone from local governments to Native American tribes. The saga takes an average of nearly 30 years, the second-longest in the world, according to S&P Global, a financial-data firm. Even in the

most mining-friendly jurisdictions, setting up a mine can take a decade.

Mr Trump's executive order calls on institutions such as the Export-Import Bank and the US International Development Finance Corporation, whose focus is usually overseas, to fund mining projects at home and those abroad whose products can be processed in America. It also invokes the Defence Production Act, which allows the president to boost the supply of materials for domestic industry. But the president cannot "appropriate additional resources to agencies to carry out these activities", according to the Centre for Strategic and International Studies, a think-tank. If Mr Trump wants to plough more money into minerals he will have to go through Congress—no simple task, given the Republicans' slender majority and their focus on reducing the budget deficit.

Mining itself is only half the story. The raw material that is dug out of the ground is bound up in sulphides or oxides, and thus needs refinement (99%-pure copper is barely good enough to be used as electric wire). Improving processing will be America's most difficult task. A nickel smelter and refinery that can produce 50,000 tons of metal per year costs close to \$2bn. Investing in such projects typically comes with returns which may be lower than the yield on a ten-year Treasury bond. Margins tend to be thin, especially compared with mining the ore. The price paid to smelters for raw copper concentrate is at its lowest in decades.

What is more, designing, building and operating smelters is hard. It is a dirty business that locals object to. Plants can take five years to get up and running, and years more to reach full capacity. The complex and energy-intensive processing requires skilled labour, which is thin on the ground.

Unlike their Chinese counterparts, Western companies have not found it easy to set up metal-refining facilities in the past 30 years, says Lyle Trytten, a metals-industry consultant. It took almost a

decade to ramp up a facility run by Lynas, a rare-earth miner, in Malaysia that uses ore shipped from Mount Weld in Australia. Even the Chinese can struggle when building plants abroad. The Kwinana lithium plant in Australia, owned by Tianqi Lithium, a Chinese company, has taken years to get going and runs at a fraction of its capacity. The longer it takes, the more expensive it gets.

Boosting domestic production therefore looks daunting. One answer would be to deepen ties with experienced allies, such as Canada, where some American ore is already shipped for processing. The other would be to create a stable environment for miners in America, since they operate on long timescales. Unfortunately, Mr Trump's style makes both things hard. ■

<https://www.economist.com/business/2025/04/01/donald-trump-digs-deep-to-revive-american-mining>

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Bear in a China shop

One of the world's biggest mega-malls is worryingly empty

Chinese shoppers are splurging on leisure, not designer brands

Apr 10, 2025 08:50 AM | HAIKOU



Great mall of China

ON A RECENT Thursday afternoon, the Haikou International Duty Free City, a sprawling mega-mall on China's southern island province of Hainan, is worryingly empty. A few families meander through the cavernous building. Without customers to attend to, sales attendants chat to pass the time. Other than your correspondent, a burger-and-shake joint was completely devoid of patrons.

These are troubling scenes for China Duty Free (CDF), the state-owned luxury-shopping giant that opened the mall in 2022 and has a virtual monopoly over tax-free sales in the country. An abrupt slowdown in high-end shopping was apparent in the company's most recent earnings report. On March 28th it said that revenues for 2024 fell by 16% and profits by 36%.

Such bleak results were not foreseen a few years ago. CDF launched the 280,000 square-metre Haikou mall, one of the biggest in the world, shortly after it had overtaken competitors such as Dufry, a Swiss firm, to become the world's largest duty-free group by sales. Revenue from China's travel-retail business, which includes airport shopping, was expected to triple to 280bn yuan (\$39bn) between 2021 and 2025. Some luxury brands were notching up 70% leaps in sales in 2021. LVMH, a French luxury giant, credited China for much of its rapid growth that year. Peppy news such as this helped CDF raise \$2bn in its Hong Kong flotation in 2022.

Part of the secret of CDF's success was a state plan to repatriate the country's unquenchable appetite for European handbags and South Korean cosmetics. For many years most Chinese luxury spending was done in places such as Paris and Seoul. The Chinese government had long hoped to bring that spending within its borders and under its control. In order to convince Chinese shoppers to spend more at home, Hainan was designated as a duty-free zone in 2011. It now offers consumers 100,000 yuan of tax-free spending a year on luxury goods purchased in CDF malls.

These efforts succeeded during the covid-19 pandemic because most Chinese people were trapped within the country. Those who travelled overseas faced quarantine on their return. Hainan, with its seaside resort of Sanya, became a top spot for shopping. The results were so promising that in 2021 industry analysts believed China would become the world's largest luxury-retail destination by the end of 2025.

Those predictions have proved wildly optimistic for a few reasons. The end of the pandemic freed Chinese shoppers to spend their money overseas. And China's economy is in a funk. A property crisis has rattled sentiment and dampened consumer spending. Luxury firms have been some of the hardest hit: just 5% of them were able to eke out revenue growth in the first ten months of 2024, according to Bain & Company, a consulting firm. Luxury

spending probably fell by 18-20% last year. Chinese sales for Burberry, a British fashion group, fell by 7% in the quarter ending in December.

Another problem for CDF is that Chinese tastes are changing. Locals are buying more local luxury goods, whose quality has improved in recent years, taking some of the shine off flashy foreign brands. Laopu, a Chinese jeweller, increased its net profit by over 200% last year despite the soured sentiment. Chinese people are also splurging on experiences instead of goods. During the lunar new year holiday in January they spent 12% more on services than the year before and over 80% more on leisure. This is a problem for CDF and Hainan, which has been positioned as a shopping paradise. The number of shoppers on Hainan island during the holiday fell by 19%.

This is no bad thing for Chinese people, who appear to be spending more time outdoors than in mega-malls. But the outlook for China's state luxury giant is gloomy. Its share price has fallen by more than 80% in the past two years. It has been overtaken by Dufry, the Swiss firm, in terms of sales. Bain & Company reckons luxury sales in the country this year will stay flat at best. That means China is unlikely to become the world's largest luxury market this year—or anytime soon. ■

<https://www.economist.com/business/2025/04/03/one-of-the-worlds-biggest-mega-malls-is-worryingly-empty>

Roads closed

Donald Trump's plan for American carmaking is full of potholes

Taxing imported motors may not create many new jobs at home

Apr 10, 2025 08:50 AM



Editor's note (April 2nd 2025): This story has been updated.

DONALD TRUMP imposed sweeping tariffs on imported goods on April 2nd, dubbing it “[Liberation Day](#)”. The car industry got a preview of what was in store a week earlier, when on March 26th America’s president said he would charge hefty levies on imported cars and parts. The aim is to restore carmaking to America. But it will come at a high cost. Raised prices will hit sales and reduce choice for American consumers. Carmakers, meanwhile, will be “liberated” from large chunks of their profits.

[Tariffs on cars from Mexico and Canada](#) had already been threatened and postponed in February, then again in March, so the news was no surprise. The speed of [the tariffs' implementation](#), and their size, however, are the “worst-case scenario”, according to Jefferies, a bank. Mr Trump had apparently held off only to give his administration more time to organise duties on imports from the

rest of the world, too. He says the levies will be in place for the duration of his presidency.

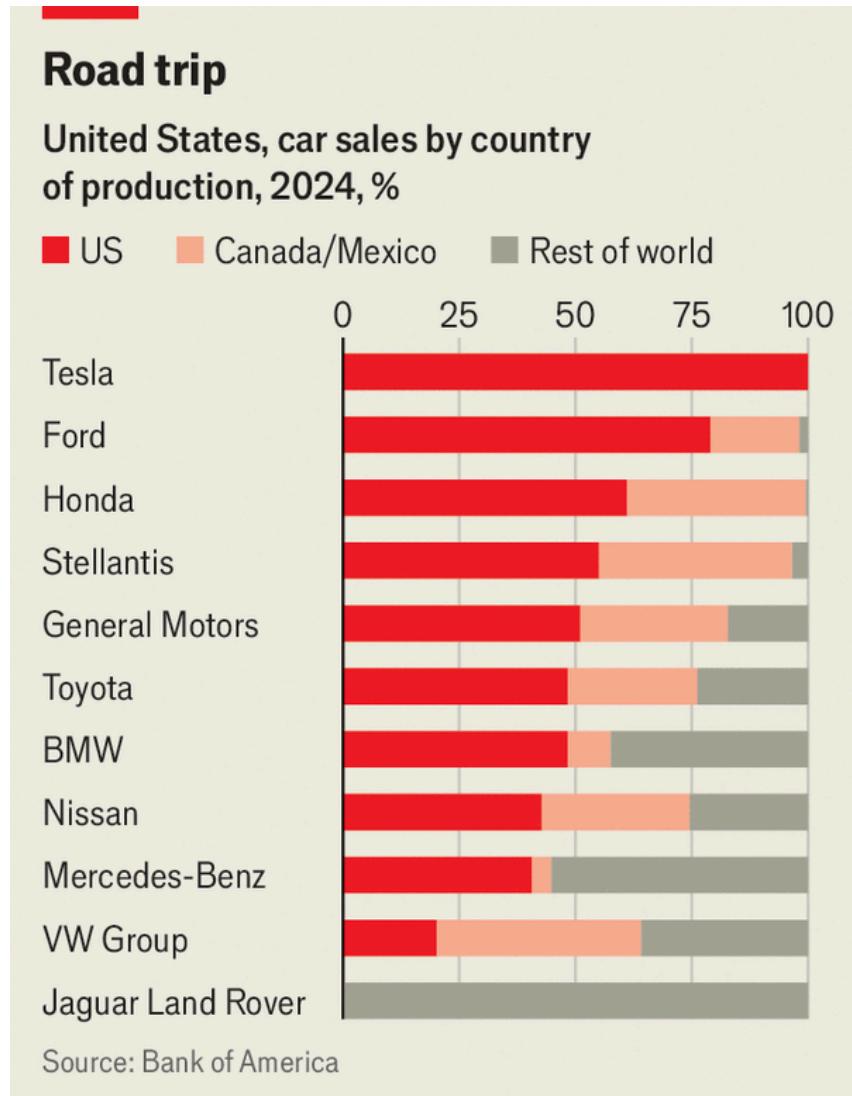
The 25% tariff will not hit all of the 7.6m vehicles imported to America each year equally. It is calibrated to put the greatest burden on carmakers with the smallest tyreprint in America. Around 3.6m cars are imported each year from Mexico and Canada under the United States-Mexico-Canada Agreement (USMCA), a free-trade deal. Cars complying with USMCA's rule that 75% of their manufacturing should be done in the region will attract tariffs only in proportion to their non-American content.

A levy of 25% will also be applied to car parts from May 3rd, though those that are USMCA-compliant will be exempt until a system to apply duties to their non-American content is worked out. As half the parts in American-made cars are manufactured abroad, no carmaker will emerge unscathed. Even Tesla, which makes all its cars for the home market in America, relies on some imported components.

Mr Trump is prepared to inflict even more pain on Detroit's "big three" car firms. Ford, General Motors and Stellantis (whose largest shareholder, Exor, part-owns *The Economist*'s parent company) will have a tougher time. All bring in cars and parts from Canada and Mexico. GM also imported 460,000 cars from its factories in South Korea last year. Even if Ford and GM pass on some of their increased costs to customers, their operating profits in 2025 could be 30% lower than last year, estimates Bernstein, a broker. Stellantis, whose Mexican-made cars include plenty of parts made in America, will suffer less.

For other firms the picture is complicated. Some, such as Toyota and Volkswagen, make cars in America as well as importing them from Mexico and other countries (see chart). Though many of their vehicles will be exempt from Mr Trump's tariffs, the 530,000 cars that Toyota ships from Japan to America each year, for instance,

will not. Most of the Audi-branded cars that Volkswagen sells in America are made in Europe. BMW and Mercedes-Benz, which make cars in both America and Mexico, will suffer because they use engines and transmissions from Europe. Firms such as Porsche and Jaguar Land Rover, which make all their cars in Europe, will feel the full force of duties.



Carmakers face a difficult decision on how to react. Most have imported a stockpile of cars and parts, but the effects of the levies will be felt in a few weeks as these run down. As tariffs bite, carmakers will absorb some of the increased costs, but are likely also to raise prices. That could add \$10,000 or more to fancier vehicles and \$3,000-4,000 to average-priced cars, analysts believe.

The greater dilemma concerns the long term. Should car firms unwind cross-border supply chains built up over 30 years? Even if Mr Trump keeps his promise to maintain tariffs for his full term, the next administration might reverse them as fast as they arrived. And Mr Trump may yet be amenable to deals that include some reshoring of production in return for lower duties.

Some production could be brought home from Mexico or Canada using what little spare capacity firms have in America. But as Erin Keating of Cox Automotive, a car-services firm, points out, retooling factories for different models and employing expensive, unionised staff would raise costs. Restarting dormant factories or building new ones might take two or three years. Carmakers need to make decisions that will affect them for the two-decade lifespan of a new factory, notes Stephanie Brinley of S&P Global Mobility, a data firm.

Establishing supply chains in America would be similarly hard. Labour-intensive parts, such as wiring looms, may still be cheaper to make in Mexico, with or without tariffs. And even if production were shifted it might not lead to a jobs bonanza. Mark Wakefield of AlixPartners, a consultancy, says that workers would be replaced with automated systems where possible in new plants, to keep costs down.

Mr Trump says that he “couldn’t care less” if car prices rise as a result of his tariffs. But pricier imports and the rising cost of making cars in America will undoubtedly hit sales. Americans bought 16m cars last year. This year that figure could tumble by 1m-2.5m, analysts predict, with the models most affected being cheap ones that would be unprofitable to import or manufacture at home. Making fewer, more expensive cars and pricing out poorer buyers is an odd sort of liberation. ■

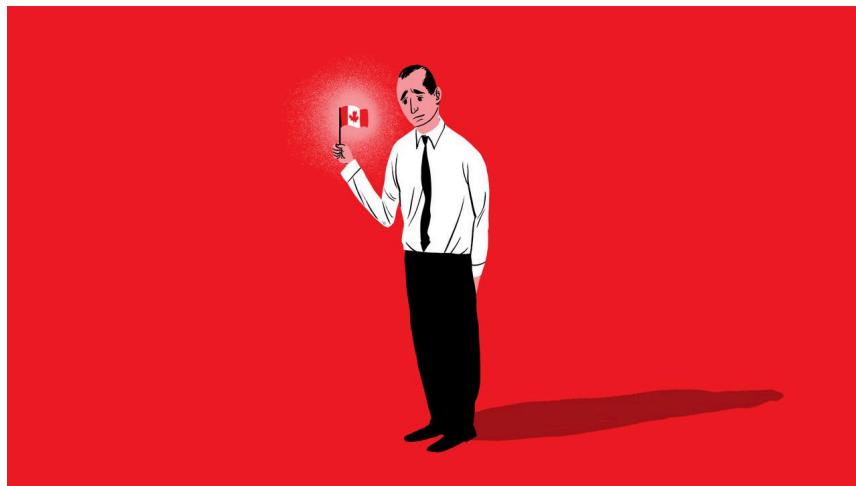
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Bartleby

Does it pay for bosses to embrace nationalism?

For some firms, apparently so

Apr 10, 2025 08:50 AM



CANADIAN NATIONALISM is very unlikely to get out of hand. But when even the politest people on Earth are wrapping themselves in the flag, you know that national pride is on the march. Donald Trump's talk of making America's northern neighbour into the 51st state has prompted Canadians to buy maple-leaf flags, cancel southbound travel plans and boo the American anthem at sporting events. It's not exactly Nuremberg, but it is striking.

Mr Trump sees nationality as the defining characteristic of global commerce: if you're not an American firm, you're a potential target. It's not just him. Around the world autocrats and populists routinely appeal to national identity. The Chinese Communist Party paints China's ascent as a national endeavour. Alex Karp, the founder of Palantir, a military-technology firm, has just co-written a book arguing for the virtues of patriotism in defence of Western values. For bosses, the rising salience of national identity raises a question: does it make sense to join in?

