

# The Economist

The Africa gap: a special report

Battle and the sexes: women in combat

Putting a price on Greenland

Does melatonin cure jet lag?

JANUARY 11TH-17TH 2025

## DONALD THE DEPORTER



# The Economist

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The Economist :: How we saw the world

**The world this week**

## Politics

Apr 07, 2025 03:02 PM



After weeks of intense political pressure, [Justin Trudeau](#) announced his resignation as prime minister of [Canada](#) and suspended Parliament until March 24th. His Liberal Party will now start the process of choosing a new leader. Chrystia Freeland, whose resignation as finance minister in December triggered the current crisis, is one of the front-runners. Mark Carney, a former governor of both Canada's and Britain's central banks, is considering a bid. Support for the Liberals has dropped to around 20% amid rocketing immigration, inflation and housing costs. Under the leadership of Pierre Poilievre, the Conservatives have surged in the polls.

### ***Back to his old tricks***

**Donald Trump** repeated his warning to put “very serious tariffs” on [Canada and Mexico](#), and suggested he would shut off Canadian car exports to the United States. He also threatened to use military force to place the Panama Canal under American control and implied that he could use force to take Greenland, claiming that America needs it for national security. Donald Trump junior visited the island for a “personal day-trip”. Greenland is an autonomous

Danish territory. Mette Frederiksen, Denmark's prime minister, reiterated that it was not for sale, and that Greenlanders may opt for independence in the future.

The certification of America's election results in **Congress**, confirming Mr Trump's victory, was a more sedate affair compared with four years ago, when his supporters rampaged through the Capitol trying to overturn the result of his loss in 2020. Mike Johnson was re-elected as the speaker of the House of Representatives, but only after Mr Trump arm-twisted a few wavering Republicans. The Republicans hold the narrowest majority in the House for nearly 100 years.

**Fast-moving wildfires** fuelled by dry high winds tore though parts of **Los Angeles**, causing fatalities. The Hollywood Hills were ablaze; wealthy neighbourhoods, such as Pacific Palisades and around Sunset Boulevard, were evacuated. Firefighters bulldozed abandoned cars that were clogging the roads.

Edmundo González, whom many consider to have won **Venezuela's** presidential election in 2024, met Joe Biden at the White House, just days before **Nicolás Maduro** was set to be sworn in for another term. Mr González, who fled to Spain after the election, also met Mike Waltz, Mr Trump's pick for national security adviser.

A contingent of 150 troops from Guatemala joined the UN-backed security force in **Haiti** that has been tasked with trying to restore order in the country. The force has so far failed to quell the gang violence that has wracked Haiti, such as the recent murders at an event to reopen a hospital.

Hamas released a list of 34 hostages that the Palestinian Islamists in **Gaza** say they would release in the first stage of a possible **ceasefire deal with Israel**. It is not known whether they are all still alive. The names include two Israelis held in Gaza for a decade.

The body of a hostage was found in a tunnel in south Gaza by Israeli forces. The man's son, another hostage, is also feared dead.

The UN reported that **Iran** executed at least 901 people last year, up by 6% compared with 2023. About 40 were put to death in a single week in December. Most of the executions were for drugs-related offences, but some of those put to death were dissidents or connected to the wave of protests against the regime in 2022.

Iran freed an **Italian journalist** who was detained in December. The authorities said that Cecilia Sala was arrested for violating the country's laws, but foreign diplomats think there is a link to Italy's detention of an Iranian engineer suspected of supplying drone technology that led to the deaths of American soldiers.

Fighting in eastern **Congo** has displaced at least 100,000 people recently, according to the UN. M23, a rebel group supported by Rwanda, has stepped up its activities in the country's North Kivu region since the collapse last month of talks over a peace deal.

America said that the paramilitary Rapid Support Forces, one of the participants in **Sudan's** civil war, had committed [genocide](#). It imposed sanctions on Muhammad Hamdan Dagalo, who is the group's leader, members of his family and several companies that the RSF owns in the United Arab Emirates.

**Ukraine** launched a new offensive in **Russia's** Kursk region. Russia claimed to have beaten back the attack, though reports suggested its forces had come under heavy fire. A spokesman for the Ukrainian government said "Russia is getting what it deserves." At least 13 people were killed in a Russian attack on Zaporizhia. And Russia claimed to have taken the town of Kurakhove, though Ukraine said it had not entirely fallen.

Following an inconclusive election in September that failed to produce a government, **Austria's** president asked the hard-right

Freedom Party (FPÖ) to try to form a ruling coalition for the first time. The FPÖ got the most seats at the election, but the president gave the incumbent conservative People's Party (ÖVP) a chance to form another government. Those talks collapsed recently, and the new leader of the ÖVP, Christian Stocker, has said he is willing to work with the FPÖ.

**Nicolas Sarkozy** went on trial, again, in Paris. The conservative former French president is accused of receiving illegal funding for his campaign from Muammar Qaddafi, a notorious Libyan dictator who was executed during an uprising in 2011. Mr Sarkozy denies the charges. A judge recently upheld another conviction for corruption. He has avoided prison in that case by agreeing to wear a tracking device.



An earthquake of magnitude 7.1 struck **Tibet**, killing at least 126 people. Rescue workers searching for survivors had to cope with freezing conditions, as overnight temperatures plunged to -18°C (-0.4°F).

In **South Korea**, a court issued a new arrest warrant for the president, Yoon Suk Yeol, after he thwarted a previous attempt to haul him in for questioning by an anti-corruption agency. Mr Yoon, whose brief declaration of martial law in December has thrown the country into political turmoil, is surrounded by hundreds of bodyguards at his official residence.

## ***Building BRICS***

**Indonesia** formally joined the **BRICS** club of developing countries that was created as a counterweight to the G7. Founded by Brazil, Russia, India and China the organisation also includes Egypt, Ethiopia, Iran, South Africa and the United Arab Emirates.

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<https://www.economist.com/the-world-this-week/2025/01/09/politics>

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**The world this week**

## Business

Apr 07, 2025 03:03 PM



Mark Zuckerberg announced that **Meta** would end the [fact-checking system](#) on its Facebook and Instagram platforms, and instead allow users to verify the accuracy of posts with something akin to the community notes that X has implemented. Meta ramped up its fact-checking after Donald Trump's first election win in 2016, but Mr Zuckerberg accepts that it was responsible for "too many mistakes and too much censorship" and that the new policy marks a return to free-speech principles. Some saw the timing of the rethink as bending the knee to Mr Trump.

Meanwhile, Meta added three [new directors](#) to its board, including Dana White, an influential media executive and vocal supporter of Mr Trump. The other two new directors are John Elkann, the boss of Exor, which part-owns *The Economist*'s parent company, and Charlie Songhurst, who advises Meta on artificial intelligence.

Jensen Huang, the chief executive of **Nvidia**, unveiled a new range of products and partnerships, and promised that his company would be at the forefront of the revolution in robotics. Nvidia has developed software that allows businesses to train robots, including

humanoid ones. He also announced a venture with Toyota in autonomous cars. Nvidia's share price fell sharply, however, as investors bet that the returns from all the shiny new investments are years away.

Joe Biden's decision to [block a takeover](#) of **us Steel** by **Nippon Steel** of Japan was contested in a lawsuit filed by both companies. The firms argue that Mr Biden's order sidesteps the "constitutional guarantee of due process" and came about through "unlawful political influence". Steel unions in America are against the deal. The companies pointed out that "No transaction involving a Japan-based company of any kind has ever been blocked by the president on national security grounds." us Steel faces an uncertain future without the merger.

### ***Going out with a bang***

Proving that he's not done yet despite his imminent departure from the presidency, Mr Biden also banned **offshore drilling** along most of America's coastline, though drilling in most of the areas covered by the ban is already restricted and the western Gulf of Mexico is not included. Donald Trump says he will reverse the order "immediately" upon taking office.

Continuing the flurry of activity in the Biden administration the Pentagon added **CATL**, the world's biggest maker of electric-car batteries, and **Tencent**, a tech giant, to its list of Chinese companies that it suspects of having military links. Both described their inclusion on the list as a mistake, and Tencent said it would make no difference to its business. The share prices of both companies swooned, however.

Ahead of the incoming change of government in America Michael Barr is to step aside from his role at the Federal Reserve as vice-chairman for **banking supervision**, but will stay on as one of the central bank's governors. Mr Barr has rubbed up against Wall

Street's titans with his stricter regulatory proposals, but he was forced to water down new capital requirements in 2024 after robust opposition from the likes of JPMorgan Chase and Goldman Sachs. As Mr Barr is staying at the Fed, Mr Trump will have to name another of its governors as the new banking supervisor.



The new year kicked off with turbulence in **global bond markets**, as investors fretted about high levels of government borrowing. The sell-off was worst in Britain, with the yield on ten-year government bonds touching 4.9%, the highest since 2008, during the financial crisis. Higher yields threaten the government's fiscal-stability rules, which could result in yet higher taxes or reduced public spending. China saw the exact opposite, as bond yields plunged to their lowest level on record.

Higher energy prices helped push up the **euro zone's** annual inflation rate to 2.4% in December. Inflation has been steadily rising in the currency bloc since September, when it stood at a more than three-year low of 1.7%.

**Getty Images** agreed to merge with **Shutterstock**, which will create the dominant player in the business of supplying photographs and other visual content to the media. Both companies are grappling with the rise of generative AI, and both offer services that allow users to create their own AI imagery.

### ***Ready to rumble***

A host of wrestling stars turned up in **Netflix's** first broadcast of WWE's "Raw" programme. John Cena, The Rock, Hulk Hogan and the Undertaker all made appearances at Netflix's latest foray into live streaming. It hopes to knock out other competitors vying to dominate the streaming of sports.

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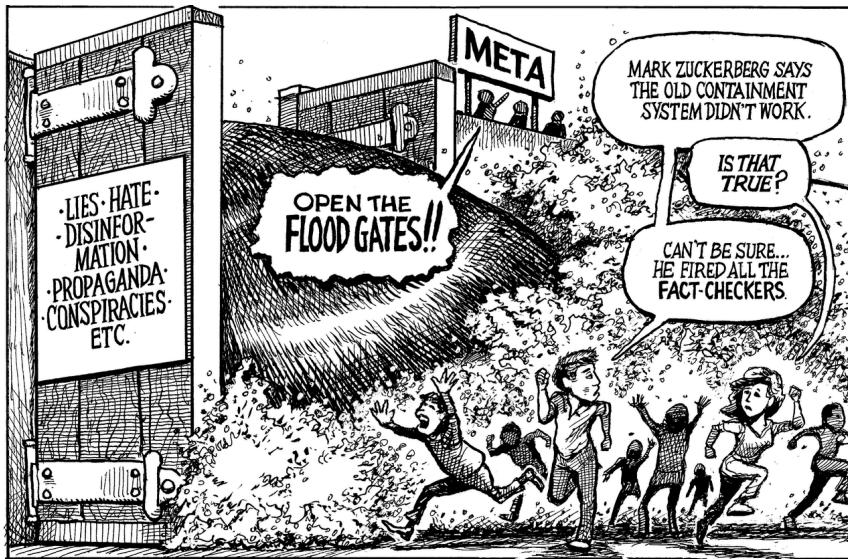
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The world this week

## The weekly cartoon

Apr 07, 2025 03:02 PM



Dig deeper into the subject of this week's cartoon:

**Leader:** [Mark Zuckerberg's u-turn on fact-checking is craven—but correct](#)

**Business:** [Will Mark Zuckerberg's Trump gamble pay off?](#)

**Science & technology:** [Training AI models might not need enormous data centres](#)

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

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<https://www.economist.com/the-world-this-week/2025/01/09/the-weekly-cartoon>

The Economist

## This week's covers

### *How we saw the world*

Apr 07, 2025 03:03 PM

THIS WEEK we had two covers, on the future of Africa and Donald Trump's promise to deport undocumented migrants.

I also have news of a competition to design your own cover for *The Economist*, but more on that later.

Although we rarely put Africa on our cover, demography is making the continent more important than at any time in the modern era. By 2030 more than half the young people entering the global workforce will be African. By 2035 one in every five people on the planet will live in Africa, compared with one in eight in 2000.

Our editorial draws on a special report about what we are calling Africa's "growth gap". In the past decade, as much of the world has thrived, Africa has slipped behind. Income per person has fallen from a third of that in the rest of the world in 2000 to a quarter. Output per head may be no higher in 2026 than it was in 2015. Our editorial is about how to put that right.

One idea was to use a photograph of a woman in a field. This was a beautiful image but it told the wrong story. Africa's future will be determined in its towns. It depends not on copying and pasting well-meaning proposals by World Bank development economists, but on the enterprise and determination of Africans themselves.

Unfortunately, the continent has a long journey ahead. Services, where ever more Africans find work, are less productive than in any other region—and barely more productive than in 2010. For all

the talk of using digital technology and clean energy to leapfrog ahead, Africa lacks the 20th-century kit needed to thrive in the 21st. Less than 4% of farmland is irrigated and almost half of sub-Saharan Africans lack electricity.

Two more ideas focused on the problem. But one, of Africa tethered to a spike, inevitably recalled slavery. And the other, of a zebra whose stripes resembled a bar chart, looked like an ad from Investec. In their very different ways, they distract from our editorial message that the world's poorest continent should embrace its least fashionable idea: growth powered by open markets and capitalism.

Two other designs, one of Africa surrounded by money and another which you can see below, represented a break with the past. African leaders need to get serious about growth. They should adopt the self-confident spirit of modernisation seen in East Asia in the 20th century, and today in India and elsewhere. That means building a political consensus in favour of growth. The good news is that a new generation of Africans, born several decades after independence, care a lot more about their careers than they do about colonialism.

That is a revolutionary creed for Africa. We liked the energy of the fist and the allusion to Black Power, with a clutch of dollars denoting the importance of a capitalist ethos. Yellow on black was a bit gloomy, so we reversed the colours.

If other continents can prosper, so can Africa. It is time its leaders discovered a sense of ambition and optimism. Africa does not require saving. It needs less paternalism, complacency and corruption—and more capitalism.

# The Economist

Donald Trump: reporter-in-chief

Five reasons to fret about the EU

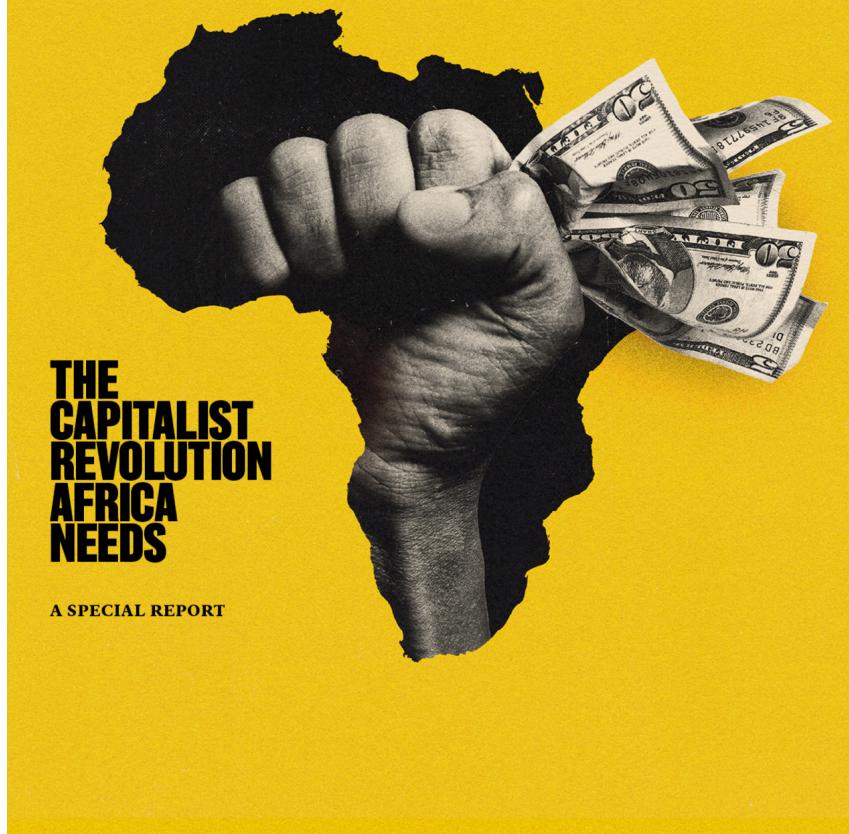
Battle and the sexes: women in combat

Putting a price on Greenland

JANUARY 11TH-17TH 2015

THE  
CAPITALIST  
REVOLUTION  
AFRICA  
NEEDS

A SPECIAL REPORT



**Leader:** [The capitalist revolution Africa needs](#)

**Special report:** [The Africa gap](#)

In our American edition we look forward to what will be a signature policy of the Trump administration. Donald Trump has threatened to deport 15m undocumented migrants. That will not happen. Shipping out such a huge number would be extraordinarily expensive and would shock the labour market, raising the prices of goods and services that illegal immigrants help provide. And yet Mr Trump was elected with a clear mandate to deal with the enduring chaos at the border that shook the early years of the Biden presidency.

Our cover was about what that would mean.

We considered an image with Mr Trump's manic moniker written in barbed wire. Given the practical difficulties, he will surely be tempted to focus on theatrical cruelty as a substitute for real action. Expect workplace raids with camera crews in tow, harsh internment in border states and a surge in the number of ICE agents in sanctuary cities.

But some of us thought this evoked prison camps rather than deportation. We looked for something different.

In Mr Trump's first term fewer people were actually deported than under Barack Obama. This time he seems to want the focus on immigration to be real. His deputy chief of staff is Stephen Miller, who yearns to restrict legal as well as illegal migration. His border tsar is Tom Homan, one of the inventors of the family-separation policy in Mr Trump's first term. And he has threatened to deploy the National Guard to help with deportations, whereas previous presidents used soldiers only for logistical support.

We tried an image that replaced the Statue of Liberty, the mother of exiles, with the deporter-in-chief. He stands, telling the huddled masses where they can put it. Instead of cradling the lamp beside the golden door Mr Trump is pointing the way to the exit.

No Republican politician can outflank Mr Trump on immigration. That creates the scope for a deal that combines effective border enforcement with a right to stay for the 11m or so law-abiding migrants who have long made America their home and who cannot and should not be deported.

The chances are that Mr Trump will want to keep immigration as a wedge issue and to pick fights with Democratic governors and mayors. But he also has an opportunity.



**Leader:** Donald the Deporter

**Briefing:** How far will Donald Trump go to get rid of illegal immigrants?

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And now for the competition. Dedicated readers will recognise this [cover-length editorial](#) on the virtues of GPL-1 receptor agonists, such as Ozempic and Wegovy, from our edition of October 26th 2024. We would like you to design an alternative cover to ours, with your own headline, and to send it as a PDF attachment to [coverstory@economist.com](mailto:coverstory@economist.com) by Monday February 3rd.

The three best entries will each receive a copy of our new “Cover Story” book, which assembles our covers of 2024 week by week.

Anybody can enter, so please pass on these details to the budding designers among your friends and family. Good luck!

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<https://www.economist.com/the-world-this-week/2025/01/09/this-weeks-covers>

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# Leaders

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Immigration :: Could a man who makes ugly promises of mass expulsion actually fix America's immigration system?

- **The capitalist revolution Africa needs**

Free markets :: The world's poorest continent should embrace its least fashionable idea

- **The Putinisation of central Europe**

Herbert Kickl and the hard right :: Austria could soon get its most extreme chancellor since the 1940s

- **Just because Indonesia has nickel doesn't mean it should make EVs**

From nickel to pickle :: Economic nationalists are making a reckless bet

- **Pete Hegseth's culture war will weaken America's armed forces**

Women and the armed forces :: Donald Trump's nominee for defence risks driving away talent

- **Health warnings about alcohol give only half the story**

Thinking about the demon drink :: Enjoyment matters as well as risk

**Immigration**

## Donald the Deporter

*Could a man who makes ugly promises of mass expulsion actually fix America's immigration system?*

Apr 07, 2025 03:03 PM



NOTHING SCRAMBLES the mind like a Trump press conference. On January 7th, at his winter palace in Florida, the president-elect mused on annexing Canada, Greenland and the Panama Canal—as well as tilting at offshore windmills for supposedly killing whales. It was a mix of free association, gleeful provocation and serious, world-changing intent.

Less noticed on January 7th, the House of Representatives passed the Laken Riley Act, which makes it easier to deport unauthorised immigrants for minor crimes such as shoplifting. Immigration is where the next administration is likely to direct its first efforts after the inauguration on January 20th. And here, too, Donald Trump promises that same mind-scrambling cocktail. Illegal immigration is a problem that lends itself to wild, crowd-pleasing and destructive policies, as well as presenting opportunities for beneficial reform. The path Mr Trump chooses will not only say something about his presidency, it could also cause ripples in the many other rich countries that have political problems over immigration.

Under President Joe Biden chaos erupted at the border, at least for a while. To their cost in the election, many Democrats responded by blaming voters for being cross about it. In the most recent numbers the Census Bureau records a net increase of 2.8m immigrants in 2023. The share of foreign-born residents in America has been higher since 1885, when Frederick Trump left Germany for New York, but it is the highest in a century. Although most Americans welcome legal migrants and the country is good at assimilating them, they resent it when immigrants claim asylum and then disappear into a shadow labour market while awaiting a court hearing.

Mr Trump takes office with a mandate to tighten controls. In the campaign he extended the abhorrent rhetoric that marked his first term, talking about immigrants “poisoning the blood” of America. The contrast with that first term, when fewer people were actually deported than under Barack Obama, is that this time he seems to want the focus on immigration to be real. His deputy chief of staff is Stephen Miller, who yearns to restrict legal as well as illegal migration. His border tsar is Tom Homan, one of the inventors of the family-separation policy in his first term. And he has threatened to deploy the National Guard to help with deportations, where previous presidents used soldiers just for logistical support.

Mr Trump will not be able to carry through his [threat to deport 15m people](#). Shipping out such a huge number would be extraordinarily expensive and would shock the labour market, raising the prices of goods and services that illegal immigrants help provide. Research suggests that [deportations under Mr Obama](#) slowed housebuilding by throwing out so many plasterers and bricklayers. And mass expulsions would be unpopular, because over half of all irregular migrants have been in America for more than a decade. They have jobs and families, and often live in blue states that will not co-operate.

Instead Mr Trump is likely to look for a more practical policy. The temptation will be to dump the problem on Mexico. When deporting people, a big obstacle is finding governments to take them. Mr Trump might therefore simply turn back those who arrive via the southern border, threatening Mexico with tariffs unless it lets them in. Yet it is not in America's long-term interest to destabilise its poorer, southern neighbour. Mexico's president, Claudia Sheinbaum, recognises that helping America with immigration enforcement is a high card in any negotiation with the Trump administration and has signalled a willingness to help. He should meet her halfway.

Another temptation will be to focus on theatrical cruelty as a substitute for real action. Expect workplace raids with camera crews in tow, harsh internment in border states and ICE agents surging in sanctuary cities. As with the Conservative Party's plan to outsource Britain's asylum system to Rwanda, the point is partly to deter would-be migrants. It is also to persuade voters that the government is serious.

Cruelty for its own sake is wrong. By denying migrants' humanity, it coarsens American values. It may also prove unpopular. In the first Trump term Americans reacted against splitting up families and caging children; support for immigration rose. As soon as Mr Biden took office, support for immigration fell. That dynamic

creates room for Mr Trump to accomplish something less harsh and more enduring.

The first step is to beef up the border. Mr Trump is lucky, because irregular crossings have already fallen sharply from their peak in 2022, after the Biden administration made deals with Mexico and other Latin American countries to help curb the flow. Mr Trump may build on this by surging immigration officials to the border, to make quick rulings on whether claims are valid. He could also oblige asylum-seekers to remain in Mexico until their cases are decided, as he did in his first term. The second step is to focus deportations on criminals, as his chief of staff has suggested he will.