The answer, according to Lori Yue of Columbia Business School, is that it might. Ms Yue and her co-authors published a paper last year that analysed 41,000 annual reports issued by Chinese public firms in 2000-20 for nationalist rhetoric. The researchers found that in aggregate companies' use of nationalistic language rose sharply in that period.

The firms that used more nationalistic language tended, unsurprisingly, to be state-owned. They were more likely to be consumer-facing than to sell to other businesses. And they were more likely to have individual shareholders and less likely to sell abroad.

Whether these firms were motivated by ideology or calculation, they benefited. Companies that used more nationalistic language tended to have a higher return on assets in the following year because they made more money in the domestic market. In a follow-up paper Ms Yue and her co-authors found evidence that for some Chinese firms, a greater sense of national mission was associated with less commitment to corporate social responsibility efforts related to employees. She hypothesises that if workers derive a greater sense of meaning from serving the national interest, then they may be willing to forgo other benefits.

The same approach was used in a paper by Pantelis Kazakis of the University of Glasgow; he found that more intense nationalistic language is associated with greater levels of tax avoidance. He speculates that chest-beating firms may have closer ties to the government, more sense of entitlement because of their contribution to domestic employment or less fear of reputational harm from paying less tax.

Before everyone starts handing out flag lapel pins and singing the national anthem, some words of caution. Firms that make lots of money abroad may risk a backlash in overseas markets if they are perceived as anti-foreign. An analysis in 2019 by Alexander Mohr

and Christian Schumacher of Vienna University of Economics and Business found that patriotic rhetoric on the part of S&P 500 firms hurt those with more sales and assets abroad. In Ms Yue's research, it is notable that companies founded after China's accession to the World Trade Organisation in 2001 were less likely to use flag-waving rhetoric.

Changes in the geopolitical landscape can suddenly alter the costs and benefits of being strongly associated with a country, as American exporters to Canada are now finding. Nationalism can be divisive at home, too; if aggressive displays of national identity are associated with a specific movement (America First, say), then flag-waving firms may turn some consumers off.

Even if firms don't embrace nationalism, however, they will be affected by it. A paper by Khan-Pyo Lee of Sogang University in South Korea and his co-authors suggests that managers who work for foreign multinationals identify less strongly with their employers than those who work for domestic firms. A recent study by Arnab Choudhury of Columbia University and his co-authors found that domestic firms were more successful than foreign ones in patent disputes adjudicated in American federal district courts between 1983 and 2016. In a world of retaliatory tariffs and rising trade barriers, a company's passport counts whatever its rhetoric.

Ms Yue's sensible advice to bosses is to be balanced. Nationalism can make sense as a strategic choice for some companies, but they need to be measured. Canadian, you might say. ■

<https://www.economist.com/business/2025/04/03/does-it-pay-for-bosses-to-embrace-nationalism>

Schumpeter

Are there any business winners in Trump 2?

No, definitely not Tesla

Apr 10, 2025 08:50 AM



THE ROSE GARDEN is a bucolic place. On April 2nd it was the scene of a massacre. Just after 4 o'clock President Donald Trump walked out of the White House and swung a hammer at the global trading system. He announced [sweeping reciprocal tariffs](#) against all of America's biggest trading partners. Companies around the world are scrambling to respond. American ones have PTSD.

When in his inaugural address on January 20th Mr Trump promised that "the golden age of America begins right now," the business world bought the [glittering talk](#). Bosses were counting on lower taxes, less red tape and buoyant American consumers. Between election day in November and the swearing-in, the Russell 3000 index, which covers most of America's public companies, rose by 5%. The resulting \$2.4trn in new shareholder value was equivalent to the entire Indian stockmarket with two Mexican bourses thrown in. America was first. No one came remotely close.

A month into Mr Trump's second term America was even firster. By February 19th the Russell 3000 had added another \$1.4trn in market capitalisation, reaching a record \$63trn. Scott Bessent, a comfortingly buttoned-down hedge-fund billionaire, was in charge of the Treasury. Another financier, Howard Lutnick, was installed as commerce secretary. Elon Musk's engineering genius would make the gummed-up bureaucracy run as efficiently as his Tesla assembly lines. Could things get any sparklier?

It turns out they couldn't. In the past six weeks the [sheen has come right off](#) the Trump economy. Mr Musk's efficiency drive is gutting the federal workforce willy-nilly. In February alone more than 62,000 government employees got the sack, according to a monthly tally by Challenger, a recruitment firm. Private-sector employers, among them household names like Meta and John Deere, announced 110,000 job cuts, compared with 82,000 the year before. Consumer sentiment is collapsing. And instead of tax cuts America is now getting a giant hike in the form of tariffs.

Wall Street is on recession watch. Even before the tariffs Goldman Sachs raised the odds of one from 20% to 35%. On April 3rd Deutsche Bank said they "could easily knock" up to 1.5 percentage points off American GDP growth this year. UBS thinks it could be two percentage points. Businesses are feeling miserable. When markets closed on April 2nd, two in three members of the Russell 3000 were worth less than they before his re-election. When they reopen on April 3rd, after we published this, that ratio may rise. A golden age? For short-sellers, maybe, or for pedlars of gold.

What about anyone else? Picking business winners is foolhardy—and foolish given how chaotic the second Trump administration was probably always going to be. Schumpeter should know. After the election he confidently predicted that American companies would outdo non-American ones and that, within America Inc, small firms would have a better time than corporate giants.

Investors are instead souring on America, and its corporate tiddlers in particular. The Russell 2000 index of small companies lost 8% of its value between January and April 2nd, more than twice as much as the S&P 500, which tracks the biggest. It also fell more sharply in post-tariff late trading. The swooning stocks of small firms, whose fortunes are tied to the domestic economy, are pricing in a “pretty nasty” downturn, says Steven DeSanctis of Jefferies, another bank. In contrast, share prices are still up this year in Europe (where policymakers want to stoke growth rather than extinguish it) and China (aflutter thanks to eye-catching domestic advances in artificial intelligence by DeepSeek and Manus). Oops.

At the risk of again looking the fool, your columnist will offer two revised predictions and double down on a third. First, things may be looking up for companies whose prospects seemed ho-hum. A rudimentary analysis of Russell 3000 shares shows that the less a firm rode the Trump bump between election and inauguration, the likelier it was to withstand the Trump slump.

For example, of the 100 companies which lost the most in value between November 5th and February 19th, 72 were pharma and biotech firms. The 100 biggest gainers counted just eight such firms. Since February 19th there have been as many big biotech gainers as losers. A couple, like 2seventy Bio, which is developing a therapy for blood cancer, leapt from the bottom 100 to the top.

The last shall be first

With all the attention on Mr Trump’s tariffs, health agencies have been less disruptive than pharma feared. Big drugmakers, keen to replenish product pipelines, are in an acquisitive mood and likely to remain so even amid the trade uncertainty. Two in five American mergers and acquisitions this year have involved health-care firms, notes Mr DeSanctis; on March 11th Bristol-Myers Squibb, an industry giant, said it was buying 2seventy Bio for \$286m.

The second prediction is safer. Tariffs won't lead to a manufacturing renaissance. But with Mr Trump, then Joe Biden and now Mr Trump again breathing down their necks about reshoring, bosses will bring more business home than they otherwise would. Good news for those who help build domestic supply chains (such as Rockwell Automation, which makes industrial robots) or manage them (like Prologis, America's biggest warehouse operator).

Then there are the Trump-adjacent businesses. Your columnist still doubts they will win big—or at all. Motorists everywhere are [steering clear of Teslas](#). Some deplore Mr Musk's behaviour; others prefer better alternatives now on offer. The carmaker's market value has fallen to three-fifths of its peak in December. That of the president's own cash-burning social-media company, Trump Media and Technology Group, is down by half since he declared the new golden age. As he impoverishes the American people, it is only fair that he feels some of the same pain. ■

<https://www.economist.com/business/2025/04/01/are-there-any-business-winners-in-trump-2>

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He's done it

Trump takes America's trade policies back to the 19th century

The president jacks up tariffs on all countries, with particularly sharp rises for much of Asia

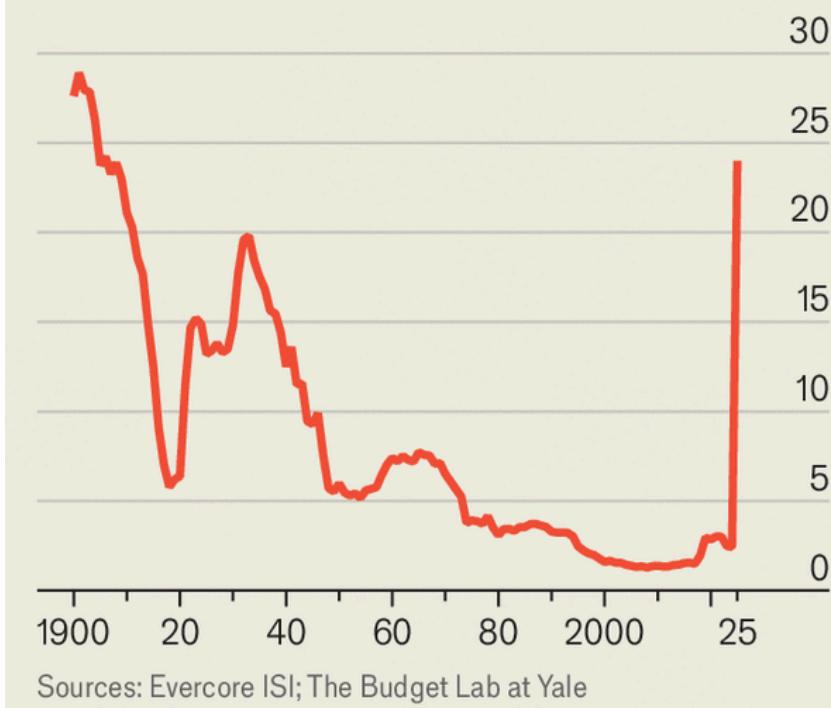
Apr 10, 2017 08:49 AM | WASHINGTON, DC



FEW EXPECTED him to go so far. In a stunning shift in American economic policy, Donald Trump has yanked up tariffs across the board. On April 2nd, speaking from the Rose Garden of the White House, he declared that America would impose levies of 10% on all imports plus higher “reciprocal” rates—much higher in some cases—to get back at countries which, in his view, have treated America unfairly. Coming on top of other tariffs announced since his return to the White House, the result is that, in the space of ten weeks, he has erected a wall of protection around the American economy akin to that of the late 1800s (see chart).

Sheer folly

United States, effective tariff rate, %



Sources: Evercore ISI; The Budget Lab at Yale

For Mr Trump the measures represent an attempt to bring a long era of increasingly free global trade to a definitive end. Such openness has, he argued, allowed other countries to “rip off” America. “For years, hard-working American citizens were forced to sit on the sidelines as other nations got rich and powerful, much of it at our expense...now it is our turn to prosper,” he said in his address. The new tariffs—far and away the broadest he has ever implemented—are nothing less than a “declaration of economic independence”, Mr Trump announced.

Conveniently ignored by him are the twin facts that globalisation has brought unprecedented prosperity to America and that the country has been the main architect of the rules underpinning international trade. Now, if Mr Trump gets his way, the economic order that was slowly and steadily built following the second world war will be dead and buried. Instead, Mr Trump extolled the prosperity of America in the late 19th century, when the country

was much poorer than it is today. “We can be so much wealthier than any country, it’s not even believable,” he said.

Businesses, investors and diplomats are still trying to wrap their heads around the details of Mr Trump’s new tariffs. But when looked at in totality, they appear to be bleaker than many of the worst-case scenarios for his trade policies envisioned even just a few days ago. Imports into America will now face a weighted-average tariff rate of 24%, according to Evercore ISI, a research firm. That is a dramatic increase from 2% or so last year.

For both Americans and the rest of the world, there is little time to adjust. The universal tariff of 10% on all countries is due to take effect on April 5th; reciprocal tariffs targeting countries with large surpluses in their bilateral trade with America will start on April 9th. To calculate the reciprocal rates, the White House suggested that it had weighed each country’s tariffs against America, along with other measurements, including currency manipulation and trade barriers, before dividing the figure roughly in half—an act of great kindness, as Mr Trump put it. However, data implied that officials may have simply looked at America’s bilateral deficit as a share of imports from each country in order to calculate reciprocal rates, which would have been a remarkably crude methodology.

As a consequence of this approach, the European Union will now face tariffs of 20%, India 27% and Vietnam 46%. China, for its part, will see total tariffs of 65%, since its reciprocal rate will stack on top of existing levies. Mr Trump also vowed to close a loophole that allows foreign manufacturers, often Chinese ones, to send products worth less than \$800 into America without any tariffs, in a move that could wreak havoc on the e-commerce industry.

One small mercy is that tariffs on specific sectors, including a new 25% levy on cars, will be exempted from the country rates, meaning that autos made in, say, Germany will face just that 25% surcharge, without the additional EU tariff on top of it. The same

logic applies to imports of aluminium and steel. Goods from Mexico and Canada, America's two biggest trading partners, will also be free from tariffs, provided that they comply with the USMCA, a North American trade pact which Mr Trump renegotiated during his first term in office. Those that do not will still face a 25% tariff. And that was about it for the exemptions. "If you want your tariff rate to be zero, then you build your product right here in America," Mr Trump said.

Brick by brick

Until recently many observers had clung to two hopeful interpretations of Mr Trump's behaviour. The first was that he wanted to deploy tariffs mainly to gain negotiating leverage as he sought concessions from other countries. The second was that the president would be disciplined by the stockmarket, about which he cared deeply, and would therefore retreat from trade barriers if investors soured on them.

Both of these interpretations, already weakened by Mr Trump's barrage of tariffs since taking office in January, look even fraiser after his comments on April 2nd. As the president explained—supported by evidence from television interviews that he gave some 40 years ago—he has consistently been a sceptic about free trade, believing that other countries exploit America. He did not blame foreign leaders for their actions, saying that they were behaving wisely. Rather, he pointed the finger at his predecessors in the White House. As for the stockmarket, he seemed to downplay its significance, insisting that the real proof of his success will come from the revitalisation of America's factories.

Naturally, that raises the question of how ugly things will get in markets and, ultimately, in the real economy over the coming days and months. The S&P 500 index of large American firms has fallen nearly 10% since hitting a record high in late February. In the days leading up to the new tariff announcement, the market had steadied,

but as Mr Trump spoke—shortly after the close of trading—futures sold off, pointing to a sharp decline on April 3rd.

Such turbulence may be a small preview of the pain that awaits people and companies more generally. Because of the size and breadth of tariffs, including on Asian countries, from Bangladesh to Vietnam, which supply basic goods to America, consumer prices are sure to climb. Inflation, which had been slowly trending back towards an annual rate of 2%, may now exceed 4% before the end of the year, according to Capital Economics, a research firm.

Meanwhile, the damage to American economic growth is likely to be far more severe than previously imagined. Before the new tariffs were announced, indicators of consumer sentiment had become very soft and business uncertainty had soared. Most economists nevertheless believed that, with underlying momentum robust, this would amount to a slowdown for the economy. Such equanimity may have been misguided. Mark Zandi of Moody's, a credit-rating agency, believes that a recession is inevitable if the announced trade policies are fully implemented.

Short-term pain is a price that Mr Trump seems willing to pay to fulfil his vision. Along with restoring America's manufacturing prowess, the levies will, he argues, generate “trillions and trillions of dollars” in revenue for the government, letting it reduce taxes and pay down the national debt. Such forecasts are outlandish: the drag from big, permanent tariffs that protect uncompetitive companies will overwhelm any potential benefits. But Mr Trump is convinced that, in his brilliance, he has seen global trade for the sham that it is. “We have to start taking care of our country now,” he intoned. In Mr Trump's reality, America—the world's wealthiest and most powerful country—is in fact a victim, and it is time to fight back. ■

[to-the-19th-century](#)

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The battle to come

Can the world's free-traders withstand Trump's attack?

Much will depend on the courage of Europe

Apr 10, 2025 08:50 AM | Brussels



THE CONDEMNATION was quick to arrive. “There seems to be no order in the disorder. No clear path through the complexity and chaos that is being created,” said Ursula von der Leyen, president of the European Commission, in response to the barrage of [tariffs unleashed](#) by Donald Trump on April 2nd. In a rare break with its security protector, Taiwan’s cabinet spokesperson called Donald Trump’s measures “extremely unreasonable”. The levies “have no basis in logic...This is not the act of a friend,” was the verdict of Anthony Albanese, Australia’s prime minister.

What will these words amount to in practice? Leaders everywhere are working out how to hit back. On April 3rd Ms von der Leyen said that the EU was finalising counter-measures for previous levies and considering fresh retaliation. Days earlier, she had told the European Parliament that the bloc was ready to target American services exports, including those from big tech firms. Japan has warned that “all options are on the table.” China has vowed to take

swift action, and some governments are even weighing co-ordinated reprisals. A mighty trade war beckons.

Mr Trump's move confirms America's abdication as guardian of the global trade system. After the second world war America emerged as the overseer of open markets, an enterprise that reached a high point in 1995 with the creation of the World Trade Organisation (WTO). But the system has long been under strain. China, which paid lip service to the rules after joining the WTO in 2001, has for years been accused of distorting the global trade system with subsidies and cut-rate loans for favoured industries. Now America's tariffs go further, wilfully violating the core principle of non-discrimination as enshrined in Article I of the WTO's founding treaty.

Avant le déluge

As a consequence, countries and trade blocs caught between the superpowers are no longer trying to salvage the old order. Instead, they are building a new one that is less reliant on American demand and better protected from Chinese overcapacity. Can this strengthening of the rest of the world's trade relations survive the ructions to come? And could China even be brought into the emerging architecture?

One response to the new world has been retaliation. Canada and the EU have already announced retaliatory tariffs—worth tens of billions of dollars—in response to Mr Trump's **aluminium and steel duties** of 25% that were implemented on March 12th. The pair claim the measures are “safeguards”, which allows for immediate retaliation under WTO regulations. It is a sleight of hand, but with the WTO's appellate body defunct, there is no one to rule, and so governments proceed as if their interpretation holds. Much the same pattern is likely to emerge with Mr Trump's latest tariffs. “Uncertainty will spiral and trigger the rise of further protectionism,” Ms von der Leyen warned on April 3rd.

China has faced blowback, too. Last year it was the focus of 198 investigations into alleged dumping or subsidies—double the previous year’s tally and nearly half of all cases reported to the WTO, according to Lu Feng of Peking University. Emerging markets led the charge, including 37 probes by India, 19 by Brazil and nine by Turkey. With WTO enforcement paralysed, many are also acting unilaterally. India has imposed duties on Chinese industrial equipment and is considering duties on its steel. Brazil has slapped anti-dumping tariffs on Chinese iron, steel and fibre-optic cables. The Gulf Co-operation Council has imposed duties of up to 42% on Chinese electrical parts, and Indonesia is considering a 200% tariff on Chinese textiles and garments. Whereas such action was once a last resort within a legal framework, it is now being exercised unilaterally, even by China’s close trading partners.

Yet countries are not just raising barriers. They are diversifying trade partners, forging alliances and building a new rule-making architecture. This has been made feasible by a decline in America’s and China’s share of global trade. At the start of the 21st century, America accounted for a fifth of global imports; today it makes up just an eighth. Its role as a consumer has shrunk as well: the proportion of global value-added trade tied to American final demand fell from 22% in 2000 to 15% in 2020, the most recent year for which data exist. This reflects not only the rise of emerging markets and regional supply chains, but also changes in America’s economy. As services have grown, demand for imported goods has stabilised. Although China’s import share has risen, its market is forbiddingly competitive. Together the two superpowers now gobble up just a quarter of global imports.

American minimalism

Goods imports, % of world total

2000 → 2023



*Comprehensive and Progressive Agreement for Trans-Pacific Partnership members, plus Norway, South Korea and Switzerland

†Argentina, Brazil, Egypt, Hong Kong, India, Indonesia, Philippines, Saudi Arabia, South Africa, Thailand, Turkey and UAE

Sources: UN Comtrade; *The Economist*

At the same time, two other blocs are growing in importance: the first because it is becoming more tight-knit; the second because it accounts for an rising share of trade. “Open-market allies” form a loosely aligned group committed to legal predictability, free commerce and diversified trade. At its core is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which links Australia, Canada, Chile, Japan, Mexico and others across the Pacific Rim. The group also includes Norway, South Korea and Switzerland. Together the economies absorb 22% of global imports. Add in the European Union, which is responsible for another 12%, and the allies collectively account for over a third of global import demand—far more than America and China combined.

This group began to hedge against American protectionism in Mr Trump’s first term. His threats jolted Europe into action, helping

push through deals with Canada, Japan, Singapore and Vietnam. The agreements “had stalled for years”, recalls Cecilia Malmstrom, then the EU’s trade commissioner, “but when the US imposed tariffs, it gave us...political urgency”. At the same time, Canada appointed a minister for trade diversification and launched an export strategy seeking, by 2025, to boost overseas investment by 50%.

Meanwhile, the CPTPP—an American idea—was salvaged by remaining members when Mr Trump pulled out of its precursor. It came into force [in 2018](#), eliminating most tariffs among 11 countries, including Australia, Canada, Japan, Mexico and Vietnam. Britain formally acceded last year, making the pact a 12-member group that accounts for around 15% of global GDP.

The second bloc might be called the “strategic hedgers”. It includes large, fast-growing economies such as Brazil, India, Indonesia, South Africa and Turkey, which depend both on American demand and Chinese capital, and are wary of aligning with either country. Their trade strategy is pragmatic. Although they will liberalise when doing so aids their own economic development, they seek to protect crucial industries with tariffs and subsidies, and attract investment from wherever it is available. Collectively, they account for more than 15% of global imports.

Many members of this group, with the notable exception of India, have formed closer ties with China since Mr Trump’s first term. Brazil welcomed cheap Chinese goods—including electronics and electric vehicles—while shipping back soyabeans and iron ore. Indonesia absorbed a glut of Chinese machinery and textiles, while supplying coal, nickel and ferroalloys. Indonesia, Thailand and the Philippines are members of the Regional Comprehensive Economic Partnership (RCEP), which was launched in 2022 and links China to the ten members of the Association of South-East Asian Nations (ASEAN), plus Australia, New Zealand, Japan and South Korea. Although less ambitious than the CPTPP, it binds 15 disparate economies into a single framework with China at its heart.

Talking terms

Now both groups are integrating faster among themselves and with one another. Since Mr Trump's election, the EU has updated deals with Chile and Mexico, reopened negotiations with Malaysia and is expediting talks with the Philippines, Thailand and the United Arab Emirates. Negotiations with Indonesia and India are also moving forward, with a target to complete a "commercially meaningful" agreement with India by the year's end. The clearest sign of Europe's urgency is its revived deal with Mercosur, a South American bloc including Brazil and Argentina. After 25 years of delay, it was at last sealed in December, owing, officials say, to Mr Trump's return. The deal will create a combined market of over 700m consumers and streamline trade in cars, machinery and services. Although powerful countries such as France and Poland remain opposed, Mr Trump's tariffs are expected to push the deal over the line this summer.

Canada is moving fast, too. Since its trade-diversification push began eight years ago, it has signed 16 deals, including a recent one with Ecuador. Canada also recently began trade talks with the Philippines, finalised a partnership with Indonesia and is negotiating with the ten ASEAN countries. Mark Carney, the country's new prime minister, wants closer ties with partners that "share our values", including Britain, the EU and certain Asian economies.

Meanwhile, strategic hedgers are scrambling to shield their markets from a rising tide of Chinese exports—already surging and likely to worsen as America raises its own barriers. Rather than turning inwards, many would like to diversify the countries with which they trade. Piyush Goyal, India's commerce minister, has urged the country's exporters to shed their "protectionist mindset" by competing "from a position of strength". India has restarted talks with Britain, Chile and the EU, and is edging towards a deal with America. Indonesia has signed a deal with Turkey and has formally

applied to join the CPTPP. Brazil has begun new discussions with Mexico, Japan and Vietnam. These agreements may be less deep than the sort preferred by open-market allies; they nevertheless point in the right direction.

Moreover, as America retreats, the world's free-traders are stepping up. They are hoping to shape a fragmented trade order in a variety of ways, including initiatives at the WTO, regional agreements and bilateral deals. In time, they want to build an entirely new global-trade architecture.

Although weakened, the WTO remains important, especially for smaller countries that lack economic clout. Its rules still underpin roughly four-fifths of global trade. To bypass America's blockade of its dispute-arbitration system, the EU and 16 other countries, including China, have set up an alternative body. More than 90 WTO members are negotiating rules for e-commerce; another group is pursuing an investment pact. Most members agree on the need for organisational reform, but few want to abandon the WTO altogether. Even America may yet be persuaded of its merits in places. Ngozi Okonjo-Iweala, the WTO's director-general, recently talked to Jamieson Greer and Howard Lutnick, two trade bigwigs in the Trump administration, who acknowledged the value of the organisation's intellectual-property rules.

Organisational reform will be grindingly slow. In the meantime, though, rules are being set through regional deals, especially in Asia. The CPTPP has taken the lead, establishing restrictions on state-owned firms, digital trade, and environmental and labour conditions. Its open-accession clause has attracted a queue: China, Costa Rica, Ecuador, Indonesia, Taiwan, Ukraine and Uruguay have all applied to join. RCEP offers less depth but greater breadth, making it attractive to economies from the global south that would like to tap into Asia's growth. New sectoral agreements, including the Digital Economy Partnership Agreement (DEPA, signed by Chile, New Zealand, Singapore and South Korea) and the

Agreement on Climate Change, Trade and Sustainability (ACCTS, signed by Costa Rica, Iceland, New Zealand and Switzerland), are setting rules on data flows and fossil-fuel subsidies. China has even applied to join DEPA.

The real dealmakers

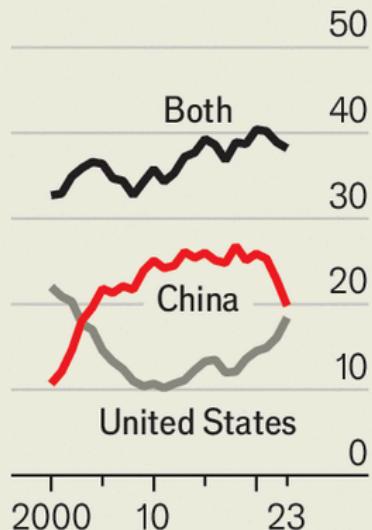
A final approach to rulemaking involves striking bilateral deals. Although some European officials would like the EU to join the CPTPP, that remains unlikely. It is, after all, an agreement designed by America, with its looser regulatory standards in mind. Instead, the EU is pursuing bilateral agreements. It has established free-trade deals with nearly all CPTPP members and is pursuing what officials call “structured co-operation”, which involves crafting new rules on digital trade, green standards and supply chains—all areas that do not tend to feature in conventional trade agreements. In March the EU and South Korea concluded negotiations for a landmark Digital Trade Agreement on cross-border data flows, privacy and personal-data protection. The hope, in time, is to turn one-on-one deals into regional pacts.

A fragmented trading order is taking shape, therefore, driven not by America or China, but by everyone else. Coalitions are forming where interests align, allowing rules to advance in the absence of global consensus. History suggests that such patchwork arrangements can succeed. After the second world war the original General Agreement on Tariffs and Trade started with only 23 countries. It took half a century to mature into the WTO.

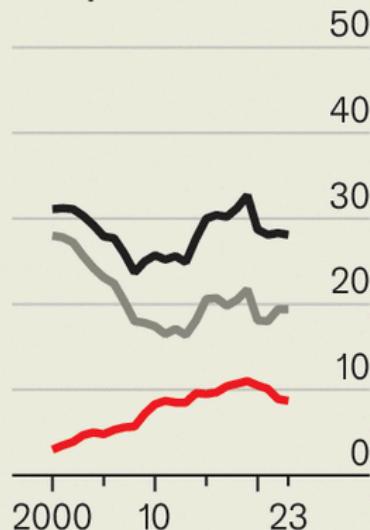
A lot of soybeans

Goods exports, % of total

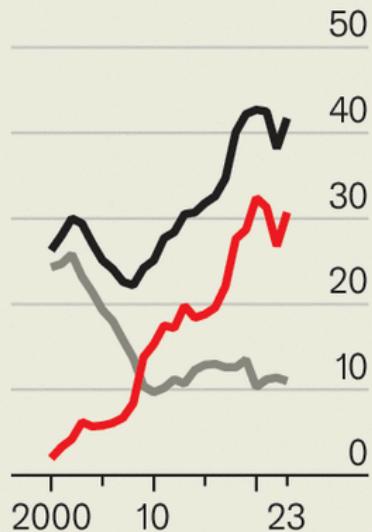
South Korea



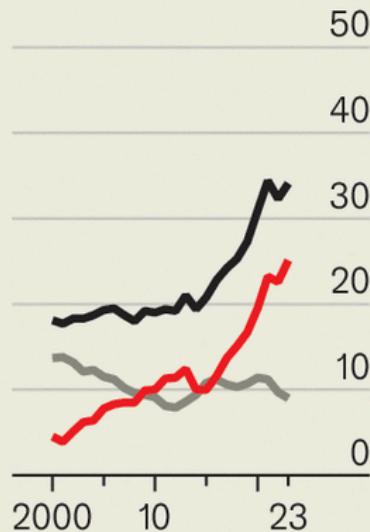
European Union



Brazil



Indonesia



Source: UN Comtrade

But as America turns away, China may spy an opportunity. Some countries will build trade ties with the Asian superpower owing to more difficult relations with America. [Brazil](#), for example, is ramping up beef and soyabean exports to China. Others see the Indo-Pacific as the future of trade and want to become deeply integrated into China's supply chains. Chile, Hong Kong and Sri

Lanka have formally applied to join RCEP, and Bangladesh is considering doing so for this reason. Separately, Australia and Chile are eager to continue to supply China's clean-tech boom with the requisite metals, and are no longer so worried about alienating America. Still others have been burned by Uncle Sam and may revert to older trade alliances. South Korea, having reoriented exports towards America and away from China, now finds its free-trade agreement with America under threat. It also faces a newly unveiled 26% tariff.

Meanwhile, China is pushing for more influence. It has applied to join the CPTPP and DEPA, and is courting Mercosur. Most CPTPP countries already do more trade with China than America. Australia, Chile and Peru each send 30% or so of their exports to China, which is their largest and fastest-growing market. China wants to expand RCEP and the reach of the Asian Infrastructure Investment Bank, and already plays an important role in some of the WTO's recent agreements. Other countries, including some rules-based allies of America, now appear more willing to strike agreements with China as a consequence of Mr Trump's tariffs. On March 30th Japan and South Korea resumed trade negotiations with China—on pause for five years—in a shift from Mr Trump's first term, when Japan, the EU and America united to confront Chinese trade distortions. On April 1st China's ambassador to India said that China was open to importing more goods from its one-time foe. Vietnam, now facing a 46% tariff from America, will host China's leader this month to discuss strengthening connections and trade amid the disruptions.

Will a rules-based order, steered by open-market allies, emerge from Mr Trump's attacks? Or will the world follow the example of China, which bends the rules to suit its own ends? Much may hinge on Europe. The EU and its open-market allies could form a formidable bloc—co-ordinating responses to American tariffs and pulling China in a more free-trading direction. "The door is open" to deeper ties with China, says a European official, "if it does

things in a more balanced way". That means curbing subsidies, reining in state-owned companies and levelling the playing-field, something China has so far shown little interest in doing. Even without China, however, the open-market bloc is big enough to rebuild a trade order from the wreckage of Mr Trump's war. It is a dark time for free-traders, but there are glimmers of hope. ■

<https://www.economist.com/finance-and-economics/2025/04/02/can-the-worlds-free-traders-withstand-trumps-attack>

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Buttonwood

The American government's accidental private-credit subsidy

How a Depression-era lending scheme became a trillion-dollar wheeze

Apr 10, 2025 08:50 AM



Apollo has borrowed over \$15bn from the Federal Home Loan Bank (FHLB) of Des Moines, one of 11 privately owned but government-sponsored banks. On March 25th the private-markets giant made its first appearance in an annual league table of institutions receiving FHLB loans, coming in at number seven. (JPMorgan Chase was top; five smaller banks made up the balance.)