That could create consent for a third step that has long been obvious yet unattainable politically. Both as a practical matter and as an exercise in justice, America cannot deport every unlawful migrant. Doing nothing means that around 11m people will spend their whole lives in America without ever acquiring the right to live there. But unless immigration flows are under control, amnesty for those already in the United States risks attracting another wave to try to enter illegally. The only solution is a deal that combines effective border enforcement with a right to stay for law-abiding migrants.

### ***Deal of the century***

Such a compromise is possible. No Republican politician can outflank Mr Trump on immigration, and Democratic alarm helps him appear tough. The chances are that he will want to keep immigration as a wedge issue, pick fights with Democratic governors and mayors, and leave things broadly as he found them. But the conditions are there for him to do a deal that has eluded the past five presidents—if he wants to. ■

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<https://www.economist.com/leaders/2025/01/09/donald-the-deporter>

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**Free markets**

## The capitalist revolution Africa needs

*The world's poorest continent should embrace its least fashionable idea*

Apr 07, 2025 03:02 PM



IN THE COMING years Africa will become more important than at any time in the modern era. Over the next decade its share of the world's population is expected to reach 21%, up from 13% in 2000, 9% in 1950 and 11% in 1800. As the rest of the world ages, Africa will become a crucial source of labour: more than half the young people entering the global workforce in 2030 will be African.

This is a great opportunity for the poorest continent. But if its 54 countries are to seize it, they will have to do something exceptional: break with their own past and with the dismal statist orthodoxy that now grips much of the world. Africa's leaders will have to embrace business, growth and free markets. They will need to unleash a capitalist revolution.

If you follow Africa from afar you will be aware of some of its troubles, such as the devastating civil war in Sudan; and some of its bright spots, such as the global hunger for Afrobeats—streams on Spotify rose by 34% in 2024. Less easy to make out is the shocking economic reality documented in our [special report](#) this week and which we call the “Africa gap”.

In the past decade, as America, Europe and Asia have been transformed by technology and politics, Africa has, largely unnoticed, slipped further behind. Income per person has fallen from a third of that in the rest of the world in 2000 to a quarter. Output per head may be no higher in 2026 than it was in 2015. Two giants, Nigeria and South Africa, have done atrociously. Only a few countries, such as Ivory Coast and Rwanda, have bucked the trend.

Behind those figures lies a depressing record of stagnant productivity. African countries are experiencing disruption without development. They are going through social upheavals as people move from farms to cities but without accompanying agricultural or industrial revolutions. Services, where ever more Africans find work, are less productive than in any other region—and barely more productive than in 2010. Poor infrastructure does not help. For all the talk of using digital technology and clean energy to leapfrog ahead, Africa lacks the 20th-century kit needed to thrive in the 21st. Its road density has probably fallen. Less than 4% of farmland is irrigated and almost half of sub-Saharan Africans lack electricity.

The problem also has another, under-appreciated, dimension. Africa is a corporate desert. In the past 20 years Brazil has spawned fintech giants and Indonesia e-commerce stars, while India has incubated one of the world's most vibrant corporate ecosystems. But not Africa. It has fewer firms with at least \$1bn in revenues than any other region and since 2015 the number looks to have declined. The problem is not risk so much as the fragmented and complex markets created by all the continent's borders. For investors, Africa's balkanised stock exchanges are an afterthought. Africa accounts for 3% of world GDP, but attracts less than 1% of its private capital.

What should Africa's leaders do? A starting-point is to ditch decades of bad ideas. These range from mimicking the worst of [Chinese state capitalism](#), whose shortcomings are on full display, to defeatism over the future of manufacturing in the age of automation, to copying and pasting proposals by World Bank technocrats. The earnest advice of American billionaires on micro-policies, from deploying mosquito nets to designing solar panels, is welcome but no substitute for creating the conditions that would allow African businesses to thrive and expand. There is a dangerous strand of development thinking that suggests growth cannot alleviate poverty or does not matter at all, so long as there are efforts to curb disease, feed children and mitigate extreme weather. In fact in almost all circumstances faster growth is the best way to cut poverty and ensure that countries have the resources to deal with climate change.

So African leaders should get serious about growth. They should embrace the self-confident spirit of modernisation seen in East Asia in the 20th century, and today in India and elsewhere. A few African countries such as Botswana, Ethiopia and Mauritius have at different times struck what Stefan Dercon, a scholar, calls "development bargains": a tacit pact among the elite that politics is about increasing the size of the economy, not just a fight to divvy up who gets what. More of those elite deals are needed.

At the same time governments should build a political consensus in favour of growth. The good news is that powerful constituencies are keen on economic dynamism. A new generation of Africans, born several decades after independence, care a lot more about their careers than they do about colonialism.

Narrowing the Africa gap calls for new social attitudes towards business, similar to those that unleashed growth in China and India. Instead of fetishising government jobs or small enterprises, Africans could do with more risk-taking tycoons. Individual countries need much more infrastructure, from ports to power, more free-wheeling competition and vastly better schools.

Another essential task is to integrate African markets so that firms can achieve greater economies of scale and attain an absolute size big enough to attract global investors. That means advancing plans for visa-free travel areas, integrating capital markets, plugging together data networks and finally realising the dream of a pan-African free-trade area.

### ***Free to get rich***

The consequences for Africa of simply carrying on as usual would be dire. If the Africa gap gets bigger, Africans will make up nearly all of the world's very poor, including the most vulnerable to climate change. That would be a moral disaster. It would also, through migration flows and political volatility, threaten the stability of the rest of the world.

But there is no reason to catastrophise or give up hope. If other continents can prosper, so can Africa. It is time its leaders discovered a sense of ambition and optimism. Africa does not require saving. It needs less paternalism, complacency and corruption—and more capitalism. ■

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**Read our special report:**

<https://www.economist.com/leaders/2025/01/09/the-capitalist-revolution-africa-needs>

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**Herbert Kickl and the hard right**

## The Putinisation of central Europe

*Austria could soon get its most extreme chancellor since the 1940s*

Jul 09, 2025 10:30 AM



How CONCERNED should Europe be at the rise of [Herbert Kickl](#), the leader of Austria’s hard-right [Freedom Party](#), the FPÖ? Following the collapse of attempts by the country’s centrist politicians to keep him out of power after his party came top at an election last September (though with only 29% of the vote), Mr Kickl now seems likely to become chancellor. The FPÖ has been in government before, as a junior partner. This time, it looks as though Mr Kickl will get the top job. That is bad news for the country: he has called for a “Fortress Austria” free from asylum-seekers and employs rhetoric with Nazi overtones. And it consolidates a [worrying pattern](#) of Russia-sympathisers gaining power across central Europe.

Mr Kickl may not get everything he wants from a coalition. With only 31% of the seats in parliament, he now hopes to form a government with the support of the centre-right People’s Party (the ÖVP), which refused to go into coalition under his leadership until its attempts to construct an alternative failed. It is now up to the ÖVP

to see if a coalition agreement can be struck. The hope is that some of Mr Kickl's more extreme positions can be negotiated away. If not, the ÖVP should refuse to go into government with him. That would probably prompt a fresh election, in which the Freedom Party, polls suggest, would do even better. But that may shock the centrist parties, who would still together have more votes, into trying once again to form a moderate governing coalition.

One possible conclusion is that Mr Kickl's elevation is a harbinger of far-right advances in Germany, which faces an election in February. In fact, the two countries are very different. The FPÖ has taken part in five national governments, the first as far back as 1983, and in many more state ones. The hard-right Alternative for Germany (AfD), which polling suggests is on for its best-ever national-election result of around 20%, has never been included in any federal or state government, and the “firewall” that excludes it shows no sign of breaking. The AfD came top in the election in the state of Thuringia in 2024, but the other parties kept it out of power.

The real worry is that Austria exemplifies the Putinisation of central Europe. First came Viktor Orban, the strongman of Hungary. Mr Orban has repeatedly delayed (though not successfully blocked) European sanctions on Russia, refuses to let weapons destined for Ukraine pass through Hungary, and denounces Brussels and pro-democracy outfits like George Soros's Open Society Foundation. He has a like-minded neighbour in Robert Fico, prime minister of Slovakia. And later this year Andrej Babis, another Eurosceptical pro-Russian could return to power in the Czech Republic. The parties are already discussing how to maximise their collective influence. It does not help that, under the hard right, corruption may well flourish.

The contrast with those former Soviet-bloc countries on or near the front line of Russia's war is striking. Poland and the Baltic states see Vladimir Putin for exactly what he is: a murderous revanchist

who invades his neighbours, sabotages infrastructure across Europe and interferes with democratic elections everywhere. Those a little farther away seem content to gloss over his enormities, and to applaud him instead as a defender of “traditional” values and a rival to Western institutions in which they do not quite sit comfortably. Mr Kickl’s FPÖ, for instance, is an official sister party to Mr Putin’s United Russia.

Austria is a small country of 9m. It is not a member of NATO. The drift to the hard right there matters a lot less than it would in France or Germany. But it still matters. As Donald Trump prepares to take office and the war in Ukraine enters its fourth year, European unity is needed more than ever. Another leader bent on fighting Brussels and opposing collective action in the face of autocracy will delight only the autocrats. ■

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<https://www.economist.com/leaders/2025/01/07/the-putinisation-of-central-europe>

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**From nickel to pickle**

# Just because Indonesia has nickel doesn't mean it should make EVs

*Economic nationalists are making a reckless bet*

Apr 07, 2025 03:02 PM



NOTHING EMBOLDENS politicians like defying the world's advice and being proved right. Such is the case in Indonesia. In 2014 the country moved to ban exports of unprocessed ores. The idea was to force companies that crave its abundant minerals to refine them inside the country, capturing valuable investment and creating jobs. Multilateral institutions were sceptical. So was *The Economist*. Falling ore-export earnings could widen the current-account deficit and weigh on the shaky currency, the rupiah, we warned at the time.

For one commodity, however, the arm-twisting has worked. Indonesia has the world's largest reserves of nickel, a crucial ingredient in certain electric-vehicle (EV) batteries. Since 2020, when the export ban came into full force, it has come to dominate the nickel market. Dozens of nickel smelters have opened since 2020, as investors submit to the government's rules in order to lay hands on the metal. Indonesia's share of the world's refined-nickel

production has doubled since 2020, to nearly half the total. In 2023 Indonesian exports of processed nickel were \$22bn, or 9% of the country's total exports, up from 2% in 2019. The nickel bonanza lifted [Indonesia's trade surplus](#) to a record high in 2022.

Indonesia's resource nationalism has overwhelmed other producers. Nickel mines are going bust from Australia to Brazil; perhaps half are unprofitable. Indonesia's, by contrast, have been buoyed by a surge of investment from Chinese mining giants such as Tsingshan. Chinese smelters in Indonesia have been innovative. Because of Indonesia's geology, it was once thought that its nickel-ore deposits were too expensive to refine at scale. But Chinese companies have found a way.

Now Indonesia's elite, led by Prabowo Subianto, the new president, wants to go further. His government may soon curtail supply to prop up prices, as if it were a one-country OPEC for nickel. Those around Mr Prabowo dream of building a top-to-bottom electric-car supply chain, from raw mineral extraction and processing to battery-making and vehicle assembly. Indonesia has nearly all the natural resources necessary to build EVs, they reason. Why should anyone else capture the value? The government is now trying to pump up domestic demand for EVs with subsidies, and is courting EV supply-chain investments from the likes of BYD and Hyundai.

Yet Indonesia's gung-ho industrial policy is wrong-headed. Market power in nickel does not imply similar power over the whole EV supply chain. Raw materials are only a small part of the cost of the average EV. And when it comes to other factors that determine where carmakers produce, such as logistical capacity and local know-how, Indonesia is less attractive than neighbours such as Vietnam and Thailand. Indonesia is expanding supply during a period of brutal competition in both the EV and battery markets, with muted demand worldwide and overcapacity in China. What's more, the pricey nickel-based batteries Indonesia is best-equipped to make are not what local consumers want. They prefer vehicles

made with cheap lithium-iron-phosphate batteries. So far, domestic EV sales have been paltry.