The firm is not an obvious candidate for government subsidies, even if they involve implicit guarantees instead of cash, and still less for largesse funnelled through a bank. After all, the best argument in favour of private credit—the lending done by Apollo and its peers—is its distance from banks with flighty funding backstopped by the state.

What is going on? FHLBs were created during the Depression to increase homeownership by lending against housing assets. Since the market assumes they would not be allowed to fail, they borrow at rates similar to America's Treasury. Of their \$1.2trn in total borrowing, more than half comes from money-market funds (MMFs). FHLBs dole out loans to the banks and insurers that own them. During crises, they provide liquidity. To Apollo they offer cheap funding for Athene, its enormous life-insurance arm based in Des Moines.

This strange state of affairs reflects the recent history of FHLBs. The failure of Washington Mutual, a bank, in 2008 deprived FHLB Seattle of its largest customer and compounded bad investments in mortgage-backed securities. In 2015 FHLB Seattle merged with its Iowan cousin. FHLB Des Moines is now, improbably, the largest of the FHLBs.

During the global financial crisis of 2007-09 an MMF holding Lehman Brothers' debt "broke the buck", lowering its share-price value from the \$1 investors thought was safe and causing panicked redemptions. Regulation subsequently pushed MMFs away from lending to banks and towards government-backed debt, including FHLB debt, which now comprises 11% of MMF assets. During the turmoil of 2023, when banks' borrowing from FHLBs spiked, some 40% of deposits fleeing banks for MMFs were recycled back to them this way.

Stringent banking rules were another result of the financial crisis, clearing the way for rapid growth in private-credit firms, including Apollo, as they seized market share from their now-constrained rivals. Athene sells more annuities, a retirement product, than any other American insurer. It invests the funds in private debt, often originated by Apollo itself.

One conclusion from these post-crisis tales is that the impact of financial regulation is about as predictable as the stockmarket.

Another might be that the smartest people on Wall Street have found a way to dupe Main Street and compromise financial stability. Is that right?

Herbert Hoover, of dam fame, set up FHLBS to help ordinary folk and Apollo is the top dog in an industry frequently accused of doing the opposite. Regulators talk disapprovingly of the growth of insurers' "non-traditional liabilities" (anything but selling insurance). FHLB lending to banks has fallen since 2023, and borrowing by life insurers has risen to \$160bn, a record. The market for funding-agreement-backed notes, another type of debt, is also running hot.

Yet the reality is more complex. Although lending to Apollo does little to advance the FHLBS' "mission" of supporting housing finance, nor do most of their operations. There is little evidence that life insurers' embrace of debt is making them vulnerable to runs, as it did during the financial crisis.

Some propose torturing the FHLB system into closer alignment with its original purpose, by altering its membership or lifting the share of profits earmarked to support affordable housing. Instead, it should be put out of its misery altogether. There are better ways to implement housing policy. Any cog in the financial system that relies so much on implicit government guarantees is a faulty one. Besides, in a crisis, the option of FHLB funding may postpone the moment at which troubled banks turn to the Federal Reserve for help, worsening the eventual clear-up.

The Trump administration is considering plans to privatise Fannie Mae and Freddie Mac, the mortgage buyers that were placed in conservatorship during the financial crisis. Ending FHLB privileges would not yield a similar cash prize. But it might appeal to the president's apparent appetite to slash state involvement in markets —while also making them safer. ■

<https://www.economist.com/finance-and-economics/2025/04/02/the-american-governments-accidental-private-credit-subsidy>

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After the chainsaw

How Milei made Argentina deserving of an IMF bail-out

He offers the only way out of a supremely difficult situation

Apr 10, 2025 08:50 AM



JAVIER MILEI can barely contain his excitement. Since December, when the IMF's last agreement with Argentina ran out, the country's president has sought a fresh bail-out. Indeed, his efforts include an executive order to remove the need for Congress to approve the deal. On March 30th Argentina's finance minister said that the government hoped for 40% of the money, which may amount to \$20bn, up front. Three days later, Mr Milei hopped on a plane to Mar-a-Lago to meet Donald Trump and, he hoped, help close the deal.

For the IMF, the world's emergency fund, this is a strange situation. Borrowers tend to arrive furious, dejected and desperate, and none more so than Argentina. Since its first bail-out in 1958, the country has become the fund's most difficult customer, endlessly stacking up debts, which now come to \$41bn (or 28% of all of the IMF's lending). Mr Milei's first deal will be Argentina's 23rd. As the fund

contemplates just how much cash to hand over, the question is whether his vim can overcome the country's spendthrift tendencies.

Argentina's most recent bail-out, agreed in 2022, exemplifies these tendencies. It was a bail-out of another bail-out, which went wrong after ministers failed to stop investors fleeing. Most of the cash went on paying back earlier loans. Targets the fund set for belt-tightening, liberalising regulation and removing capital controls became increasingly strict as time wore on, but Argentina failed to reduce its deficit, at the same time as it burned through foreign reserves. Politicians proved unwilling to risk painful reforms. The fund could do little to change their minds: it had sunk too much money into Argentina to make any threats of abandonment convincing.



Mr Milei wants to work with the fund both because Argentina needs cash (see chart), and because the reforms it seeks have lots in common with his own. He has cut spending by 5% of GDP and

slashed red tape since taking office in late 2023. In doing so, he has turned a fiscal deficit into a surplus, while sinking economic growth. Since he has also tamed inflation, however, his approval ratings remain solid.

Economic necessity is the most convincing reason for the IMF to get behind Argentina. Mr Milei has repeatedly devalued the peso, which is pegged to the dollar, but not fast enough to stop inflation from pushing up the real exchange rate to dangerous levels, putting pressure on Argentina's paltry reserves. Moreover, each time Mr Milei devalues, he risks capital flight, which further drains reserves and could spark inflation. To bulk up Argentina's currency buffers, he needs to liberalise the exchange rate, which is only possible with lots of dollars to reassure investors of the country's ability to service its debt and pay import bills. That is why Mr Milei is pushing for a hefty up-front sum.

A currency crisis would leave Argentina unable to repay its debt—a nightmare for the IMF. Each time the fund doles out more cash, it deepens both the country's reliance on handouts and the risk to its own finances. Far better to give Mr Milei firepower now, since few leaders have tried harder to remove Argentina from the IMF's books. As Kristalina Georgieva, the IMF's boss, has admitted, Mr Milei has “earned it”. ■

<https://www.economist.com/finance-and-economics/2025/04/03/how-milei-has-made-argentina-deserving-of-an-imf-bail-out>

Soldering on

Tin, an overlooked critical metal, is enjoying a boom

Prized and in short supply, its price is very volatile

Apr 10, 2025 08:50 AM



THE METAL has been used since ancient times. From the Bronze Age until the 18th century, when it was supplanted by porcelain, tin was the main ingredient in alloys used for kitchenware. Yet it is also extremely modern. Its conductive properties mean that its main use today is as a solder in the construction of electric cars, electronic circuits and solar panels—all central to automation and the energy transition. Lately the market for tin has caught fire. At nearly \$38,000 a tonne (see chart), its price on the London Metal Exchange (LME) is up by almost a third since the start of the year. It has been the best-performing metal this year—shinier even than gold.

Mining difficulty

Tin price, \$'000 per tonne



Source: LSEG Workspace

The overall market size is tiny: some 380,000 tonnes of tin were refined last year, compared with 26m of copper, another important industrial ingredient. Three countries—China, Indonesia and Peru—accounted for 74% of global output, meaning subsequent supply disruptions have had an outsize impact. In mid-March Alphamin, a firm that operates a large mine in the Democratic Republic of Congo (DRC), suspended production because of attacks by insurgents. Indonesia is planning to take a bigger slice of profits, creating a risk that domestic output slides further.

It is also uncertain when output from Myanmar, once the world's third-largest producer, might return. In 2023 the ethnic militia that controls Wa state in the north-east, which is the source of most Burmese tin, suspended mining. Earlier this year, it indicated that production would resume soon, and started processing licences. But the catastrophic earthquake that hit Myanmar on March 28th might delay things.

Meanwhile, demand, having grown by 11% since 2019, is expected to rise further still, setting up supply deficits for the rest of the decade. It is not clear where more tin might come from. Most miners are unlisted firms that disclose little about their prospects. Investors are bullish: bets on the metal on the LME have hit unusually high levels, and the market's illiquidity has amplified price movements. Niche hedge funds focused on minor metals are being joined by opportunistic generalists, as well as "momentum" traders.

Prices could well keep rising. Indonesia has threatened to restrict exports. China could falter. But the boom will not last for ever. Marcus Garvey of Macquarie, a bank, expects "demand destruction" as tin buyers start to use less solder. A reopening in the DRC or better news from Myanmar might panic investors, causing prices to crash. The tin market is no stranger to exaggerated swings. During covid-19 lockdowns, booming demand for electronics sparked a rally—before reopening triggered a severe correction. The metal's history is as turbulent as it is long. ■

<https://www.economist.com/finance-and-economics/2025/04/03/tin-an-overlooked-critical-metal-is-enjoying-a-boom>

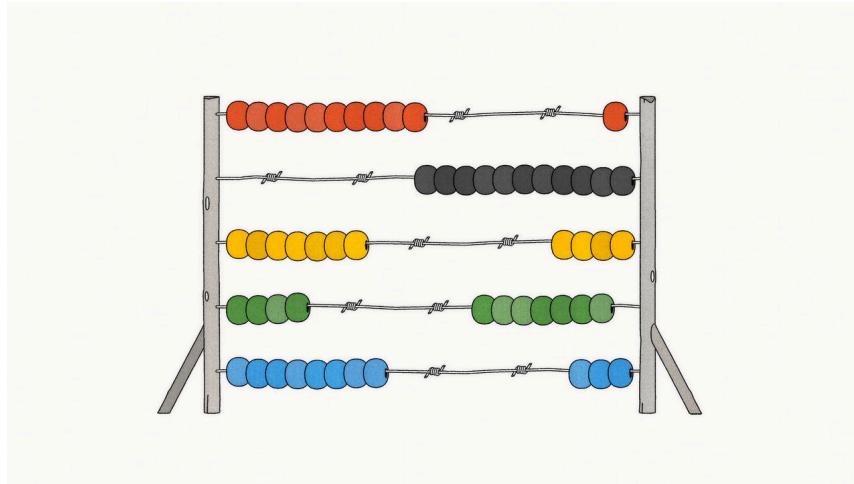
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Free exchange

What a refugee camp reveals about economics

In Dzaleka, Malawi, everyone receives \$9 a month

Apr 10, 2025 08:50 AM



IT IS MALAWI'S rainy season and smartly dressed worshippers are spilling out from church. Couples, arm-in-arm, dodge potholes as they progress down the street. The migration moves past clothes shops and bars, losing stragglers to afternoon drinking, until it meets a plane of dirt, where thousands await a football match. A thin film of dust kicked up by the players settles on the churchgoers' pale dress shirts and floral skirts. The scene looks like a typical Sunday. But in Dzaleka, a camp that has held refugees from central African wars since 1994, there is a difference: people are not resting after a hard week of work.

The camp is a consequence of Malawi's peculiar refugee policies, which, although welcoming to those in need of sanctuary, do not offer a path to legal settlement and ban paid work. In theory, at least, Dzaleka's 52,000 residents, some of whom were born in the camp, are banned from leaving. Each receives \$9 a month from the UN on which to get by. Some things remain the same as in more conventional economies, yet the logic that guides everyday

decisions, and thus the camp's economy, is turned upside-down. Students pursue education without hope of a pay-off; a day is reserved for leisure despite the lack of toil.

Economists typically think of an economy's workers as its consumers. In Dzaleka, however, few produce anything worth trading. Although there are sometimes a few dollars to be had for patching walls, unloading supplies or minding the stalls of local farmers who sell at the market, such opportunities represent an infrequent top-up of UN hand-outs. Residents do not confront the usual dilemma of whether to sacrifice pay for a little more leisure time.

Instead, the main economic activity is a relentless exchange of goods and services, which is ultimately based on differences between residents' wants, rather than the means available to them. After all, pretty much everyone has \$9 a month to spend—a sum sufficient to buy food, but also a little of something else. What, exactly, this “something else” is differs wildly from person to person. Dzaleka's strange economy exposes the variety of ways humans go about spending even very modest endowments.

It is partly for this reason that confined economies fascinate researchers. The most famous is Stalag VII-A. The Nazi prisoner-of-war camp, in modern-day Poland, was home to Richard Radford, a British army officer. After the war, on returning to Cambridge University, Radford wrote a paper describing how the camp's rudimentary cigarette trade evolved into a specialised economy that used cigarettes as the currency by which the value of every other available good was expressed. Much as in Dzaleka, work was scarce and everyone's endowments—packages sent by the Red Cross, a charity—were pretty much equal.

The camp's economy allowed Radford to challenge an old economic assumption. The “labour theory of value” is most commonly associated with Karl Marx, but classical liberal

economists such as Adam Smith and David Ricardo also believed that the price of a good mostly reflected how much work it had taken to produce it, or the perception of that work among buyers and sellers. In Stalag VII-A nobody worked, and everything still had value. The price of butter came from its scarcity relative to how much was sought, not the number of hours a milkmaid had spent churning.

Although Dzaleka's residents collect cash, the camp's lack of labour leads to other economic lessons. In the absence of companies and with an abundance of time, leisure is big business. The camp's main throughway is filled with churches, sports bars and theatres. The Mennonite church competes for visitors with a Presbyterian chapel run by Canadian missionaries, but it is the Baptists who are having most luck. All three offer salvation in the next life—Baptists add the extra inducement of material wealth in this one. Self-improvement, networking and education are all popular pastimes in Dzaleka. Even in the absence of opportunities to use such skills, there is hope that conditions will change.

Around the corner from a Baptist church advertising a personal-finance workshop, a woman who prints wedding invitations shares space with a hairdresser: "We try not to get ink in the hair and hair in the paper." Weddings happen non-stop in Dzaleka, and enterprising residents have built a sprawling infrastructure to throw big events. Every day thousands attend organised spectacles, mainly concerts and football matches, around which a constellation of athletic trainers, bookmakers and food-sellers rotate. Residents form committees to provide one another with security patrols, offer schooling and even regulate gambling on sports.

Camp out

Some residents view Sunday as a welcome day off from such fun; a time when churches take over from exhausted DJs. The trick, it seems, to a good life in the camp is to find gaps in the severe

restrictions that make normal rites of passage supremely difficult. Throughout her life, the average female resident will have two children more than her average Malawian counterpart. At a clinic just across the street from the camp's arrival point, nurses have tried everything they can to bring down the birth rate. People have gladly taken contraception since a promotional campaign in 2022. Still, birth rates once again rose last year. Very few pregnancies were truly accidental in the first place, reckons a doctor.

In the clinic's waiting-room, Hope and Mariam laugh when they hear this judgment. With next to no economic opportunity, parenting is a rare chance to make life a little better. Indeed, your columnist has heard similar stories from poor Americans. Dzaleka enlarges by 300 people a month owing to a combination of new refugees and new babies. The sophistication of the camp's makeshift economy is only going to grow. But so, too, is the anger of the rising number denied economic opportunities outside. ■

<https://www.economist.com/finance-and-economics/2025/04/03/what-a-refugee-camp-reveals-about-economics>

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Science & technology

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Repairing body cells :: A technique that may create a new field of medicine

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Repairing body cells

Mitochondria transplants could cure diseases and lengthen lives

A technique that may create a new field of medicine

Apr 10, 2025 08:50 AM | Boston



ORGAN TRANSPLANTS are a familiar idea. Organelle transplants, less so. Yet organelles are to cells what organs are to bodies—specialised components that divvy up the labour needed to keep the whole thing ticking over. Swapping old organelles for new in cells where the machinery has switched from ticking to tocking thus makes sense in principle. And, for one type of organelle, that principle is now being tested in practice.

Mitochondria, the organelles in question, are best known as power packs—places where glucose molecules are disassembled to release the energy that drives metabolism. Boosting a failing cell's metabolic processes by adding new mitochondria could thus be a smart move.

But that is just a start. These organelles, the descendants of bacteria that cosied up with the ancestors of human beings back when those ancestors were unicellular, retain from their days of independence a

list of other jobs. These include disassembling surplus fatty acids and amino acids, and synthesising haeme, the active centre of haemoglobin and several other proteins.

Booster packs

Mitochondria also initiate the suicide of cells that are damaged, cancerous or surplus to requirements; act as communications centres for signalling proteins; and regulate levels of calcium ions —which are involved in signalling as well.

They have their own genomes too, separate from the main set of chromosomes in a body cell's nucleus. That is another legacy of their independent origin.

With such a wide range of vital tasks to perform, it is hardly surprising that faulty mitochondria cause or contribute to many diseases. Some of these are congenital, the result of faulty mitochondrial genes. And some, such as diabetes and cardiovascular problems, occur when mitochondria wear out in old age. If a technique to transplant healthy ones could be made to work, its potential would be enormous.

One person trying to make this happen is James McCully of Harvard Medical School. He has developed a treatment for premature babies who, because the mitochondria in their heart muscles have been damaged by ischemia (the medical term for restricted blood flow), need the assistance of a heart-lung machine. Without such intervention, they would die. Even with it, only 60% survive.

In a trial, the results of which were published just over four years ago, Dr McCully improved that rate to 80%. His technique involves taking a small piece of tissue from the child's abdominal wall, breaking it up to liberate the mitochondria, separating them

from other cellular gubbins in a centrifuge and perfusing them back into the failing heart.

There is a chance that Dr McCully's results may have been a statistical fluke—only ten babies were given the procedure in his experiments—but it suggests his technique is at least safe. He and his colleagues found that their procedure immediately increased production of signalling molecules in the babies, which stopped inflammation and cellular suicide. And, shortly afterwards, the perfused mitochondria took up residence in the damaged heart muscle, restoring its function in the longer term.

Dr McCully now hopes to extend this approach, which is currently being assessed by America's Food and Drug Administration, to other ischemia-affected tissues, including adult hearts, lungs, kidneys and limbs. He is not alone. Lance Becker of the Feinstein Institute in New York plans to test a similar technique on premature babies. And Melanie Walker of the University of Washington, in Seattle, has just published the results of an experiment on a different type of ischemia—that which causes strokes.

Recharge and refresh

Dr Walker's trial reported in November 2024 and was conducted mainly to check safety (in which regard it passed), so it involved treating only four participants. But she says early indicators of efficacy were “promising”. Her technique involved infusing the site of the ischemia-inducing blood clot with mitochondria as part of an otherwise-standard procedure to remove the clot. The intention, which she hopes to test in future, is to stop neurons affected by the stroke from killing themselves.

Dr Walker has further trials on the slipway. One is for adult hearts. Another aims to restore function to neurons injured by physical trauma rather than strokes. And a third is for Pearson's syndrome, a congenital combination of anaemia and pancreatic problems caused

not by trauma but rather by the deletion of a stretch of DNA from the mitochondria of those who have it.

Such mutations are rare. Normally, a mother's mitochondria are passed intact to her offspring via her egg cells. Sometimes, however, a mutation occurs spontaneously on the way to an egg's creation, meaning the resulting offspring may have symptoms that their mother does not.

Dr Walker plans to select patients whose mothers are unaffected and enrich the blood-forming stem cells taken from those patients with mitochondria extracted from their mothers' white blood cells. The enriched cells will then be returned to the patient, where they will, it is hoped, give rise to healthy blood cells that can relieve the anaemia.

Congenital deletion-related conditions such as Pearson's affect about one person in 5,000. That is a number big enough to interest aspiring biotech firms. Minovia Therapeutics, an Israeli company, has Pearson's in its sights, along with Kearn-Sayre Syndrome (kss), another deletion-related condition, and myelodysplasia, a form of anaemia caused by mitochondrial mutations that happen later in life.

Preliminary trials using the method Dr Walker plans to adopt relieved symptoms of Pearson's and kss in children. A new approach, in which the mitochondria are extracted from discarded placental tissue rather than from living human beings, is now being tested for myelodysplasia.

Those involved in these projects hope that, besides relieving anaemia, the reinvigorated stem cells may also pass their mitochondrial cargo on to other affected tissues. This is a hope based on the knowledge that such transfers occur naturally during the formation of blood cells.

Indeed, they also occur during wound healing, the creation of new blood vessels and the boosting of heart muscle. It thus seems plausible that the body contains a sophisticated, hitherto unperceived, mitochondrion-transfer network, in which some cells act as nurseries, releasing their products into the bloodstream for the benefit of cells that cannot generate enough mitochondria by themselves. Certainly, blood contains huge numbers of free-floating mitochondria—one study suggested perhaps as many as 3.7m per millilitre.

At an earlier stage of development than the human trials, meanwhile, are a range of promising experiments using cell cultures and laboratory animals. Aybuke Celik, a colleague of Dr McCully at Harvard, is investigating the effect of transplanted mitochondria on prostate- and ovarian-cancer cells. She has found they reduce the amount of chemotherapy needed for such cells to kill themselves.

Conversely, a team at Zhejiang University in Hangzhou, China, used rats to show that transplanted mitochondria stop damaged neurons pressing the self-destruct button. This is an observation that might one day help people with spinal injuries to avoid paralysis.

Longing for longevity

One of the most intriguing findings of all, though, is that—in laboratory cultures, at least—transplanted mitochondria rejuvenate the biochemistry of elderly host cells. Given the number of free mitochondria in blood, this may help explain the puzzling observation that transfusing blood plasma from young to old animals seems to grant the latter a new lease of life.

This observation has long excited people seeking to prolong human “healthspan” to match the extended lifespans now enjoyed in rich countries. But the search for the elixir involved has hitherto

focused on the plasma's molecular cargo. Perhaps it is not molecules but mitochondria that would-be Methuselahs should consider. ■

<https://www.economist.com/science-and-technology/2025/03/31/mitochondria-transplants-could-cure-diseases-and-lengthen-lives>

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Wheels within wheels

Motors in the wheels take EVs further

Simpler to build, lighter and extra range

Apr 10, 2025 08:49 AM | Farnham



Born to be...efficient

AT THE PARIS World Exhibition in 1900 Ferdinand Porsche, the eponymous founder of the German sports-car company, unveiled an electric vehicle (EV) with a radical design. Rather than a single motor located in its body, the car he displayed had them incorporated into its wheels.

Porsche's big idea caused a sensation, but never took off. Combustion engines are too big and complex to fit inside wheels and electric motors, which are simpler, fell out of fashion. In-wheel motors (IWMS) mostly remained the preserve of electric bicycles and some motorbikes. But with EVs newly resurgent, carmakers are starting to take an interest in the potential benefits that IWMS can bring. Some new EVs could start using them soon.

Most IWMS work in a similar way. Fully contained within either two or all four wheels, they deliver torque (a twisting force) directly to each wheel, avoiding the energy losses associated with the gears and transmission links used by centrally mounted motors. This also

allows each wheel to be independently controlled to suit different road conditions, which improves stability.

In addition to being simpler and potentially cheaper to install than conventional, centrally mounted engines, their energy efficiency allows an EV to travel a greater distance on a single charge. The space freed up within the body also allows for more spacious interiors, as well as lighter and more aerodynamic bodies.

Protean Electric, a company based in Farnham, south-west of London, produces an IWM made up of two concentric rings. One is an electromagnet embedded in a static component, known as a stator. A larger ring, called a rotor, contains permanent magnets and rotates around the stator. When an alternating electric current is induced in the stator it creates a rotating magnetic field that causes the rotor to spin in sync. Both rings—together with the associated electronics and a standard friction brake—form a unit small enough to fit inside a standard EV wheel. Protean's motors are already being installed in light commercial vehicles converted to run on electricity by Protean's parent, the BEDEO Group. ConMet, an American company, also fits them to the wheels of lorries where they work in reverse as generators, powering the vehicles' refrigeration units.

One issue with IWMS is that they can be more vulnerable to the elements, as well as shocks and vibrations from the road surface. Andrew Whitehead, Protean's boss, says his firm's IWMS have been subjected to extensive testing in hostile conditions and should last the lifetime of a typical car, considered to be 15 years or 300,000km, and do so without any maintenance. He hopes to conclude an agreement to supply a mainstream manufacturer soon.

Another issue often raised with IWMS is that they can increase a vehicle's "unsprung mass", which includes everything—such as wheels, tyres, brakes and axles—not resting on the suspension. A high unsprung mass can interfere with the way a vehicle handles.

As Mr Whitehead sees it, however, the absolute value of unsprung mass matters less than the ratio of sprung to unsprung mass.

Slightly heavier wheels in a sufficiently heavy car, in other words, can be made imperceptible to most drivers with a few tweaks to the suspension.

Donut Lab, which makes IWMS for its parent, Verge Motorcycles, a Finnish company, claims to be able to reduce unsprung mass with its lightweight “Donut Motor”. Fitted inside the inner rim of the rear wheel on motorcycles, it looks like a wheel with a big hole instead of a hub (pictured). The company is developing IWMS for cars and trucks and reckons some could drive supercars and electric helicopters.

DeepDrive, a Munich-based company that makes IWMS for BMW and others, has a design that uses two rotors, one that revolves outside the stator and another inside, to increase the motor’s efficiency. The company reckons that, compared with a traditional EV set-up, their IWM could give an EV some 30% more range in typical driving conditions. One way or another, it seems Ferdinand Porsche’s motorised rubber is finally about to hit the road. ■

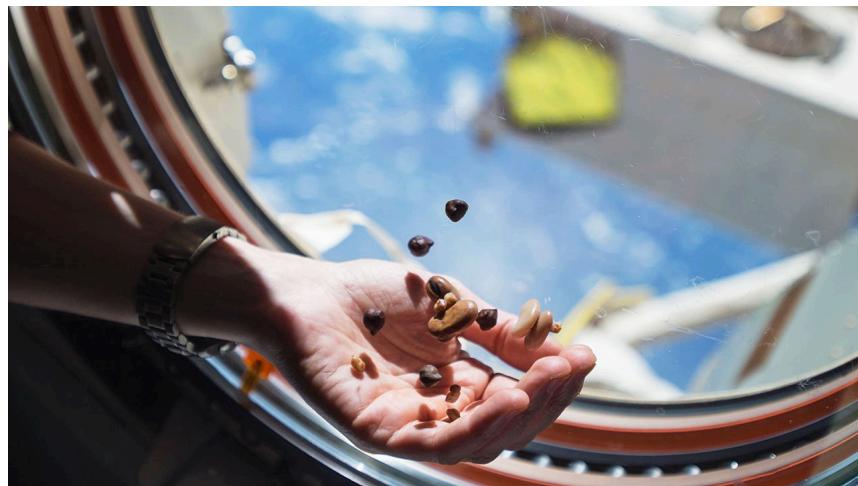
<https://www.economist.com/science-and-technology/2025/04/02/motors-in-the-wheels-take-evs-further>

Out of this world

What does space miso taste like?

It should make the diets of astronauts more interesting

Apr 10, 2025 08:50 AM



Dinner with a view

FERMENTED FOODS are enjoyed around the world for their potent, often salty, spicy and umami flavours. This makes them particularly attractive to astronauts, who report that their palates can get dulled in space. Although many dishes have been eaten and prepared on the International Space Station (iss), nothing has ever been fermented there. Indeed, given that microgravity and the high levels of radiation in space might disrupt the microbial interactions needed to make this process happen, it has always been unclear if fermentation was even possible in space.

Maggie Coblentz at the Massachusetts Institute of Technology and Joshua Evans at the Technical University of Denmark have now proved that fermentation is possible by creating miso, a cherished Japanese condiment, in space. The researchers first created a ready-to-ferment miso mixture using cooked soyabeans, salt and rice that had previously been fermented with a fungus called *Aspergillus oryzae*. The soon-to-be miso was split into three containers and

frozen. One was kept in Denmark, one was shipped to Massachusetts and one was sent to Houston, Texas to be loaded onto a spacecraft bound for the space station. All the mixtures were allowed to ferment for several weeks.

When the miso was brought back from the ISS to Earth for analysis, the researchers were able to identify all of the bacteria, amino acids and volatile compounds that are normally found in the Japanese condiment. Taste tests demonstrated that the flavour was similar and that it was liked just as much as the Danish and Massachusetts miso samples. Even so, it was different enough for Ms Colbentz and Dr Evans to call it “space miso.” The results are reported this week in *iScience*, a journal.

The space miso had a more potent sweet flavour than the regular kind, which came from the high levels of phenylacetic acid methyl ester, a component also found in honey, brandy and some wines. It also had stronger cheese-like flavours that were probably the result of it having higher concentrations of 2-methyl-butanoic acid. Why these compounds were found in higher concentrations is not yet confirmed, but it is probably due to the microgravity on the station. In normal circumstances on Earth, gas bubbles produced by the microbes during fermentation would just rise upwards to the surface. Not so in space. In microgravity, the bubbles would have travelled in all sorts of directions and this probably affected the growth of the microbes by altering the way in which vital gases, like oxygen, were dispersed.

Now that fermentation has been shown to be possible, the potential is there to make other foods in space—hot sauce or, perhaps more important, beer. ■

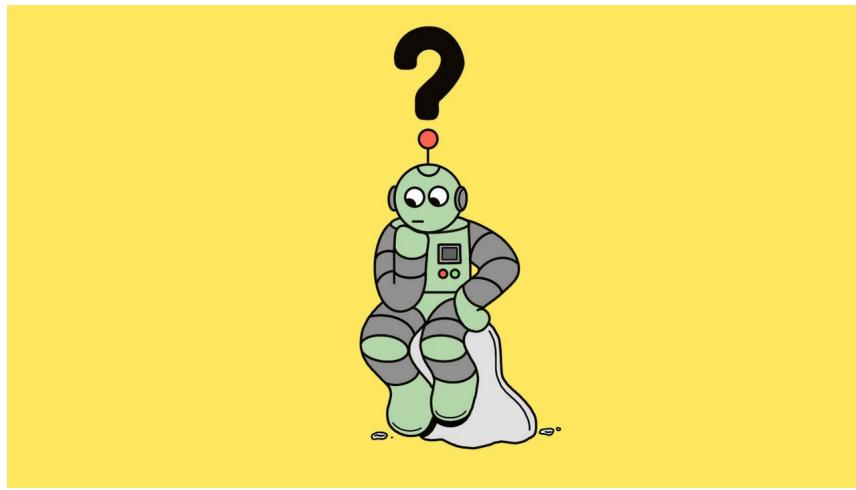
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AI think, therefore AI am

Researchers lift the lid on how reasoning models actually “think”

They plan sentences far in advance. They also bullshit themselves when reasoning out loud

Apr 10, 2025 08:50 AM



AS ALL SCRIBBLERS of doggerel know, rhymes must be paired up before you start a new line. Otherwise you may write yourself into a dead end with an ill-placed “purple” or “orange”. It is an insight that is shared by artificial intelligence (AI), new research shows. When Claude, a large language model (LLM), is asked to write a rhyming couplet, it begins thinking of the second part of the rhyme as soon as the first word is written. Give it the first line “he saw a carrot and had to grab it”, and the AI begins contemplating rabbits at once, writing the next sentence to end at the appropriate rhyme.

Such forethought is unexpected, says researcher Josh Batson. The way such systems work sees them writing text one “token” at a time, and he expected the approach to be bluntly linear: start writing the next sentence, and consider possible rhymes only at the end of the line. But when Dr Batson and his team at Anthropic, the AI lab that developed Claude, built a tool that allowed them to peer

inside the digital brains of their LLMS, they discovered some unexpected complexity.