In short, Indonesia's nationalistic approach is likely to be a costly failure. In contrast to nickel processing, where its grip on the ore gave it power over miners, in EVs it is trying to subsidise its way to market share. Though its public finances are sound, the fiscal toll of so many giveaways will be heavy.

Given enough money and political attention, some sort of supply chain will surely end up being created. But the costs to Indonesia could vastly exceed the benefits. Officials argue that foreign carmakers will train Indonesians, but this seems unlikely on a large scale. The tally of planned investments looks modest. And a lack of local expertise will tempt firms to import foreign high-skilled labour.

A different approach is needed. Indonesia could specialise in parts of the EV supply chain, such as nickel-battery precursors, rather than trying to do everything. And if Mr Prabowo wants to promote prosperity, he should focus on broader reforms, such as curbing corruption, cutting red tape and fixing a leaky tax system. If Indonesia must subsidise something, then improving primary health care or inefficient ports would be a better use of the cash than a reckless bet on EVs. ■

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<https://www.economist.com/leaders/2025/01/09/just-because-indonesia-has-nickel-doesnt-mean-it-should-make-evs>

**Women and the armed forces**

# Pete Hegseth's culture war will weaken America's armed forces

*Donald Trump's nominee for defence risks driving away talent*

Apr 07, 2025 03:02 PM



FOR MILLENNIA war has been a largely male undertaking. Women may have sparked conflict—think of Helen of Troy—or in countless numbers been its victims. They have also conducted daring missions behind enemy lines as spies and saboteurs. But until recently most Western armies barred women from serving in “ground close combat”. Over the past decade, in America and Europe, many of those restrictions have been lifted. Pete Hegseth, Donald Trump’s nominee to run the Department of Defence, believes that was a mistake. He is wrong. His effort to import the country’s culture wars into the Pentagon will weaken American military power.

The American and British armed forces opened all combat positions to women a decade ago. Canada and some European states did so before that. Many countries had long resisted these steps. They worried that women would not be up to the physical demands of being in the infantry, which is tasked with closing with

and killing the enemy; that they would be more susceptible to injuries; and that the presence of women would affect the cohesion of small units, a vital factor in combat.

Some of those concerns were reasonable. Female recruits do tend to be at greater risk of injury. Infantry combat remains physically demanding. Technology has not entirely changed that—even drone operators in Ukraine still lug heavy equipment over difficult terrain under fire. An experiment by the US Marine Corps showed that all-male crews tended to be faster or better at key tasks, such as loading artillery guns, moving ammunition and evacuating casualties, compared with units that included women. In practice, only tiny numbers of women will seek out infantry roles. Even fewer will meet the requisite standards. In Canada, which opened infantry roles to women 36 years ago, women make up 4% of that branch. In America it is 1.4%. Even in Ukraine's war of survival, there are vanishingly few women serving in assault units.

But war is not just about ground close combat. Women serve daily as fighter pilots and aboard warships. Moreover, the soldiers at the front rely on support from the rear. That includes logistics, intelligence and engineering. Almost 9% of American field-artillery crews are women. In Afghanistan and Iraq, where the distinction between rear and front line often blurred, nearly 300,000 women served in America's armed forces with distinction. The range and precision of modern missiles mean that women doing those ostensibly non-combat jobs are at considerable personal risk. Western armies, struggling to fill their ranks, need these women.

One problem is that armies have long accorded the greatest prestige to combat branches, recruiting commanders and generals disproportionately from them, assuming that only those with direct combat experience will have the authority to lead forces in battle. That need not be so. The Royal Air Force recently appointed an engineer, rather than a pilot, as a chief for the first time. The head of Finland's army, one of Europe's most capable, served in a

signals regiment. The danger is that ambitious female soldiers, seeking promotion, will feel compelled to pursue combat roles for which they are typically less well suited. Modern armies that want to maximise the talent in their ranks should reflect on the pathways for promotion and the status accorded to different roles.

### ***Sisters in arms***

The next administration is likely to do the opposite. Mr Hegseth's antipathy to women in combat is rooted in a belief that the Pentagon has gone “[woke](#)”. He and others in Mr Trump's orbit believe that diversity, equity and inclusion initiatives have infected the armed forces, undermined combat effectiveness and eroded the warrior ethos. They have no evidence.

It is true, for instance, that the US Army did change standards for its basic fitness tests in 2022, allowing women to lift less weight and to take more time to complete runs. But studies conducted at the behest of the army showed that scores on the older, sex-neutral tests did not predict performance in combat or rates of injury. Female soldiers who want to serve in combat positions must still pass more demanding and specialised tests, which remain the same for men and women.

Mr Hegseth has vilified General Charles “CQ” Brown, the chairman of the joint chiefs of staff, and Admiral Lisa Franchetti, the chief of naval operations, suggesting that one got his job because he is black and the other because she is a woman. These attacks are not just baseless, but harmful and dangerous. America is at risk of losing its military edge over China. Mr Hegseth's crusade risks driving out talented women and minorities from a force that needs them more than ever. ■

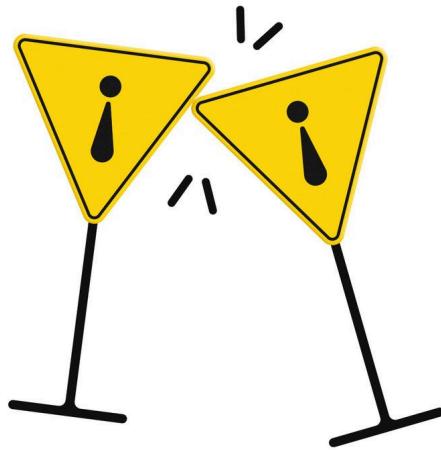
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**Thinking about the demon drink**

# Health warnings about alcohol give only half the story

*Enjoyment matters as well as risk*

Apr 07, 2025 03:02 PM



FOR MANY people, the new year brings both a banging hangover and a solemn resolution never to get drunk again. More than a decade ago Alcohol Change UK, which campaigns to cut drinking, launched its “Dry January” campaign. This year it reckons a third of British men will try to stick to it.

In America Vivek Murthy, the surgeon-general, is also keen to discourage drinking. Dr Murthy has recommended placing [warnings on alcohol](#) to highlight the fact that it raises the risk of some cancers, including breast and bowel cancer. If so, America could become the third country, after South Korea and Ireland, to require labels.

Drinking a lot is indisputably bad for you. Boozing has long been associated with heart attacks, liver disease, stroke and obesity. Drunks are more likely to get into fights or accidents. Alcohol is addictive, and the World Health Organisation (WHO) blames it for

about one death in 20 around the world. The link with cancer is less familiar to most people. Dr Murthy's statistics suggest that women who drink occasionally have about a 16.5% lifetime risk of several common cancers, whereas those who have one drink a day—America's recommended maximum—have about a 19% chance.

As the evidence of alcohol's harms has piled up, the public-health messages have become starker. The WHO says flatly that there is "no safe level" of alcohol consumption. America's guidelines say that those who do not drink should not start "for any reason". In 2023 Canada published guidelines recommending two drinks (roughly two cans of beer) a week for those who want to remain in the "low risk" category, down from 15 a week for men and ten for women.

It is all very sobering. But over-zealousness can be counter-productive. Taken literally, the WHO implies that it is unsafe to have even a sip of communion wine. If one bit of public-health advice seems absurd, people may start to doubt other bits, too.

And although there is unanimity that heavy drinking is very bad for you, there is less agreement around light indulgence. In December America's National Academies of Science, Engineering and Medicine concluded, with "moderate certainty", that moderate drinking (up to two cans of beer a day for men or one for women, as per official American advice) was associated with benefits rather than harms. Benefits in heart health appeared to outweigh the risks from cancer and other ailments, though the effect disappeared quickly with extra quaffing.

Many scientists think that the benefits of light drinking are a statistical mirage. But even if the WHO is right, and no amount of alcohol is safe, that is only half the picture. After all, there is no completely safe level of almost anything, from flying to going on a date. Walking is good for you, and touted at book length by the surgeon-general ("Step It Up!"). But 7,500 American pedestrians were killed by cars in 2022.

People balance the dangers of an activity against the benefits it brings. These days, suggesting that drinking might have any benefits at all feels faintly heretical. But many enjoy the taste of a good beer or wine, appreciate the buzz it provides, or take pleasure in the social rituals, like a pub visit or a dinner party, which it lubricates. That is why the world is willing to spend \$1.8trn a year on drink. All that enjoyment belongs on the scales with the (equally real) harm.

Some perspective: Canada's new guidelines define "low risk" as a one-in-1,000 chance of premature death owing to alcohol. Boosting consumption from two to six drinks a week raises the odds to 1 in 100. With walking, the lifetime risk of being run over in America is about 1 in 470.

What to do in 2025? If you are a heavy drinker, almost everyone would agree that it would be wise to cut down. For all but the most risk-tolerant, the middle-class habit of downing half a bottle of wine with dinner is worth examining. But if you fancy a pint or two with friends every now and then, you will be trading a tiny risk of harm for an evening of warmth and good company. That is a trade many rational people will be happy to make—especially amid the cold and gloom of January. ■

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<https://www.economist.com/leaders/2025/01/09/health-warnings-about-alcohol-give-only-half-the-story>

# Letters

## • **Letters to the editor**

On Africa, Germany, sulphur, Biden, Jimmy Carter, machine translation, nicknames :: A selection of correspondence

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**On Africa, Germany, sulphur, Biden, Jimmy Carter, machine translation, nicknames**

## Letters to the editor

*A selection of correspondence*

Apr 07, 2025 03:03 PM



**Letters are welcome via email to [letters@economist.com](mailto:letters@economist.com)**

### ***Africa's debt burden***

Your article about the World Bank struggling to serve all 78 poor countries was right to call out the debt crisis that developing states face (“[Stretched thin](#)”, December 14th). African governments pay much higher interest rates on loans than Western governments and can pay sky-high yields on government bonds, whereas the average for Europe and North America in 2021 was 1.1%. Developing countries paid a staggering \$1.4trn in foreign-debt servicing in 2023. Of Africa’s 35 low-income countries, 19 are in debt distress.

This burden of external sovereign debt is a barrier to achieving sustainable development and climate resilience, diverting resources away from critical investments in health, education and infrastructure.

The recent \$100bn replenishment of the World Bank's International Development Association fell short of the \$120bn that African leaders called for, but it is nonetheless an important step forward in addressing the crises the continent faces and should be celebrated. The IDA must now be leveraged to achieve an even greater impact, prioritising African-led initiatives and addressing the climate needs of the most vulnerable on our continent.

William Ruto  
President of Kenya  
*Nairobi*



### ***Elon Musk is half right***

Although Elon Musk's electoral recommendations in Germany are flawed, his article in *Welt* correctly articulated the feelings of many Germans that the four main centrist parties have proved that they are not up to the enormous task of getting the country back on track economically and geopolitically ("Muskular intervention", January 4th). The centre-left is hooked on unsustainable welfare spending, a ballooning bureaucracy that sucks up ever more of Germany's precious talent and an economic doctrine based on subsidies. The centre-right is religiously wedded to the debt brake, which stifles badly needed public investment in infrastructure and education, and still has not understood that German industry is struggling with new technologies precisely because it has constantly been mollycoddled and "protected" from change.

Although the conclusion Mr Musk draws is hopelessly illogical and inaccurate, it reflects the justified exasperation of the German public with centrist parties and much of the country's media for being infuriatingly unwilling to face the music. Exhibit A is the op-ed editor who resigned over the publication of Mr Musk's piece. The childish reaction of Olaf Scholz and Friedrich Merz unfortunately confirms not only populists' claim that free speech is under attack, but worse, that Mr Musk may be right after all in calling for a radical political shift. Should it stick, the blame is on them.

Veit Ulbricht

*Düsseldorf*



### **Sulphur pollution**

Cleaning up the air reduces sulfate pollution and this unmasks hidden warming (“[Of clouds and Crutzen](#)”, December 21st). As Paul Crutzen noted, the best way to slow warming is to limit all climate pollutants. Indeed, four times more warming can be avoided over the next two decades by cutting methane and other short-lived climate super pollutants compared with the targeting of only carbon-dioxide emissions.