Their tool, which the researchers call a digital “microscope”, lets them look at which parts of a neural network are activated as it “thinks”. By tracking when different features of the model are activated, it is possible to build an understanding of what the models do: if a particular area of the LLM lights up whenever it produces words like bunny or rabbit, for instance, then that gets marked as being related to rabbits.

This has let the team solve some open questions in AI research. For example: when a chatbot is multilingual, is there in effect an entire second copy of everything it knows, or does it have some awareness of concepts that transcend language? Ask it in English for the opposite to “big”, in French for the opposite to “grand” or in Chinese for the opposite to the Hanzi character for the same concept, and the same feature lights up in every case, before more language-specific circuits kick in to “translate” the concept of smallness into a particular word.

This suggests that LLMS may be more capable than they are given credit for. The rise of “reasoning” models, which print the chain of thought they took to arrive at a conclusion, means that conventional LLMS are often described as acting on instinct. The microscope, though, shows behaviours that look like planning and reasoning even in those simpler models—and little that looks like simple pattern matching.

Other insights, though, are less encouraging. When Claude itself is asked to reason, printing out the chain of thought that it takes to answer maths questions, the microscope suggests that the way the model says it reached a conclusion, and what it actually thought, might not always be the same thing. Ask the LLM a complex maths question that it does not know how to solve and it will “bullshit” its

way to an answer: rather than actually trying, it decides to spit out random numbers and move on.

Worse still, ask a leading question—suggesting, for instance, that the answer “might be 4”—and the model still secretly bullshits as part of its answer, but rather than randomly picking numbers, it will specifically insert numbers that ultimately lead it to agree with the question, even if the suggestion is wrong.

But, notes Dr Batson, being able to peer into the mind of an LLM and see when it decides to bullshit provides clues as to how to stop it doing the same in the future. The goal, after all, is to not have to do brain surgery—digital or otherwise—at all. If you can trust the model is telling the truth about its thought process, he points out, then knowing what it’s thinking should be as simple as reading the transcript. ■

<https://www.economist.com/science-and-technology/2025/04/02/researchers-lift-the-lid-on-how-reasoning-models-actually-think>

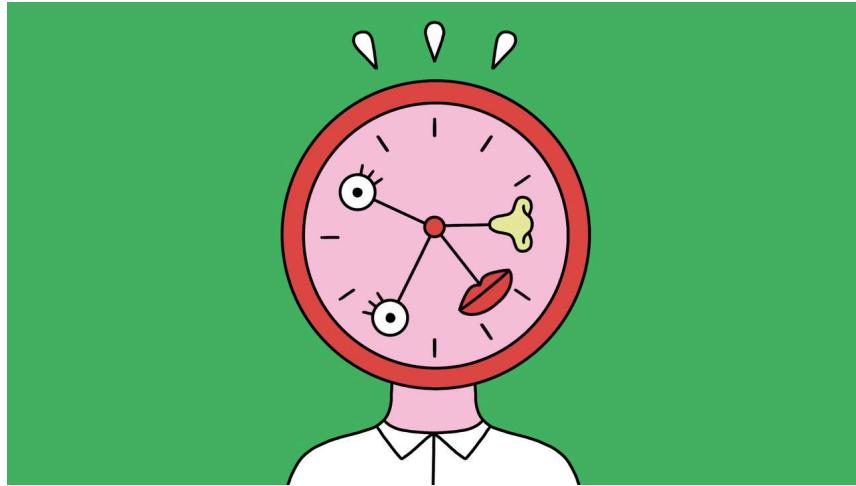
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Well informed

How Daylight Saving Time affects your sleep and diet

This annual time shift has long-lasting effects on health

Apr 10, 2025 08:50 AM



AS CLOCKS SPRING forward in the [northern hemisphere](#), many people will be looking forward to longer, sunnier evenings—a few groggy mornings is a price they're probably willing to pay. But a growing body of research suggests that they ought to be more cautious. The arrival of Daylight Saving Time (DST) seems to have long-lasting negative effects on human health.

The human body clock, known as the circadian rhythm, lives in a region of the brain's hypothalamus known as the suprachiasmatic nucleus (SCN). It determines whether you feel awake or sleepy by regulating the production of melatonin, the sleepiness hormone, and cortisol, a stress hormone that promotes alertness. It is also essential for the timing of bodily functions, including the expression of genes and regulation of metabolism and mood.

What sets the body clock ticking is a person's exposure to light, particularly the blue wavelengths that are more prevalent in the

morning. Specialised cells in the retina send instructions to the SCN and, when the clock is set off correctly in the morning, sleep hormones appear at the right time in the evening and people wake up naturally at the right time the next day.

Standard time, what some may think of as winter time, more closely aligns with the natural light-dark cycles of day and night. On standard time, people get more blue early-morning light, thus setting off their body clocks properly. Not only is there less of this morning light during DST, the extra hour of light in the evenings makes things worse by interfering with melatonin production—thus delaying the onset of sleep. All this adds up to a misalignment of sleep-and-wake rhythms during DST, and it also plays havoc with the release of cortisol, ghrelin (a hunger hormone) and leptin (the satiety hormone).

A study in the *Journal of Health Economics* in 2019 looked at people living on opposite sides of a time zone in America. On the late Sun side (in effect an hour behind the early Sun side), on average people were sleeping 19 minutes fewer every day during DST, were 11% more likely to be overweight and obese, and their wages were 3% lower. Other studies show that the chronic effects are worse for teenagers, who are already biologically prone to being alert at night. They lose 32 minutes a night.

The sudden shift to DST itself also brings short-term health and safety risks. One study showed that, in the morning after the time shift, participants lost about 40 minutes of sleep, on average. Further problems include a spike in strokes (8%), heart attacks (24%), suicides (6%), and a slight increase in fatal traffic accidents. Moreover, researchers have noted an impact on episodes of depression, and studies in mice have tied DST to inflammatory bowel disease.

There are ways to reduce some of these health problems. Eva Winnebeck, a chronobiologist at the University of Surrey, says that

sitting outside in the morning (without sunglasses) can reset the biological clock. Avoiding the glare of screens late at night will also help, as will changing your home's lighting to warmer hues in the evening to lessen the dampening effect of bright light on the production of melatonin. There is nothing to stop you from enjoying the long evenings, of course, whether you decide to do some gardening or play golf. But perhaps consider wearing orange-tinted glasses that filter out any blue light. You might look a little strange, but can you really put a price on a good night's sleep? ■

<https://www.economist.com/science-and-technology/2025/04/02/how-daylight-saving-time-affects-your-sleep-and-diet>

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Reading the entrails

Hungry for more “Hunger Games”? There is plenty in store

Behind the franchise’s success—and the draw of dystopias

Apr 10, 2025 08:50 AM



Sunrise on the Reaping. By Suzanne Collins. *Scholastic*; 400 pages; \$27.99 and £19.99

THERE IS, ONE character says, “no way to pretty up what follows”. Indeed. Nor is there any attempt to, as that might spoil the fun. By the end of the first chapter, a shot has rung out, causing one boy’s head to “explode”. A little later, a girl’s head cracks open on the floor (blood leaks onto her plait); then another is poisoned (“blood begins running from her eyes, her nose, her mouth”); a third girl’s eye is gouged from its socket (blood is everywhere). For the dramatic climax, the hero is disembowelled; for the romantic one, his beloved is poisoned and “blood-flecked foam bubbles up over her lips”.

Welcome to the latest serving of “The Hunger Games”, the dystopian young-adult (YA) franchise for which the world seems to have an almost insatiable appetite. Suzanne Collins’s new

instalment, “Sunrise on the Reaping”, is the bestselling book on Amazon and has shifted more copies than any other fiction title on the e-commerce site in 2025. A film version of “Sunrise” will come out in November 2026. It is likely to do well: the books have sold over 100m copies worldwide, and the five previous films grossed a combined \$4.4bn globally after adjusting for inflation. In October a stage adaptation of “The Hunger Games” will open in Canary Wharf in London, in a custom-built theatre that can seat 1,200 people. It turns out that the market for dead children and sentences such as “I felt my intestines sliding out” is big.

It is also very old. When the first book in “The Hunger Games” series was published in 2008, there was hand-wringing about its violent plot. Every year each of the 12 districts of Panem sends two children to fight to the death in games, while the nation watches enthusiastically on all-revealing screens. Winning depends on brute force but also on-screen magnetism, since the contestants who are “liked” by the audience (in both the social sense and the social-media one) get more perks. This is survival of the fittest in every way.

But as Theseus—a young man from ancient Athens sent to Crete as part of an annual tribute of youths to feed a mythical man-eating Minotaur—could attest, stories about innocent youngsters being sent to their doom have always done well. And as the fate of Aegeus, his father (who kills himself when he thinks Theseus has died), proves, adults have always found this sort of stuff harder to stomach than children, who don’t seem to find it hard at all.

“Sunrise on the Reaping” is at the top of Amazon’s list of “Books on Death for Young Adults”, which is surprisingly long.

A red thread of gore winds from the Minotaur’s maze through all books for youngsters. One of the earliest of all was a 17th-century Puritan manual titled “A Token for Children”, which, as its subtitle explained, offered “an exact account of the conversion, holy and exemplary lives and joyful deaths of several young children”.

(They catch various incurable diseases, then expire piously, promptly and—between bouts of blood-spitting—full of happiness at the thought that they are off to “enjoy the embraces of [our] Saviour.”) The overall tone is, as Sam Leith, author of “The Haunted Wood”, a book about children’s literature, has put it, your “basic snuff-fiction anthology”.

Corpses, then, are a constant in literature for the young; what changes is how this gore is rationalised. “A Token” justified it with Satan. By contrast, “The Hunger Games” seasons its violence with politics, rather than piety. Panem’s capital, the “Capitol”, is plastered with posters whose slogans (“NO PEACE, NO BREAD! NO PEACE, NO SECURITY!”) might have come straight from George Orwell’s Oceania; Orwell also inspired the Big Brother-style cameras that watch the contestants everywhere they go. “Sunrise” comes with epigraphs from Orwell (on truth) and David Hume (on government). This is death with dystopian pretensions.

This, too, is typical. If you currently think the world feels a little dystopian, that is nothing compared with the mood of YA bookshelves, which are packed with glum titles like “Plague” and even glummer covers. YA dystopias are “immensely” popular, says Gregory Claeys, a professor at Royal Holloway, University of London, which he puts down to a “seeping anxiety” about the world.

Many dystopias come to be seen as prescient; far more often they are a portrait of present fears. Stalinism helped inspire [Orwell’s “1984”](#); the Stasi influenced [“The Handmaid’s Tale” by Margaret Atwood](#). She had a rule that she would “not put any events into the book that had not already happened”, because, if she were to create an imaginative garden, she “wanted the toads in it to be real”. Ms Collins’s strongest inspiration for “The Hunger Games” was her “unsettling” experience of channel-hopping between reality-TV shows and coverage of the Iraq war and finding that the two started to blur.



It has been said that the tense of dystopia is not “now” but “not yet”. Dystopias usually avoid painting precise political portraits; they are **political parables**, and like parables, can be widely applied and reinterpreted. In 2018, more than 30 years after “The Handmaid’s Tale” was published and a year after the first season of the TV version aired, women across the world dressed in red robes and white bonnets as they rallied in favour of women’s rights. Many will project today’s problems, from a hot war waged by Russia to political wars in the West, onto “Sunrise on the Reaping”: it bottles the sombreness of the moment, even if it was not expressly intended to. When the film comes out next year, interpretations could change again.

Until then, the most sinister Big Brother in “The Hunger Games” feels less Orwellian than televisual: this is a social-media dystopia, in which you are always being watched and being “liked” can change your life. Another Amazon bestseller list that “The Hunger Games” tops is called “Books on Being a Teen for Young Adults”. This list is rich with titles such as “The Teenager’s Guide to Burnout”, which advises readers to “consider taking a social-media break”. “The Hunger Games”, by contrast, offers advice on how to attack the problems of social media with an axe. And it is outselling them all. ■

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From invisible hand to fist

An insider's guide to economic warfare

A recent history of American sanctions and more offers a timely, riveting world tour

Apr 10, 2025 08:50 AM



Chokepoints. By Edward Fishman. *Portfolio*; 560 pages; \$40. *Elliott & Thompson*; £25

IN THE OPENING episode of “Jack Ryan”, a TV series based on Tom Clancy’s novels, the show’s square-jawed hero charms an impressionable young Treasury official into blocking the bank account of a suspected terrorist. “That...was awesome,” she sighs, after pushing the button. “I get so frustrated when people say Treasury doesn’t do anything,” remarks Mr Ryan, a CIA analyst and former Marine, before jetting off to a firefight in Yemen.

People do not say that now. In “Chokepoints”, Edward Fishman, a former official at both the Department of State and the Department of the Treasury, describes how the American government’s unglamorous economic arms have jumped into the [middle of the country’s geopolitical fights](#) over the past two decades. This happened as leaders lost faith in military force but [gained](#)

confidence in the many economic weapons at their disposal. Some of these “chokepoints” are obvious, like the dollar and vital American chip technologies. Others, such as Western domination of shipping insurance, are more obscure.

The author takes readers on a global tour. He writes about how American officials persuaded foreign banks and energy companies to shun Iran, forcing it to negotiate a nuclear deal in 2015; how Western allies stopped big Russian firms from raising new money in global financial markets after the country’s annexation of Crimea in 2014; and how the Department of Commerce banned countries from supplying China with advanced semiconductors made with American technology.

The book has no Jack Ryans. But it contains a satisfying amount of dash and drama. The cast includes Stuart Levey, described as “a founding father of American financial warfare”, who persuaded foreign banks to abandon Iran. (They did so not because their governments required it, but because it was against their commercial interest to serve a country with controversial nuclear ambitions and crummy banking habits.) Another character, Daleep Singh, a former Goldman Sachs trader, was once described as “*The Economist* personified”. He led the charge to freeze Russia’s foreign-exchange reserves in 2022. A third character is David Cohen. Called a “financial Batman” by colleagues, he crossed from Treasury to the CIA. (He also appeared as an extra in “Game of Thrones”, a TV show co-created by his brother-in-law.)

Mr Fishman’s various stints working in government on sanctions qualify him on the substance. The style might owe more to his time as an editor at *Foreign Affairs* and to his favourite professor while a student at Yale: Donald Kagan, a historian of ancient Greece. The book shares Kagan’s commitment to chronology, without allowing hindsight to contaminate the storytelling. That approach helps him show how economic weapons evolved through trial, error and political pressure. It also makes for a cracking yarn.

When Mr Levey went to work at the Treasury in 2004, sanctions were out of favour. “That’s what I like: really low expectations,” he said. When he wanted to brief Condoleezza Rice, then the secretary of state, on his ideas to thwart Iran, he had to follow her around the Middle East before he could get an hour to talk to her on her flight home. Success against Iran encouraged American officials to use financial weapons against Russia when it annexed Crimea. But the Europeans might never have gone along had Russian proxies not [shot down a passenger jet](#) carrying 196 Dutch nationals in July 2014.

After Russia invaded Ukraine in 2022, Mr Singh quickly persuaded frightened Europeans to freeze the Russian central bank’s reserves. But he could not convince his own Treasury secretary, Janet Yellen, herself a former central banker. Counterparts reached Mario Draghi, Italy’s prime minister and former head of the European Central Bank, who was able to reassure Ms Yellen—one central banker to another. The world economy, shaped by vast impersonal forces, is sometimes shaped by personal forces, too.

In the book’s final, more analytical chapters, Mr Fishman points out that Western officials were often overly afraid of their own weapons. They worried about “catastrophic success”—inflicting so much damage on their adversaries it would hurt their own economies. He argues that the post-war world has wrestled with an awkward “trilemma”: economic security, economic interdependence and geopolitical rivalry. They cannot all coexist; the world must sacrifice one of the three.