The Montreal Protocol, an international treaty to protect the ozone, is already eliminating hydrofluorocarbons, one of the climate super pollutants, illustrating how similar sectoral strategies could cut

other super pollutants. The protocol was catalysed by Crutzen, Mario Molina, and Sherwood Rowland, co-recipients of the Nobel prize in chemistry. Thanks to their efforts, the protocol has put the stratospheric ozone layer on the path to recovery by mid-century, while avoiding the warming that could have been equal to what carbon dioxide causes. The protocol's current science team is studying the risk to the ozone layer of injecting sulfates into the stratosphere to cool the planet, a strategy that may yet be needed.

Durwood Zaelke  
President

Gabrielle Dreyfus  
Chief scientist  
Institute for Governance and Sustainable Development  
*Washington, DC*



### ***The unsaid factor in 2024***

I find it amazing that your leader on “[What to make of 2024](#)” (December 21st) did not mention Joe Biden, even though you squeezed in your endorsement of Kamala Harris. The Democratic Party and most of the media covered up the senility of Mr Biden and told us that he was at the top of his game until they could no longer perpetuate that lie. Mr Biden had a profound impact on the presidential election. And his lack of leadership contributed to the course of wars and actions taken by dictators around the world.

Frank Haimbach

*Delray Beach, Florida*

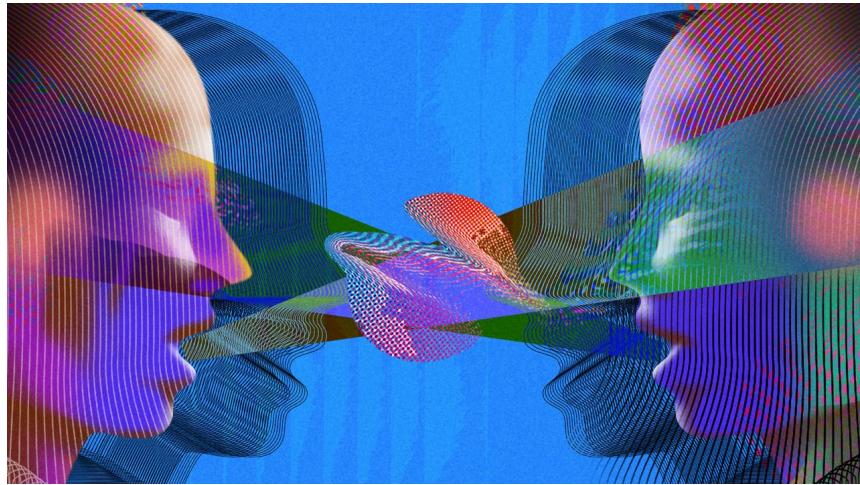


***Carter was no rube***

I enjoyed your obituary on [Jimmy Carter](#) (January 4th), but it was wrong to characterise him as “unintellectual...whose formation had been in the navy, not university”. This was a man who graduated in the top 10% of his class from the US Naval Academy (surely a university by anyone’s standards) and who briefly worked in the department designing America’s first nuclear-powered submarines. He furthermore devoted much of his long life to serious thought about the solutions to society’s big problems. Does one have to attend Georgetown and Yale Law to be considered an “intellectual”?

Alan Supple

*Fort Lauderdale, Florida*



## ***Lost in AI translation***

“[The Babel wish](#)” (December 14th) repeated a company’s claim that its machine-translation software is better than human translators. I would be cautious about that, since such claims have been made in the past and then debunked. You also said that human checking of AI machine translation adds little value. But remember that AI systems can go off the rails and make serious errors, so that even if human checking does nothing in 90% (or even 99%) of cases, it still is important for the remaining 10% (or 1%).

Ehud Reiter

Professor of computing science  
University of Aberdeen

The adage goes that translations can be good, fast and cheap, but you can only ever pick two of the three. AI currently has the last two covered, but what’s to stop providers jacking up prices once they have a stranglehold on the market? A similar AI takeover and subsequent supply shrinkage has already happened in the transcription industry, and now users who have been hit with extortionate increases in licence fees are looking to rehire human transcribers, only to find that they have long since moved on.

I have yet to see a single piece of raw machine output that hasn’t required complete rewriting. I recently received a request to “tidy up” a machine translation, yet there were a number of issues that

would not have been present in a human translation, such as missingspaces betweenwords, full stops in strange. places, medical terminology translated differently from one line to the next, and nonsensical sentences talking about “establishing the abdomen” (the correct translation was “establishing pneumoperitoneum”).

Admittedly this was a technical document, but as you say, even the simplest of tasks can trip the machine up. If even that proves problematic, would you be comfortable leaving your legal contract, nuclear-safety testing procedures, medical-device instructions or marketing campaign to a machine? The sad reality of all this is that more than half the freelance translators questioned in a recent survey are considering leaving the industry, and can you blame us?

Lee Anderson  
Co-founder  
Word of Mouth Translations  
*London*



### ***The real Top Gun***

[Bartleby](#)’s column on nicknames (December 21st) made me think of my career as a fighter pilot in the navy. The fighter squadron is a tight-knit group that trains, deploys, fights, and in some cases, dies together. As a result, each pilot carries a call sign with them throughout their career. Unlike the movies, the call sign is given to you and is rarely as cool as “Maverick” or “Iceman” (unless you

are in the air force, in which case you will meet many “Vipers” and “Killers”).

Some of my favourites were acronyms, such as SYPHIN, which stands for Shut Your Pie Hole Ignorant Nugget (Nugget is the term for a new aviator). This is given to someone who tries to “fix” the squadron five minutes after joining it. And there were simple plays on last names, such as NOTSO Swift. Some think this tradition is demeaning and exclusionary. In fact, as Bartleby pointed out so well, when done properly it does just the opposite. If the call sign is given from the bottom-up and not the top-down, it makes one feel part of the group faster. Everyone has endured a call sign that may not be to their liking. The only thing worse is the group not giving you one at all.

Mark Swinger

Retired commander, us Navy

*Springfield, Virginia*

After reading Bartleby’s nicknames for buildings I recalled the acerbic description of the Transamerica building by Herb Caen, the supreme arbiter of all things San Franciscan. The beloved columnist labelled the new triangular pyramid arising from San Francisco’s financial district in the 1970s, as the world’s greatest dunce cap. City fathers were not amused.

Linda Nakamura

*San Francisco*

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<https://www.economist.com/letters/2025/01/09/letters-to-the-editor>

## By Invitation

- **Time is not on Russia's side, argues Finland's foreign minister**

Russia and the West :: Elina Valtonen calls for a lower oil-price cap and tougher measures against Russia's shadow fleet

**Russia and the West**

## Time is not on Russia's side, argues Finland's foreign minister

*Elina Valtonen calls for a lower oil-price cap and tougher measures against Russia's shadow fleet*

Apr 07, 2025 03:02 PM



**R**USSIA IS FAR from an unstoppable force of nature. The autocrats who run it rely on a war economy that is unsustainable and shows serious cracks. Democracies should take advantage by increasing the economic pressure. It is we who have the momentum.

Contrary to Vladimir Putin's narrative, and some people's belief, sanctions do work. Even when they do not prevent certain goods and technologies from entering or—in the case of oil and gas—leaving Russia, they certainly make logistics more cumbersome. That increases costs.

Witness the rise in Russian consumer prices, which are up by more than a third since the end of 2021. This is due mostly to the rise in import costs and the country's labour shortage translating into high nominal wage inflation.

Owing to a low birth rate, high mortality and an exodus of Russians who oppose Mr Putin or just want a better life elsewhere, Russia's population is shrinking, ageing and losing its best talent. The senseless war in Ukraine, with hundreds of thousands of casualties, is not helping.

To combat inflation and capital flight, the central bank has raised its key interest rate to 21%. Double-digit interest rates push up the interest expense of the public sector, incentivise businesses to place liquidity in deposits rather than in investments, and eat into profits. Yields on BBB-rated corporate bonds have climbed to levels that point to a surge in bankruptcies.

In 2024 Russia's GDP grew by around 3.5%. This relatively strong performance came almost exclusively from sectors directly related to the war. Most forecasters expect barely any growth in 2025 as Russia runs out of labour and other resources. Despite all this, Russia can maintain the current level of military production, even if it means cutting back on everything else.

Military spending is eating up the budget and Russia has to fund its deficit through borrowing. With little to no access to international capital markets, Russia borrows domestically. New debt is absorbed by domestic banks, which place the government bonds at the central bank for cash. Essentially, the central bank is printing money to finance the government's spending on the war.

The rouble has weakened significantly and would be on the floor were it not for central-bank support through emergency buying and capital-control mechanisms. The central bank is unable to use most of its international reserves to prop up the currency, as roughly half of the reserves are frozen overseas and most of the remainder is physical gold, which, because it sits in Russia, is not as liquid in international transactions as it would be if it were in London or New York. In the past six months the rouble has fallen by more than 20% against the Chinese yuan, driving up import costs.

With the economic outlook so bleak, time is not on Russia's side. So far Mr Putin has prioritised his war against Ukraine over the welfare of his own people. To achieve just and lasting peace in Ukraine, he must be made to understand that the cost of his illegal campaign is getting too high, even for his tolerance.

To this end, we need to increase the economic pressure on Russia and reduce the possibilities for dodging sanctions, including the use of a shadow fleet. Russia uses rusting, non-insured tankers to covertly carry Russian oil around the world, undermining the EU and G7 oil-price cap on Russian crude and petroleum products.

Following the latest damage to undersea cables in the Baltic sea, affecting several coastal states, Finland recently seized a Russia-linked oil tanker. The vessel appears to be part of Russia's shadow fleet and is suspected of intentionally damaging undersea infrastructure.

Several measures for limiting the use of the hazardous fleet are in the works. In December, 12 European countries, including my own, announced that their maritime authorities will start requesting proof of insurance from suspected shadow vessels as they pass through the English Channel, the Danish Straits of the Great Belt, the Sound between Denmark and Sweden and the Gulf of Finland. Non-compliant vessels will be placed under sanctions, which, in the EU's case, would ban them from the bloc's ports and maritime services.

Across Europe, decoupling from Russian energy is well under way. Direct and indirect gas and oil imports need to be further constrained. The oil-price cap, currently at \$60 per barrel, should be lowered further and enforcement of the cap strengthened in conjunction with international partners.

In parallel with increasing economic pressure on Russia, Europe, America and their partners must continue supporting Ukraine

militarily and economically. As Donald Trump prepares to take office for a second time, Europeans must stand ready to shoulder greater responsibility for their own security, and make the required financial investments.

Under President Joe Biden, America has been a strong backer of Ukraine's fight for independence and democracy—underlined by Mr Biden's recent announcement of an additional \$2.5bn in security assistance. Early indications from the incoming American administration are encouraging. Although Mr Trump and his team have made it abundantly clear that they expect Europeans to do more for the continent's security, I do not expect America to walk away from helping Ukraine, or from Europe as a whole. Such a move would diminish America's global influence and undermine its ability to compete strategically with China and others.

The war is far from lost. With determined support from its partners, Ukraine will get through this winter in a position to enter peace talks on its own terms and timeline. Ukraine's international partners need to keep up their joint measures until Russia starts to engage with the world in a peaceful manner, respecting the UN Charter and international law.■.

*Elina Valtonen is Finland's foreign minister.*

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<https://www.economist.com/by-invitation/2025/01/08/time-is-not-on-russias-side-argues-finlands-foreign-minister>

# Briefing

- **How far will Donald Trump go to get rid of illegal immigrants?**

Deportation fixation :: It is his signature policy, but the obstacles are daunting

**Deportation fixation**

# How far will Donald Trump go to get rid of illegal immigrants?

*It is his signature policy, but the obstacles are daunting*

Apr 07, 2025 03:02 PM | STORM LAKE, IOWA



“**W**E’LL GET National Guard, and we’ll go as far as I’m allowed to go, according to the laws of our country,” said Donald Trump in November, explaining his plan to rid America of illegal immigrants to *Time* magazine. “Whatever it takes to get them out.”

Of all the policies the president-elect has promised to pursue in his first days back in office, none seems as important to him as deportation. Immigration is the topic, he told *Time*, that secured his re-election. Even by his own, histrionic standards, his rhetoric on the subject has been heated. Undocumented immigrants, he has said, are “poisoning the blood of our country”. They come “from prisons and jails, insane asylums” and “savage gangs”. They have “occupied” parts of America; their strongholds are a “war zone”. There may be 21m of them, he has claimed—an “invasion” that justifies the deployment of the army to round them up. The only solution, he insists, is “the largest deportation operation in American history”.

Mr Trump has long been exercised about immigration. He made building a wall along America's border with Mexico a central theme of his election campaign in 2016. He duly issued a flurry of executive orders on immigration within weeks of taking office in 2017, including a ban on visas for applicants from various largely Muslim countries and instructions to federal agencies to expedite the construction of the border wall and to detain more illegal immigrants. Those initiatives quickly lost momentum, however, owing to legal setbacks, institutional resistance and a public backlash. Mr Trump has signalled that a similar policy whirlwind can be expected after his inauguration on January 20th. How far will he go this time to keep his campaign pledges?

In 2017 Mr Trump appointed sober institutionalists to senior posts, who then tried to restrain his nativist impulses. In the new Trump administration, MAGA warriors will hold the top jobs on immigration. Stephen Miller, his deputy chief of staff, is an America First, anti-immigration hawk who has been fighting against bipartisan immigration reform in Congress since 2013. "As God is my witness," he declared last year, "you are going to see millions of people rapidly removed from this country who have no right to be here."

### ***Travel agents***

Mr Miller's comrade-in-arms will be Tom Homan, who led Immigration and Customs Enforcement (ICE), the agency that carries out deportations, during Mr Trump's first term and is set to become "border tsar" in his second. He can sound as doctrinaire as Mr Miller, threatening local officials who resist mass deportations with jail time. He used to champion the separation of undocumented children from their parents as a way to deter illegal immigration. Yet Mr Homan has a pragmatic streak, too, having worked in the immigration bureaucracy since the 1980s under Democratic and Republican presidents alike. Officials who know

him say he understands what the federal government is and isn't capable of.

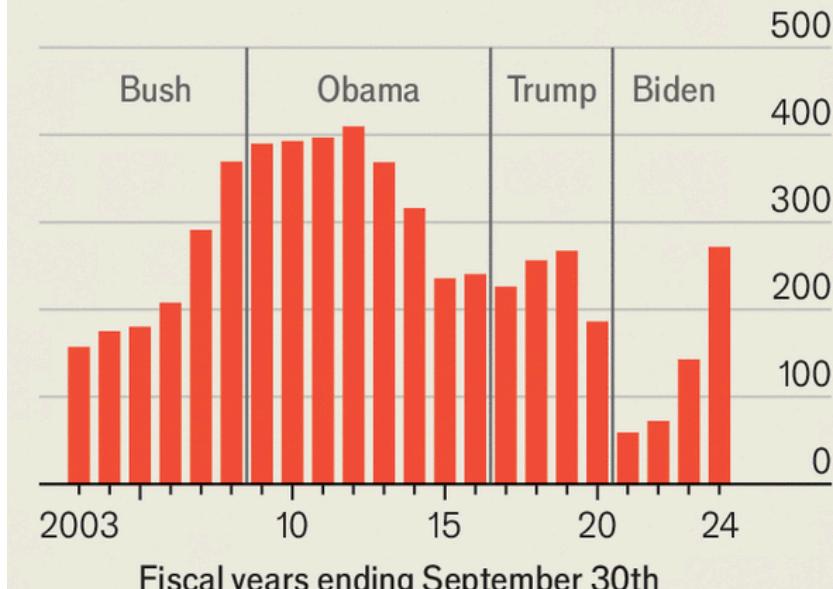
The task before them is daunting. It is not even clear how many illegal immigrants there are in America. Mr Trump likes to claim that Mr Biden has let in 15m or 20m and that all of them must go. But these numbers seem to be plucked from thin air. The Department of Homeland Security (DHS) estimated that there were 11m unauthorised migrants in America in 2022. Since then Border Patrol agents have apprehended millions more, mostly near the Mexican border. Many of these have promptly claimed asylum, which allows them to stay in America while their claims are assessed. Oxford Economics, a consultancy, has tried to tot up the number of asylum-seekers, "gotaways" (people who evade Border Patrol) and those who have overstayed legitimate visas and has concluded that 8.3m unauthorised migrants have entered the country since the beginning of 2022, although the asylum-seekers account for more than half of these and are not technically illegal immigrants. A common estimate puts the current number of undocumented at more than 13m. Most live in the most populous states: California, Texas, Florida and New York.

Counting deportations is tricky, too. When an immigrant caught by Border Patrol opts to turn back into Mexico rather than be arrested, that is a "return". These were common during George W. Bush's presidency, when many of those crossing were Mexicans looking for seasonal work. But returns have fallen as the number of migrants from farther afield has risen and the asylum trick has grown popular. "Removals", when the authorities issue a formal deportation order, leapt under Barack Obama, but then fell back again, including under Mr Trump (see chart 1).

## Nowhere near millions

1

United States, Immigration & Customs  
Enforcement removals, '000



Source: ICE

The big question is what the “mass” in Mr Trump’s promise of “mass deportation” really means. His acolytes know that legal, logistical, financial and political obstacles make deporting many millions of immigrants in four years a fantasy. But they speak admiringly of “Operation Wetback”, a deportation drive in 1954 in which as many as 1.1m people were ejected. J.D. Vance, Mr Trump’s running-mate, has suggested that their administration could “start with 1m...and then we can go from there”. Even that is more than twice as many people as ICE deported in 2012, the recent peak. And even deportations on that reduced scale could [hobble America’s economy](#) and prompt a political backlash.

Incoming officials say they will prioritise dangerous criminals and threats to national security—as most recent administrations have done. But John Sandweg, an acting director of ICE under Mr Obama, points out that there simply are not that many criminals among the undocumented. Since 2017 just 1.4% of new immigration-court cases were based on a migrant’s alleged criminal

activity, not including entering the country illegally. Of those deported who do have criminal records, the most common offence other than illegal entry is driving under the influence. If Mr Trump's crusade starts and ends there, it would vindicate people like Jeh Johnson, who ran DHS for Mr Obama and dismisses "mass deportation" as a hollow slogan for bumper stickers.

To run up the numbers Mr Trump would need to widen the net. After criminals, the obvious next target is migrants already ordered deported who have not actually left. ICE reckons 1.4m such people remain in the country. Many are in jail. Some others are monitored with technology like ankle tags, but not all: last year nearly 38,000 people awaiting deportation fled.

Mr Trump's penchant for shows of force means workplace raids are likely. An analysis of census data by the Pew Research Centre suggests that unauthorised immigrants made up nearly 5% of America's labour force in 2022, or roughly 8.3m people. Their numbers will have grown since. Although some migrants use forged documents to obtain work, government schemes that allow employers to check workers' immigration status have curbed this practice. In some industries, such as farming and construction, many employers simply look the other way. "We know that employers are going to be upset," Mr Homan recently told the *Washington Post*.

Communities that depend on immigrant labour are worried. The centre of Storm Lake, a town of 11,000 in north-west Iowa, features a Vietnamese noodle joint, a shop selling *quinceañera* gowns and an African grocery. Spanish lyrics blare from pickup trucks idling at traffic lights. Storm Lake has experienced several waves of migration, from Laos, Mexico, Central America and most recently Micronesia, reflecting where Tyson Foods, which runs the town's two big meatpacking plants, happens to be recruiting.

In a state like Iowa, which is 90% white, this has brought tension. “I had people come into the police station and say, ‘It’s your job to remove these people,’” remembers Mark Prosser, the town’s former police chief. These days most Storm Lakers are proud of its diversity. Yet the surrounding county is deeply conservative. Mr Trump won it in November by 33 points despite, or perhaps because of, his pledge to deport millions.

### **Punching packers**

Mr Prosser argues that raids make headlines (which Mr Trump will like) but not much difference. In 1996 he helped plan one himself, to catch migrants using fake papers to work in packing plants. But it took weeks of joint planning with federal agents to secure only dozens of arrests and deportations. “We spent a lot of money and a lot of time thinking this would be some sort of effective investigation,” he recalls, “but...we tore up the relations between the city and our immigrant community.” Many locals hope Mr Trump will be too scared of raising meat prices to harry packing plants. Tyson anyway maintains that it does not employ illegal immigrants.

The most radical step would be for ICE to start hunting for illegal immigrants going about their daily business. In 2022 nearly 80% of unauthorised migrants had lived in the country for more than a decade. Some 5.7m Americans, most of them children, lived with an undocumented parent. At a recent immigration-court hearing in Dallas, the American wife and adult children of a Mexican man arrested for drunk driving waited to testify about how his deportation would up-end their lives. He had first come to America in 1998. Even in the absence of a mass deportation campaign, migrants like him are split from their families every day.

Mr Trump suggests that instead of separating families, the American spouses or children of immigrants could just leave, too. He also says he would like to end automatic citizenship for

everyone born in America, even though it is enshrined in the constitution. Former Trump administration officials speculate that he may ban the issuance of passports to children of unauthorised migrants. Although such a decision would be challenged in court, it would prove Mr Trump's determination to shake up the immigration system.

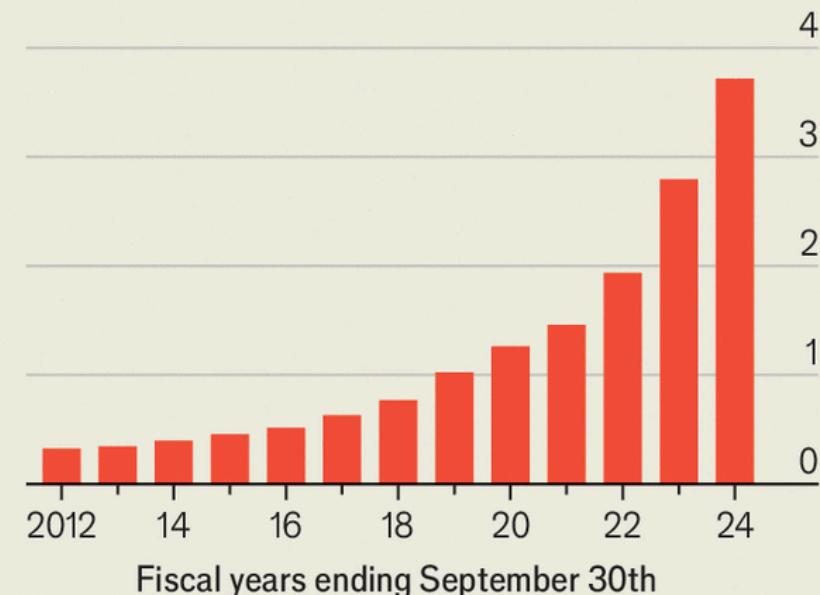
It is possible that Mr Trump's tough talk is the point: that his harping on about mass deportation is meant to deter more immigrants from coming to America illegally and to persuade those already here to leave. He could make it harder for migrants to travel or open a bank account without proof of citizenship, which might encourage recent arrivals without roots to up sticks. Officials in Storm Lake say residents have started asking whether they should leave. Some studies attribute much of Operation Wetback's success to self-deportation. But the border was so porous in the 1950s that workers could return to Mexico, wait for the fuss to die down, and then cross back over. That is not true anymore.

Whatever approach Mr Trump takes he will face the same constraints that have bedevilled previous presidents. The most obvious is the legal system. The backlog of immigration courts has more than doubled since 2021, to 3.7m cases (see chart 2). At the beginning of 2023 immigrants could expect to wait an average of nearly three years for a decision. People who lose their cases can appeal.

## Up, up but not away

2

United States, immigration-court  
case backlog, m



Source: TRAC Immigration

There are two main ways Mr Trump might try to get round the court system. During his first term he expanded “expedited removal” for those who do not claim asylum or cannot stake a credible claim to it. Whereas deportations had previously been streamlined only for migrants who were arrested within two weeks of arrival and 100 miles of the border, Mr Trump targeted people anywhere in America who had arrived within the past two years. Expect that policy to make a comeback soon after inauguration day.