Today countries are feeling vulnerable, especially so since Donald Trump’s return to power. What sets the president apart is his passion for waging economic war on America’s longtime allies, which he combines with a fondness for tariffs. This absorbing book, which concludes before Mr Trump’s return, describes how ingenious technocrats forged new, more precise tools of [economic](#)

[coercion](#), including what one calls a “scalpel”. Mr Trump, however, often prefers the cudgel. ■

<https://www.economist.com/culture/2025/04/03/an-insiders-guide-to-economic-warfare>

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On the back foot

Sneakernomics and the surprising future of sneakers

After a surge in interest, trainers are less popular

Apr 10, 2025 08:50 AM



A FEW YEARS ago trainers were the footwear *du jour*. Rubber-soled shoes, the kind sported by sportsmen, strode down catwalks and corporate corridors. Patrons queued for hours to get their feet into the latest pairs and [flocked to websites](#) and auction houses to bid on trendy styles.

Today the queues outside trainer stores are shorter and less frequent. Styles of trainers (or sneakers, as they are known outside Britain) that once sold for more than quadruple their retail price, such as limited-edition Air Jordan 1s and chunky [Yeezys](#), are being offered at a discount. Are customers running away from trainers?

“Sneaker culture is dead,” Qias Omar, a “ShoeTuber” with more than 3m fans across YouTube, Instagram and TikTok, complained recently. “Sneakerheads” who trade in trainers worry that the resale market, valued at around \$6bn, is stumbling. Online marketplaces in France and the Netherlands have recently gone bankrupt.

Sneakersnstuff, a European retailer, filed for bankruptcy in January, citing “a global decline in the limited-edition sneakers market” (it has been acquired by a German investment firm). Since 2021 the value of sales of fashion and lifestyle sneakers has decreased by 5.8% in America after adjusting for inflation, according to data from Circana, a research firm.

According to Drew Haines of StockX, a resale platform, this is about the trainer market returning to normal. Interest in sneakers surged during covid, when people were stuck inside in slippers and had free time to browse collectible items such as wine and watches online. With offices and schools closed, shoppers sought more casual forms of footwear. Youngsters became especially fond of sneakers, filling their wardrobes with pairs to match every outfit. The pandemic also disrupted supply chains, which made sneakers scarce and inflated prices.

The end of pandemic-era “[sneakermania](#)” is not the only reason rubber soles seem less trendy. Brands restricted supply before covid, using limited-edition “drops” to create excitement around specific lines. But recently they have pumped out lots of product, even restocking once-rare styles prized by collectors, says Dylan Dittrich, author of “Sneakonomic Growth”, a book about sneaker collecting. Although this strategy can pump up sales, it lowers demand and pushes prices down.

Counterfeits have also come on in strides. Most [fakes](#) are made in China, often in the same factory as branded shoes. On Reddit, a social-media site, shoppers praise the high quality of sneaker “reps”, or replicas. Nike’s limited-edition collaborations with Travis Scott, a rapper, are among the most counterfeited shoes in the world; buyers report that fakes are 99% accurate.

But there is another, simpler reason why sneakers have slipped: changing fashions. Some styles are *passé*, notably those by Yeezy, a brand owned by Kanye West. (Adidas ended its partnership with

Yeezy in 2022 after the rapper's antisemitic outbursts.) Pairs that are in fashion right now, such as [running-inspired shoes](#) by brands including Hoka and On, are better suited to athletics than auction houses.

Sneaker enthusiasts are being lured by other forms of footwear, such as boots, loafers and ballet flats. Sportswear firms are trying to cater to changing tastes. New Balance and Hoka have released loafers, and Adidas has created sneaker versions of Mary Jane shoes. Golden Goose, a maker of luxury sneakers, is now also known for its cowboy-inspired leather boots. Fashion houses, which brought sneakers to catwalks years ago, are collaborating with popular shoe brands for different looks instead. In 2024 Louis Vuitton worked with Timberland to create limited-edition outdoor boots; Balenciaga released a line of sandals with Crocs.



Meanwhile, sneaker collectors are seeking only what others do not have. In a recent sportswear auction at Sotheby's, the world's largest auction house, many Nike shoes sold for below their estimated value. The priciest pair, fetching \$190,500, was worn and signed by Kobe Bryant, a basketball player who died in 2020. These days, Mr Dittrich observes, "It takes a special sneaker to produce special prices." ■

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Hare today, still hare tomorrow

Why memoirs involving animals are so successful

“Raising Hare” is just the latest example of a popular literary trend

Apr 10, 2025 08:50 AM



Ear me out

Raising Hare. By Chloe Dalton. *Pantheon; 304 pages; \$27. Canongate; £18.99*

A NEW MEMOIR by Chloe Dalton, a high-flying British foreign-policy adviser, has leapt off bookshelves on both sides of the Atlantic. It sits at the confluence of two conventional story types. The first is “what I learned from wild animals”: in Ms Dalton’s case, a hare. Other authors have bonded with foxes, [hawks](#), owls, magpies and snails—which have [taught them important things](#) about how to be human. In a new film, called “The Penguin Lessons”, a penguin instructs Steve Coogan, an unflappable comic actor.

The second story type is “career woman finds love, joy and wonder”, the basis of countless romance novels. True, love, joy and wonder usually arrive in the form of an attractive human male or

female, but for Ms Dalton they come bundled in a four-legged, long-eared, skittish little package.

The story begins during the pandemic, as Ms Dalton finds herself adjusting to lockdown at her weekend country home. One day she hears a dog barking, investigates and finds a palm-size leveret (baby hare) lying on the grass strip between two tyre tracks. She leaves on a walk, but when she returns, the leveret is still there. Buzzards circle above; left alone, it would probably be run over by a car or eaten. So Ms Dalton takes the animal home, feeds it a few drops of milk and lays it down to sleep in a grass-lined shoebox.

Literature and folklore help her learn how to care for it (unlike rabbits, with which they are often incorrectly grouped, hares are rarely pets). A poem about a hare written by William Cowper in the late 18th century advises, “His diet was of wheaten bread, / And milk, and oats and straw”; indeed, Ms Dalton’s companion turns out to love oats. She grows increasingly fond of the animal but admits, “I downplayed my growing attachment to it. I had a sense that I’d be judged as unserious and overemotional, as if I had been swept away by a childish enthusiasm.”

But heart defeats head, as it must in these stories, and before long she is structuring her days and even her paths around her house to please and avoid disturbing the hare, for which she leaves the garden door open. “It was excessive. It was absurd. It was beautiful,” she writes. Any new lover or parent recognises that sentiment.

Ms Dalton’s book is surprisingly moving for two reasons. First, she is an elegant writer and sharp-eyed observer. Her leveret’s mouth is “a tiny sooty line...curved down at both corners as if [she] were already slightly disappointed by life.” A house full of hares smells “faintly like digestive biscuits”. Readers underlining memorable sentences risk running out of ink.

Second, the book's message is not that love is nice (yawn) but that paying attention is contagious. Caring for the leveret opens Ms Dalton's eyes to the natural world—as wild animals do for other authors of similar books. The cradle-to-grave rural writer is a rare beast; urban writers such as Ms Dalton need reminding that “nature” is not a pleasant place to go on weekends to get away from the city. It is everything and everywhere. Readers need reminding of that, too. ■

<https://www.economist.com/culture/2025/04/03/why-memoirs-involving-animals-are-so-successful>

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The spies that bind

How the CIA smuggled Orwell and Le Carré into the eastern bloc

The agency's most highbrow covert op

Apr 10, 2025 04:11 PM



The CIA Book Club: The Best-Kept Secret of the Cold War. By Charlie English. *William Collins; 384 pages; £25. To be published in America by Random House in July; \$35*

BOOKS WERE smuggled on boats, trains and trucks, concealed in food tins, baby nappies and even the sheet music of travelling musicians. Over three decades before the fall of the Berlin Wall in 1989, the CIA funnelled 10m books into the eastern bloc, including George Orwell's "1984", John le Carré's spy thrillers and Virginia Woolf's writing advice. The programme was "the best-kept secret of the cold war", writes Charlie English, an author, in a new book.

George Minden, the leader of the literary-propaganda scheme, described it as "an offensive of free, honest thinking". Censors in the eastern bloc banned books for ideological reasons or because they depicted life in the West. Rulings were draconian and absurd. Detective novels by Agatha Christie with no political message were

forbidden; a book about carrots was destroyed because it described how they could grow in individuals' gardens, not only in collectives. The state controlled printing presses. Typewriters had to be registered, and a permit was sometimes needed to buy paper.

So the CIA sent printing supplies to dissidents. When Poland was under communist rule, the ink, typesetters and photocopiers [sent by the agency](#) helped sustain an underground publishing network. One Polish printer has compared this equipment to “machine guns or tanks during war”, enabling the opposition to reproduce banned books and publish their own newspapers. Adam Michnik, a former Polish dissident, told Mr English that illicit tomes saved his country: “A book was like fresh air. They allowed us to survive and not go mad.”

Inside and outside the CIA, the scholarly scheme has received little attention and credit, until now. Mr English concludes that the programme was hugely successful, though it may have been one of “the most highbrow intelligence operations ever”. You could even call it bookish. ■

<https://www.economist.com/culture/2025/04/03/how-the-cia-smuggled-orwell-and-le-carre-into-the-eastern-bloc>

Song of ourselves

Is there anything left to learn about The Beatles?

The famous band has been amply covered. But analysing one friendship offers new insights

Apr 10, 2025 08:50 AM



John & Paul. By Ian Leslie. *Celadon Books*; 448 pages; \$32. *Faber & Faber*; £25

IN 1967 BRYAN MAGEE, a British philosopher and author, noted that 40-year-old songs by the likes of George Gershwin, Cole Porter and Jerome Kern still had wide currency. Given an “indifference to melody in favour of rhythm and intriguing new sound mixtures”, he doubted that the songs of the 1960s would fare so well. “Does anyone seriously believe that Beatles music will be an unthinkingly accepted part of daily life all over the world in the 2000s?” he dared to ask.

The question now seems daft. Today “Eleanor Rigby”, “Norwegian Wood” and “Yesterday” are widely judged to hold their own in the company of American songbook classics. But there is more to the Beatles’ continuing currency than the songs, and more, too, than the performances and recordings (those “intriguing new sound

mixtures”) that made them known. In a way it would be unreasonable to blame Magee for missing that the invention of teenagers as a market and television as a medium changed what it was to be famous. And they did so through the Beatles, making them the very model of a [sort of fame](#) that is still around 60 years on.

The combination of songs and story means the Beatles remain fascinating; the fact that they are still fascinating means there is a market for fresh stories about them. And, happily, in recent years those works have been good enough to add to the fascination rather than tapping it out.

In 2020 Craig Brown’s wonderful “One Two Three Four” used artfully collated vignettes to put the Beatles into the context of both their time and the times that followed. In [“Love and Let Die”](#) (2022), John Higgs built a loosely Freudian fantasia of British social history out of the fact that the Beatles (representing progress, the working class, solidarity, subversion) released their first single on the same day as the first film featuring James Bond (the imperial past, the ruling class, isolation, conformity) opened in cinemas. Perhaps most remarkable of all, in 2021 was [Peter Jackson’s three-part, nearly eight-hour documentary](#) about the making of “Let It Be”, their last album. The intimate account of music, friendship, silliness and sadness became a hit on streaming services. More is in store. Sam Mendes, an Oscar-winning director, plans to release four films, one for each Beatle, in 2028.

Ian Leslie’s “John & Paul” is a worthy entry into the canon. He provides a rich, sensitive reading of the relationship between John Lennon and Sir Paul McCartney, a teenage crush that turns into a partnership in which two remarkable artists developed an extraordinary complementarity, their strengths combined and their weaknesses cancelled out. Their friendship was a central fact of their existence and success—a story that moved from complicity to competition to [something curdled](#) and, eventually, to terrible loss.

Throughout, the author cleverly uses their music both as a source for his understanding of the two men and as a subject matter to which he can apply that understanding. Mr Leslie, who has contributed to *The Economist*, listens as a musician, a fan and a literary critic, as well as the author of a love story. In doing so he finds plenty of scope for insights that are academically astute—noting how Lennon, by truncating quotations from Timothy Leary's version of "The Tibetan Book of the Dead", transformed them into iambic pentameter, thus adding blank-verse gravity to "Tomorrow Never Knows".



There is plenty that is genuinely thought-provoking, too. Mr Leslie notes the way that the songwriters' use of reported speech ("Last night I said these words to my girl" in "Please, Please Me" or "It's you she's thinkin' of / And she told me what to say" in "She Loves You") broadens their work, taking them beyond the saccharine declarations of love that were pop's mainstay into songs with room for ambiguity and irony. The urgency with which the narrator offers the assurance that "She loves you" needs to be understood as meaning "I love you, too".

This richer reading is reinforced by the two men sharing the song's lead vocal, achieving "the distinct and thrilling aesthetic effect of two men who share the same 'I'—the same consciousness. It became an expression of the group's camaraderie that also evoked

how two people can slip in and out of each other's subjectivity: the way we internalise the voices of those we know and love.”

A day in the life

Perhaps, at times, Mr Leslie overthinks things. But other times he pulls everything together brilliantly. “Lady Madonna”, Sir Paul’s funky piano paean to motherhood, is put into the context of his fragile engagement to an actress, Jane Asher, his worries about Lennon’s insecurity and the death of their manager, Brian Epstein. He recognises in it, as in so much else, Sir Paul’s never-assuaged grief over his own mother’s death; he hints at the degree to which a song about “a woman beleaguered by the ceaseless demands of others, trying to hang on to her sense of self” applies, to some extent, to Sir Paul himself.

And then, trading story for song and the specific for the universal, he concludes that though all this matters, none of it gives you the heart of the song: “Insofar as it’s about anything, it’s that two-handed piano riff, the life force itself, shaking us out of sadness, dragging us out of bed, propelling us into whatever comes next.” ■

<https://www.economist.com/culture/2025/04/02/is-there-anything-left-to-learn-about-the-beatles>

Economic & financial indicators

- [**Economic data, commodities and markets**](#)

Indicators ::