A more extreme plan involves invoking the Alien Enemies Act of 1798, which allows the president to detain and deport citizens of countries at war with America. It was most recently invoked by Franklin Roosevelt during the second world war to detain Germans, Italians and Japanese. Mr Trump argues that the presence of foreign criminal gangs is tantamount to an invasion, so America is, in fact, at war. It is doubtful the courts would agree with him, but they might take some time to stop him.

## **Texas hold 'em**

Logistical problems will also constrain the president. Mr Homan says he needs 100,000 detention beds, more than double the current total. Mr Trump could declare a national emergency, allowing him to use defence funds to build detention centres at military bases. He used the same process in 2019 to help fund the border wall. Mr Miller has floated the idea of building tent camps in Texas to serve as a kind of purgatory between arrest and deportation. The state's land commissioner has even bought a 1,400-acre plot near the Rio Grande and offered to lease it to Mr Trump.

Transporting migrants to their home countries is also hard. Only Canadians and Mexicans can be driven across the border. Other repatriations require flights. In 2023 the head of ICE told Congress that an average removal flight cost about \$17,000 an hour. And not every country wants to take its citizens back, although Claudia Sheinbaum, Mexico's president, has signalled that Mexico might consider accepting non-Mexicans, perhaps as a way to avoid being slapped with tariffs.



Together for now

All this is expensive. Republicans in Congress are planning to boost spending on enforcement. But it is not clear how much or how quickly they will stump up. The American Immigration Council, an advocacy group, estimates that deporting 1m people a

year would cost at least \$88bn a year. That is almost three times the combined budgets of ICE and Customs and Border Protection in 2024.

Politics will also temper Mr Trump's ambitions. A successful mass-deportation campaign would require states and cities to hand unauthorised migrants to federal agents. According to records collected by Syracuse University, roughly three-quarters of ICE arrests between 2014 and 2017 involved hand-offs from local law enforcement. But many jurisdictions run by Democrats decline to co-ordinate with ICE. Mr Trump may try to compel these "sanctuary" states and cities to co-operate by threatening to cut federal funding. In the meantime it will be much easier to focus on willing spots.

As border-crossings surged under Mr Biden, Denver absorbed more migrants per person than any other big city. But Mike Johnston, its Democratic mayor, still rejects mass deportations. "We'll partner on [deporting] violent criminals," he says, "but what we don't want to see is the 101st Airborne be sent into Denver to pull a seventh-grade girl out of history class."

Mr Johnston's concern stems from Mr Trump's talk of using the army to conduct deportations. The armed forces are barred from enforcing civilian law. The president could, however, deploy the National Guard to help with logistical tasks like transport, surveillance and paperwork, while leaving the arresting to the Border Patrol. "The 800-pound gorilla in the room is the Insurrection Act," says Joseph Nunn of the Brennan Centre for Justice, a think-tank. It allows the president to use the army to put down rebellions or restore order—something Mr Trump might argue the circumstances require.

How Americans react to Mr Trump's deportation campaign will depend on how aggressive it is. Last year Pew found that 56% of registered voters favoured mass deportations. Yet 58% also

supported allowing unauthorised immigrants to stay if they are married to an American citizen. During Mr Trump's first term photos of children in cages sparked national outrage, forcing the administration to stop separating families. Messrs Miller and Homan were architects of that policy. Perhaps they have learned what Americans are willing to tolerate in the name of border security—or perhaps they have not. ■

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<https://www.economist.com/briefing/2025/01/09/how-far-will-donald-trump-go-to-get-rid-of-illegal-immigrants>

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**A perfect storm**

## Los Angeles against the flames

*Always vulnerable, the city is increasingly susceptible to fire*

Apr 07, 2025 03:03 PM | Pasadena



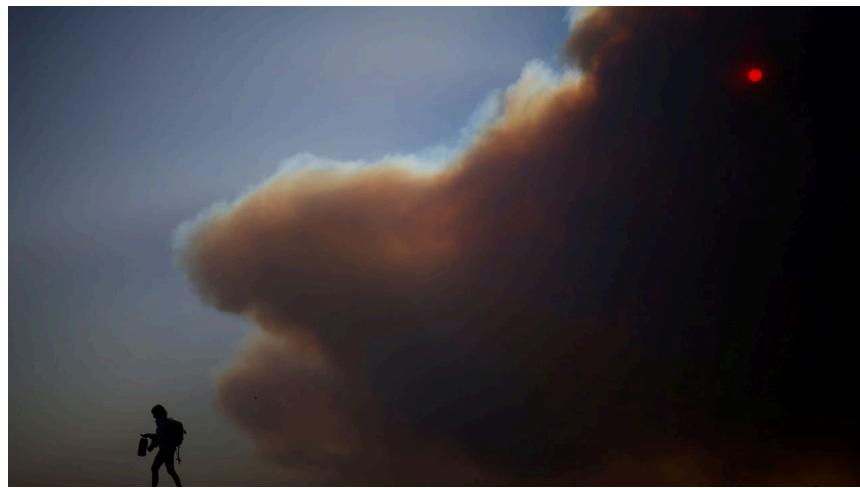
THE FIVE fires that on January 9th were still blazing in and around Los Angeles were already among the most destructive in California's history. The scale is staggering, even for a state accustomed to natural disasters. Roughly 130,000 people were told to leave their homes; 2,000 buildings have been destroyed. Because wildfires have come to seem more like a certainty than a risk here, a lot will not be insured. State Farm, an insurer, decided not to renew 70% of its policies in Pacific Palisades, one of the worst-hit areas. ABC Los Angeles reckons this has left 1,600 homes there uninsured. Fire crews faced an uneven fight: in the small hours of the morning the neighbourhood fire hydrants ran dry.

People abandoned their cars and fled on foot as the flames approached. Firefighters then bulldozed their vehicles to reach the blaze. Workers evacuated patients in wheelchairs from a nursing home. The sky above the Pacific Coast Highway turned orange and thickened with smoke. Palm fronds smouldered. [Extreme winds](#) sparked several firestorms across Los Angeles beginning on

January 7th. Nine months without measurable rainfall had primed the city to burn.



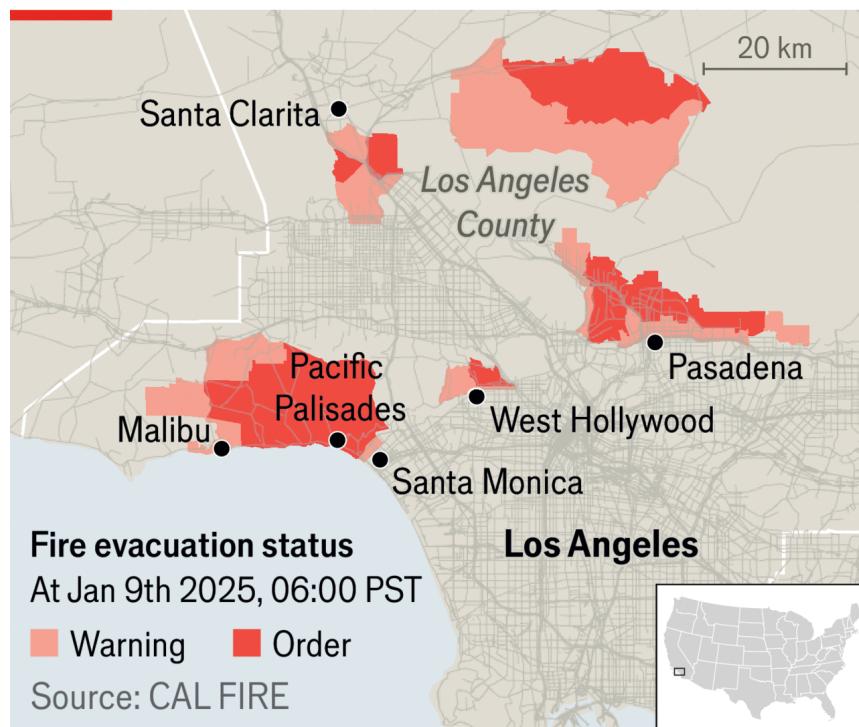
By January 9th, two large fires were burning at opposite ends of LA County, home to 10m people. One razed the Pacific Palisades, a wealthy neighbourhood on the coast, and swept into Malibu. Another was burning in the foothills above Pasadena, north-east of LA. Ash fell like snowflakes over the city's downtown. Flames glowed crimson on the peaks when they were not obscured by black smoke, southern California's own Mount Doom.



Los Angeles is particularly vulnerable to fire. Its rich neighbourhoods and exurbs are where cities meet nature, stretching into the region's rambling mountain ranges: the Santa Monicas, the Verdugos, the San Gabriels. Climate change is causing more extreme and more frequent fires, but ever more people are moving

into these areas to find cheaper housing or, for LA's well-heeled, that perfect mountain view. Until recently, January wouldn't have been considered part of fire season. But planet-warming greenhouse-gas emissions have also increased the number of days each year with fire-starter weather conditions.

On this occasion, north-east winds with gusts reaching almost 100mph (160kph) in some places swept over the mountains that cradle the city. These are the Santa Anas, also known as the "devil winds". In cooler months they blow warm, dry air from the vast desert of the Great Basin towards the coast. The winds can dry out plants already parched by the drought that has set in after two unusually wet years. But they can also carry embers great distances, breeding new fires as they blow.



It did not take long for a natural disaster to become a political one. Donald Trump blamed California's Democratic governor, Gavin Newsom, arguing that he diverted water from Californians to protect an endangered fish, a reference to a new plan to manage water in the California Delta, which has no bearing on firefighting in LA. "One of the best and most beautiful parts of the United States

of America [is] ashes”, he wrote on Truth Social, “and Gavin Newscum should resign.” It is a reminder of Mr Trump’s version of leadership and an ugly prelude to what will be a strained relationship between him and the governor at a time when the state will need federal assistance.

The ordeal reminds Angelenos of their vulnerability. At any given time Los Angeles is at risk of fire, flood, extreme heat, mudslides and earthquakes. “Los Angeles weather is the weather of catastrophe, of apocalypse” wrote Joan Didion in 1969, in an essay about the Santa Anas. The violent winds “affect the entire quality of life in Los Angeles, accentuate its impermanence, its unreliability. The wind shows us how close to the edge we are”. ■

**Correction (January 12th 2025):** An earlier version of the piece misnamed the California Delta.

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<https://www.economist.com/united-states/2025/01/08/los-angeles-against-the-flames>

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**Going big**

# America's bet on industrial policy starts to pay off for semiconductors

*Trump will not reverse the chip subsidies, but will he reinforce them?*

Apr 07, 2025 03:03 PM | WASHINGTON, DC



She took care of business

IN THE FINAL days of Joe Biden's presidency, most parts of his administration are winding down. Not so the top brass in the Department of Commerce: on an almost daily basis, they are signing giant funding contracts with chipmakers, racing to dole out cash before Donald Trump enters the White House. When all is said and done, they will have awarded nearly \$40bn to semiconductor makers in little more than a year—arguably the biggest single bet on industrial policy by the government in decades, and one that could end up as Mr Biden's most lasting economic legacy.

The rush to disburse cash has invited questions about whether the funding commitments—the cornerstone of the CHIPS and Science Act, passed in 2022—are at risk under Mr Trump. On the campaign

trail, he called CHIPS a “bad” deal, saying the government could have just slapped tariffs on imported semiconductors.

Gina Raimondo, commerce secretary in the Biden administration, is not fretting about a rollback by Mr Trump or Howard Lutnick, nominated as her successor. In an interview with *The Economist*, she notes that support for the law is bipartisan, with both Republicans and Democrats keenly aware that a capacity to make chips, a critical component in every electronic device, is needed for national security. Moreover, she adds, people forget that it was Mr Trump who got things started by urging TSMC, a Taiwanese firm that is the world’s most advanced chipmaker, to build a semiconductor factory (or fab) in America.

She also rejects the notion that Commerce is rushing money out the door. The stated plan had always been to complete allocations by the end of 2024, and the due diligence began much earlier. “I see it as getting the job done efficiently with taxpayer money,” says Ms Raimondo.