Indicators

Economic data, commodities and markets

Apr 10, 2025 08:50 AM

Economic data

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	Gross domestic product			Consumer prices			Unemployment rate	
	% change on year ago: latest	quarter*	2024†	% change on year ago: latest	2024†	%		
United States	2.5	Q4	2.4	2.8	2.8	Feb	2.9	4.1 Feb
China	5.4	Q4	6.6	5.0	-0.7	Feb	0.2	5.4 Feb ^{‡\$}
Japan	1.1	Q4	2.2	0.1	3.6	Feb	2.7	2.4 Feb
Britain	1.5	Q4	0.4	0.9	2.8	Feb	3.3	4.4 Dec ^{††}
Canada	2.4	Q4	2.6	1.3	2.6	Feb	2.4	6.6 Feb
Euro area	1.2	Q4	0.9	0.8	2.2	Mar	2.4	6.1 Feb
Austria	-0.5	Q4	-1.4 [‡]	-1.2	3.1	Mar	2.9	5.3 Feb
Belgium	1.1	Q4	0.7	1.0	3.6	Mar	4.3	5.9 Feb
France	0.6	Q4	-0.4	1.1	0.9	Mar	2.3	7.4 Feb
Germany	-0.2	Q4	-0.8	-0.2	2.3	Mar	2.5	3.5 Feb
Greece	2.7	Q4	3.7	2.3	3.0	Feb	3.0	8.6 Feb
Italy	0.6	Q4	0.5	0.5	2.1	Mar	1.1	5.9 Feb
Netherlands	1.9	Q4	1.5	0.9	3.4	Mar	3.2	3.8 Feb
Spain	3.4	Q4	3.2	3.2	2.2	Mar	2.9	10.4 Feb
Czech Republic	1.8	Q4	2.6	1.0	2.7	Feb	2.4	2.7 Feb [‡]
Denmark	3.9	Q4	7.6	3.6	2.0	Feb	1.4	2.9 Feb
Norway	-0.3	Q4	-2.5	2.1	3.6	Feb	3.1	3.9 Jan ^{‡‡}
Poland	3.2	Q4	5.3	2.9	4.9	Mar	3.8	5.4 Feb ^{\$}
Russia	3.1	Q3	2.7	3.8	10.1	Feb	8.4	2.4 Feb ^{\$}
Sweden	2.3	Q4	3.1	1.0	1.3	Feb	1.9	9.4 Feb ^{\$}
Switzerland	1.5	Q4	0.8	1.3	0.3	Feb	1.1	2.7 Feb
Turkey	3.0	Q4	6.9	3.3	39.1	Feb	58.4	8.7 Feb ^{\$}
Australia	1.3	Q4	2.4	1.0	2.4	Q4	3.2	4.1 Feb
Hong Kong	2.4	Q4	3.2	2.5	1.4	Feb	1.7	3.2 Feb ^{‡‡}
India	6.2	Q4	9.3	6.3	3.6	Feb	4.9	7.7 Mar
Indonesia	5.0	Q4	5.5	5.0	-0.1	Feb	2.3	4.9 Aug ^{\$}
Malaysia	5.0	Q4	2.2	5.1	1.5	Feb	1.8	3.1 Jan ^{\$}
Pakistan	3.2	2024**	na	3.2	1.5	Feb	12.6	6.3 2021
Philippines	5.2	Q4	7.4	5.6	2.1	Feb	3.2	4.3 Q1 ^{\$}
Singapore	5.0	Q4	2.0	4.4	0.9	Feb	2.4	1.9 Q4
South Korea	1.2	Q4	0.3	2.1	2.1	Mar	2.3	3.2 Feb ^{\$}
Taiwan	2.9	Q4	6.6	4.3	1.6	Feb	2.2	3.4 Feb
Thailand	3.2	Q4	1.5	2.5	1.1	Feb	0.4	0.8 Feb ^{\$}
Argentina	2.1	Q4	5.7	-2.4	66.9	Feb	220	6.4 Q4 ^{\$}
Brazil	3.6	Q4	0.7	3.4	5.1	Feb	4.4	6.8 Feb ^{‡‡‡}
Chile	4.0	Q4	1.5	2.3	4.7	Feb	3.9	8.4 Feb ^{‡‡‡}
Colombia	2.4	Q4	2.5	1.7	5.3	Feb	6.6	10.3 Feb ^{\$}
Mexico	0.5	Q4	-2.5	1.5	3.8	Feb	4.7	2.7 Feb
Peru	4.2	Q4	2.0	3.3	1.3	Mar	2.4	6.6 Feb ^{\$}
Egypt	4.3	Q4	0.8	2.4	12.8	Feb	28.3	6.4 Q4 ^{\$}
Israel	7.0	Q4	2.0	0.6	3.4	Feb	3.1	2.7 Feb
Saudi Arabia	1.3	2024	na	1.3	2.0	Feb	1.7	3.5 Q4
South Africa	0.9	Q4	2.3	0.6	3.2	Feb	4.4	31.9 Q4 ^{\$}

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted.

‡New series. **Year ending June. ‡‡Latest 3 months. ‡‡‡3-month moving average. Note: Euro area consumer prices are harmonised.

Economic data

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	Current-account balance % of GDP, 2024 [†]	Budget balance % of GDP, 2024 [†]	Interest rates 10-yr govt bonds latest, %	change on year ago, bp	Currency units per \$ Apr 2nd	% change on year ago
United States	-3.9	-6.6	4.2	-16.0	-	
China	2.3	-5.0	1.7	\$\$	-54.0	7.27
Japan	4.8	-2.3	1.5	75.0	150	1.2
Britain	-3.2	-5.5	4.7	71.0	0.77	2.6
Canada	-0.3	-2.3	2.9	-66.0	1.43	-4.9
Euro area	3.1	-3.3	2.7	32.0	0.92	1.1
Austria	2.3	-3.7	3.1	16.0	0.92	1.1
Belgium	-0.3	-4.5	3.2	26.0	0.92	1.1
France	-0.4	-6.1	3.4	50.0	0.92	1.1
Germany	6.0	-2.8	2.7	32.0	0.92	1.1
Greece	-6.4	-1.2	3.6	16.0	0.92	1.1
Italy	1.2	-4.0	3.8	2.0	0.92	1.1
Netherlands	9.5	-0.7	3.0	29.0	0.92	1.1
Spain	3.0	-3.2	3.3	18.0	0.92	1.1
Czech Republic	1.7	-2.4	4.2	15.0	23.0	2.5
Denmark	12.5	1.9	2.5	8.0	6.87	0.9
Norway	16.3	12.1	4.0	48.0	10.4	4.3
Poland	0.1	-5.7	5.7	18.0	3.84	3.9
Russia	2.6	-1.8	15.3	206	84.2	9.7
Sweden	6.1	-1.3	2.6	31.0	9.90	8.2
Switzerland	5.2	0.7	0.5	-21.0	0.88	2.3
Turkey	-0.8	-4.9	30.5	581	37.9	-15.4
Australia	-1.9	-2.2	4.5	46.0	1.59	-3.1
Hong Kong	12.3	-2.7	3.4	-45.0	7.78	0.6
India	-0.5	-4.8	6.5	-62.0	85.5	-2.5
Indonesia	-0.2	-2.5	7.0	28.0	16,560	-4.0
Malaysia	1.7	-4.3	3.8	-12.0	4.45	6.7
Pakistan	0.2	-6.8	12.3	+++	-187	280
Philippines	-2.4	-5.6	6.2	-11.0	57.2	-1.6
Singapore	17.5	0.3	2.6	-53.0	1.34	0.8
South Korea	5.3	-1.8	2.8	-66.0	1,467	-7.8
Taiwan	14.1	0.5	1.6	13.0	33.2	-3.2
Thailand	2.3	-5.7	2.1	-48.0	34.2	7.3
Argentina	0.4	0.3	na	na	1,073	-20.1
Brazil	-2.8	-7.6	15.0	390	5.70	-11.4
Chile	-2.6	-2.9	5.8	nil	949	3.1
Colombia	-2.8	-6.6	11.8	167	4,143	-7.1
Mexico	-1.1	-4.9	9.3	-8.0	20.4	-18.8
Peru	2.2	-3.8	6.7	-66.0	3.67	1.4
Egypt	-6.2	-3.7	na	na	50.6	-6.7
Israel	3.2	-6.8	4.5	9.0	3.70	0.3
Saudi Arabia	-0.5	-2.8	na	na	3.75	nil
South Africa	-0.6	-5.2	10.9	22.0	18.7	0.2

Source: Haver Analytics. §§5-year yield. +++Dollar-denominated bonds.

Markets

	Index	% change on:	
In local currency	Apr 2nd	one week	Dec 31st 2024
United States S&P 500	5,671.0	-0.7	-3.6
United States NAS Comp	17,601.1	-1.7	-8.9
China Shanghai Comp	3,350.1	-0.6	nil
China Shenzhen Comp	2,014.6	-1.5	2.9
Japan Nikkei 225	35,725.9	-6.1	-10.4
Japan Topix	2,650.3	-5.8	-4.8
Britain FTSE 100	8,608.5	-0.9	5.3
Canada S&P TSX	25,307.2	0.6	2.3
Euro area EURO STOXX 50	5,304.0	-2.0	8.3
France CAC 40	7,858.8	-2.1	6.5
Germany DAX*	22,390.8	-2.0	12.5
Italy FTSE/MIB	38,454.2	-1.5	12.5
Netherlands AEX	901.5	-1.7	2.6
Spain IBEX 35	13,350.2	-0.6	15.1
Poland WIG	97,963.9	-0.6	23.1
Russia RTS, \$ terms	1,090.3	-7.4	22.1
Switzerland SMI	12,588.3	-2.8	8.5
Turkey BIST	9,523.3	-1.3	-3.1
Australia All Ord.	8,133.1	-1.1	-3.4
Hong Kong Hang Seng	23,202.5	-1.2	15.7
India BSE	76,617.4	-0.9	-1.9
Indonesia IDX	6,510.6	0.6	-8.0
Malaysia KLSE	1,526.5	0.6	-7.1
Pakistan KSE	117,806.8	nil	2.3
Singapore STI	3,954.2	-0.2	4.4
South Korea KOSPI	2,505.9	-5.2	4.4
Taiwan TWI	21,298.2	-4.3	-7.5
Thailand SET	1,172.7	-1.5	-16.2
Argentina MERV	2,356,530.8	-3.4	-7.0
Brazil BVSP*	131,263.4	-0.9	9.1
Mexico IPC	53,716.6	1.7	8.5
Egypt EGX 30	32,026.1	0.9	7.7
Israel TA-125	2,502.7	1.6	3.1
Saudi Arabia Tadawul	12,025.1	0.5	-0.1
South Africa JSE AS	89,105.8	-0.9	6.0
World, dev'd MSCI	3,649.6	-1.6	-1.6
Emerging markets MSCI	1,110.7	-1.8	3.3

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	112	95
High-yield	393	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

The Economist commodity-price index					
2020=100	Mar 25th	Apr 1st*	% change on		
			month	year	
Dollar Index					
All items	137.2	136.6	-0.7	4.3	
Food	150.6	150.6	-1.6	4.0	
Industrials					
All	126.0	125.0	0.2	4.6	
Non-food agriculturals	132.8	134.8	-4.5	-2.7	
Metals	124.3	122.5	1.6	6.9	
Sterling Index					
All items	136.1	135.8	-2.3	1.4	
Euro Index					
All items	145.1	144.4	-3.3	3.8	
Gold					
\$ per oz	3,024.0	3,131.3	7.6	38.6	
Brent					
\$ per barrel	73.1	75.0	4.9	-15.6	

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ. *Provisional.

<https://www.economist.com/economic-and-financial-indicators/2025/04/03/economic-data-commodities-and-markets>

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Obituary

- **George Foreman's career was about resurrection**

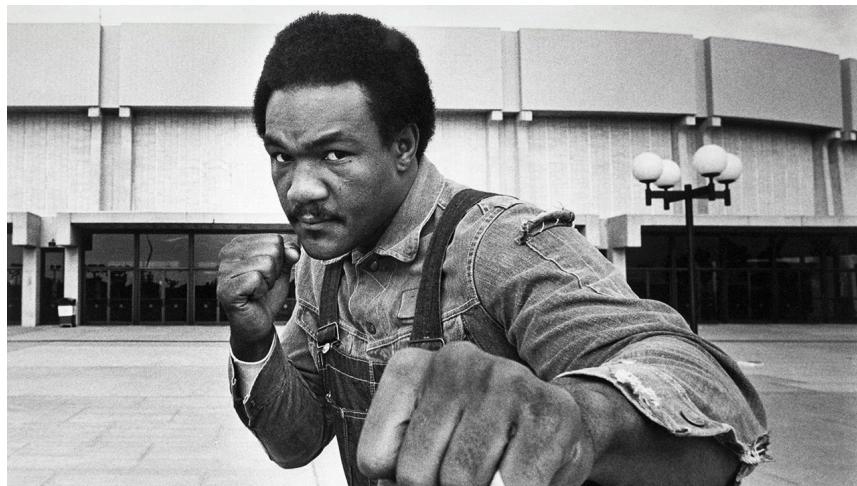
The punch of fate :: The two-time heavyweight champion of the world died on March 21st, aged 76

The punch of fate

George Foreman's career was about resurrection

The two-time heavyweight champion of the world died on March 21st, aged 76

Apr 10, 2025 08:50 AM



HEAVYWEIGHT CHAMPION of the world. George Foreman spoke the phrase so often in his life that it became a happy growl. He spoke it that way not just because he was proud of it, but because he could still hardly believe it. In his later years, as he said it, his blow-flattened face would melt into a broad smile.

Yet that title was a mixed bag, in truth. There was no college course to tell anyone how to carry it. In his case he felt the ghosts of Jack Dempsey, Jack Johnson and Joe Louis, previous champions, rise back to life in him. He would walk into a room full of people and think, I am a man of men.

He certainly felt that way in 1973 when, with a knockout, he beat Joe Frazier for the title. He floored him in two rounds in less than five minutes. Frazier was a giant-killer but he, Big George, could punch as hard and viciously as anyone. His right fist had settled 37 pro contests by then, 33 by knockouts. People didn't like him

much. They called him a wrecking machine, and booed at his fights. He didn't care. He was a bad fella, ok? He did his morning roadwork in company with a German Shepherd because no one else got on with him. But he was world champion now.

His technique was also more subtle than people thought. He had a good, quick left jab. Although he looked immobile, just waiting to land the punch, his long-arm tactics probed and pulled. As much as anything, it was his height that made opponents afraid. And many were very afraid indeed.

He held the title for almost two years before he lost it. The occasion was the "Rumble in the Jungle" in Zaire, now Congo, perhaps the most famous boxing match in history. Sixty thousand people crowded in on that sweltering October night in 1974, and a billion watched on tv. His opponent was Muhammad Ali, a graceful, agile boxer with a big mouth. ("That all you got, George?" he would cry in his ear as they locked.) And Ali won. He vanquished him with a quick left and then a straight, fierce right, almost Foreman-style. And the title vanished away.

He had planned to have Ali, like Frazier, on the canvas in two rounds. When Ali lasted four, he was shocked. When he went to five, he was amazed. This was humiliation. Ali had a new trick, resting on the top rope and letting him punch him and punch him again until he was tired out. By the eighth round, George Foreman was no longer heavyweight champion of the world.

The loss of his title was worse than he could have imagined. He was not a man any more. For a fortnight he went to ground in a hotel in Paris, ashamed to show his face. He went on boxing, but after another stinging defeat three years later, to Jimmy Young in Puerto Rico, he decided to hang up his gloves for good.

It was a huge decision. Boxing was all he had. His fists had taken him from the Fifth Ward of Houston, Texas to the top of the world.

Hitting people expressed what he felt, as a youth full of hunger and anger. The hunger was often the real sort, as his single mother struggled to feed seven children. One hamburger would do for all of them. Hunger fuelled his anger; outside the home he mugged and stole. His mother said he had too much of a temper to box. He ignored her, took it up at 17, and at 19 won Olympic heavyweight gold.

That was the best feeling he ever had, better even than the world title. He was briefly full of joy and benevolence. Boxing had sated his anger and was now undeniably his life. Could he ever live without it? In 1977 he determined to try. He had made millions with his fists, \$5m from the Ali fight alone. A lot of it he had blown, but he had kept enough in a back pocket to pay for steak and potatoes. Besides, a new window had opened up for him.

After the fight with Young, stumbling back defeated to the dressing room, he had had an extraordinary experience. He was in the darkest place, in hell, or drowning in a deep sea with no boat or island near. Though he wasn't religious, he started pleading with God, even offering his prize money to charity so as not to die. A loud voice replied: "I don't want your money. I want you." In answer, he became a street-corner preacher, then a minister at the Church of the Lord Jesus Christ in Houston, and set up a centre for troubled youths. It gleamed with boxing rings, gloves and punchbags. But for ten years he himself did not even make a fist.

He turned out to be good at preaching. With no preparation, he just stood up and spoke. He was so affable and gentle that it was hard to believe he was the same man he had been before. But to do as much good work as he wanted to do, he needed more money. The solution was obvious: since boxing was an honorable profession, he should return to the ring.

In truth he had been wanting to for a while. That itch had not gone away. The fact that he was now really heavy was not a deterrent.

He piled on the training, ten-mile runs rather than a lazy three, and took up a pasta-salad-and fasting diet. Then in 1994, to general astonishment, he beat Michael Moorer over ten rounds to become world champion again. He was 45, the oldest ever.

What a different champion he was now. He wore a blue apron and a jovial grin as he promoted millions of George Foreman electric portable fat-reducing grills. Well might he smile, when he had sold the rights to his name on them for \$137.5m and got 40% of the profit from the sale of every one. All thanks to boxing.

At his mansion in Huffman, Texas, he indulged his fondness for animals. He had 18 German Shepherds now, plus horses and, at one stage, a lion and a tiger. More unexpected, though, was the screensaver on his computer. It showed Ali (now a friend) standing over him as he lay on the deck, stricken, at the end of their fight. He had his red shorts on. He had worn those shorts, though faded and not fitting so tight, when he beat Moorer 20 years later. There had been no stopping the once and future heavyweight champion of the world. ■

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