In fact, the recent concern about the frenetic pace is the exact opposite of the criticism that previously dogged the CHIPS programme—namely, that it was moving too slowly because of conditions attached to deals, including requirements that chipmakers ensure access to childcare for their workers. Much of the initial slowness also reflected basic prudence on the part of the commerce department as it built up its CHIPS office from scratch, recruiting a mixture of semiconductor veterans and Wall Street dealmakers. It was charged, in effect, with implementing a major departure from the usual distaste for industrial policy on Capitol Hill (apart from when it comes to weapons). “There are large numbers of congressional staffers just waiting for the first mistake so they can denounce the investment,” says Charles Wessner of Georgetown University.

Could the CHIPS programme yield a more durable change in America's attitudes towards industrial policy? The other part of Mr Biden's industrial policy—the Inflation Reduction Act (IRA), focused on clean-tech spending—is bigger but much more diffuse, covering everything from hydrogen production to electric-vehicle charging stations. Climate wonks had hoped that the IRA would be politically protected from a future Republican Congress because so much of its spending goes towards Republican states. But given a choice between keeping green tax credits associated with the Biden administration and cutting voters' taxes, most Republican lawmakers know which they would prefer.

In the case of CHIPS, by contrast, funds have already been promised to companies contractually, provided they hit specific production milestones. Early returns are impressive: the programme has catalysed about \$450bn of private investments. And this money is spread across much of the industry, from high-tech packaging to memory chips. One marker of success is the production of the most advanced chips, measuring less than 10 nanometres in size. In 2022 America made few such chips. By 2032 it is on track to have a share of 28% of global capacity, according to the Semiconductor Industry Association, a trade group. "That is not chopped liver," says John Neuffer, its CEO.

The subsidies have helped to shrink a gap of roughly 30% in the cost of building and operating fabs in America compared with in Asian countries. In part costs are lower in Asia because Asian governments lavish handouts on companies. But Asian producers have also reaped the benefits of dense manufacturing clusters, with well-trained workforces and plenty of suppliers nearby. The hope is that CHIPS has started this process in America. "It's enough to get the flywheel going," says Ms Raimondo.

But neither she nor just about anyone in the industry thinks that it will ultimately prove to be enough. It can take five years to build a cutting-edge fab, while the CHIPS Act itself runs for just five years.

TSMC alone spends more than \$30bn annually on expanding and upgrading its manufacturing operations, and China is throwing multiples of that at its companies. “I think we should be sober about how challenging it will be to keep the investment going,” says Chris Miller, author of “*Chip War*”, a book about the industry. The question facing the Trump administration thus will not be whether to repeal CHIPS but how to build on it. For starters it is likely to come under pressure to extend a 25% tax credit for manufacturing investment that is due to expire in 2027.

Mr Trump will also have to decide what to do with the newly muscular Department of Commerce. The department’s headquarters in Washington, DC, was the largest office building in the world when completed in 1932, a measure of its institutional importance at the time. But over the decades it faded into the background, mainly handling trade missions. Over the past few years its labyrinthine corridors have pulsed with energy again, with the department leading not just the semiconductor push but also much of the effort to restrict exports of advanced technology to China. “This shouldn’t be a blip for the commerce department,” says Ms Raimondo. “This is where the world is today.” ■

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<https://www.economist.com/united-states/2025/01/09/america-s-bet-on-industrial-policy-starts-to-pay-off-for-semiconductors>

**Walking the line**

## Mike Johnson has his old job back, for now

*But the GOP has the tightest House majority in nearly a century*

Apr 07, 2025 03:02 PM | WASHINGTON, DC



THE FIRST week of the 119th Congress, which convened on January 3rd, revealed some important truths about how power will be exercised in Washington over the next two years. Donald Trump won't always get his way on Capitol Hill, though any Republican opposing his preferences will also usually claim to be supporting the president. And even though Mr Trump isn't all-powerful, it will be hard for anything to happen without him.

First consider the uneasy re-election of Mike Johnson as House Speaker. Mr Johnson won near-unanimous support from his party on the first ballot, an improvement over the 15 rounds of voting it took for his Republican predecessor two years ago. But the win required months of lobbying, and uncertainty prevailed until a few minutes before he secured the gavel—with last-minute help from Mr Trump.

Conservative hardliners had brought a range of complaints about the House leadership. They see the Speaker, implausibly, as a

spendthrift who does not cater enough to the needs of their slash-and-burn wing of the party. After the election several insurgents signed a public letter declaring that they backed Mr Trump's choice for Speaker "despite our sincere reservations". The letter outlined policy demands and desired procedural changes. These were broadly in line with Mr Trump's goals, but some, such as attaching strings to an increase in the debt limit or rapidly balancing America's budget, would certainly irk him. The dissidents made clear that, unless their demands are met, Mr Johnson might soon lose his grip on power.

Such fights matter in a year filled with important legislative deadlines. Republicans have defence spending to approve, a government budget to pass by March 14th, and a debt ceiling to raise or suspend by around June. And that is a bare minimum aside from ambitious immigration and energy legislation and a complex renewal of Mr Trump's first-term tax cuts. All of these challenges contain plenty of opportunities to alienate conservatives and moderates alike, meaning that every big vote could be as fraught as Mr Johnson's investiture.

Yet Republicans spent their first days in Washington confused about how they would even approach passing the legislation. The Senate, led by John Thune, prefers a two-track process, whereby Congress notches an early victory with a bill covering immigration, energy and other priorities before beginning tax negotiations. Mr Johnson and other prominent figures in the House want one massive bill as leverage against restive Republicans unhappy with specific tweaks to the tax code.

Either strategy is fraught given that Republicans won the House by the slimmest majority since the 1930 election. This sort of impasse is designed to be resolved by presidential leadership. "I like one big, beautiful bill," Mr Trump said on January 7th. "But if two is more certain, it does go a little bit quicker because you can do the immigration stuff early."

A paradox of Mr Trump's second term is that while he has become more politically formidable, Republicans have less room for error in the House. The quick election of Mr Johnson, and the days of confusion around strategy that followed, showed the difference Mr Trump can make simply by taking an interest. Whether he can sustain that involvement to see his legislative agenda through is less certain. ■

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<https://www.economist.com/united-states/2025/01/09/mike-johnson-has-his-old-job-back-for-now>

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**Snakes on a list**

## When treating snakebites, American hospitals turn to zoos

*The zookeeper will see you now*

Apr 07, 2025 03:02 PM | BRONX ZOO



Ticket to the Bronx

AT SPACE FARMS, a family-owned zoo and museum in rural New Jersey, Parker Space keeps African puff adders, cobras, copperheads, rat snakes, pythons, boa constrictors, “a bunch” of cottonmouth moccasins and eastern massasauga rattlesnakes. “I’ve been slinging a rattlesnake since I was 12,” says Mr Space, who is also a Republican state senator. On December 30th, aged 56, he sustained his first bite. His local hospital injected 14 vials of antivenom, but his bitten hand remained stubbornly swollen. So he was flown to the Bronx, where snake-bite specialists and exotic-snake antivenoms abound.

The Jacobi Medical Centre is a short drive from the Bronx Zoo. The hospital’s toxicologists, working in a dedicated snake-bite unit, are experienced. (Given that just 7,000-8,000 people in America sustain venomous snake bites annually, most physicians are not.) They also have easy access to the Bronx Zoo’s impressive

collection of antivenom, which it stocks for all of the species in its Reptile House, plus more. That policy can be traced back to 1916, when a zookeeper survived a rattlesnake bite with an experimental antivenom supplied by an expert from Brazil, who happened to be travelling through New York. “There is no reason why the men who work in the Reptile House should be in danger of death every time a poisonous snake ‘goes bad’,” declared Raymond Ditmars, the zoo’s first reptile curator.

In “modern history”, however, no Bronx Zoo employees have required the antivenom, according to Kevin Torregrosa, the current curator. Instead it is being doled out, most often, to pet owners. The Bronx Zoo is a “one-stop shop” for patients in the Northeast, says Mr Torregrosa; and in fact, the system is replicated across the country.

Most hospitals stock two brands of antivenom, which are federally approved and work against indigenous snakes. But a run-in with a black mamba or king cobra prompts a call to a regional poison-control centre, which consults an index of antivenoms in stock at accredited zoos. Niche antivenoms are classed as “investigational new drugs”, and zoos pay for permits to import and store them. Leslie Boyer of the University of Arizona, who helped organise the index, says that a poison-control call is often routed to a zookeeper’s private number.

The zoos can’t charge for such drugs, so in effect, argues Dr Boyer, they are “supporting the medical care of risk-takers”. Jessi Krebs, the reptile curator at the Henry Doorly Zoo in Nebraska, agrees: generally the people who privately own exotic snakes “don’t plan ahead”. Should Mr Space’s puff adders get any funny ideas, he could once again find himself in the Bronx, this time receiving specialised antivenom. The senator, who is still recovering, says he does not plan to start stocking it. ■

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<https://www.economist.com/united-states/2025/01/09/when-treating-snakebites-american-hospitals-turn-to-zoos>

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**Alcohol guidelines**

## Most Americans think moderate drinking is fine

*They are unaware of the cancer risk*

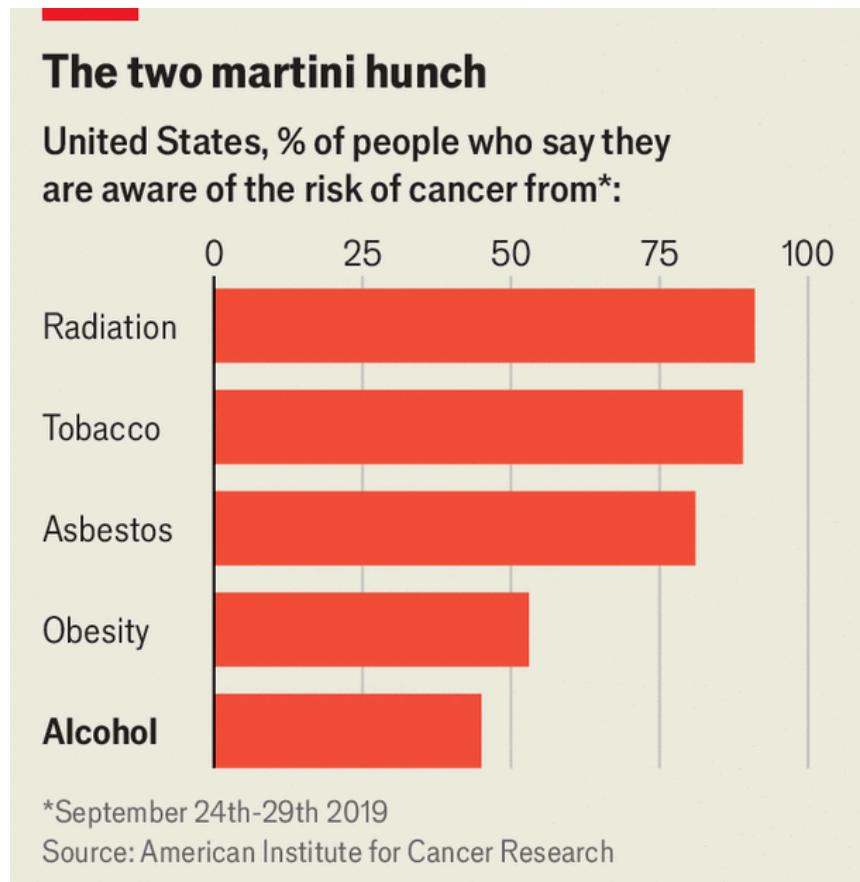
Apr 07, 2025 03:03 PM | WASHINGTON, DC



THIS TIME of the year is when people make resolutions they may struggle to keep. One reason for that is confusion. According to Gallup, a pollster, three in five adults drink alcohol. About 45% think drinking even in moderation is bad for their health, while 43% think it has no effect. Americans drink more spirits (or hard liquor) now than during the Civil War—a time period so filled with drunkenness that some historians say it sparked the temperance movement. This is despite something that has long been known by public-health researchers.

The nerds got their way on January 3rd, when Surgeon General Vivek Murthy, America's top doctor, issued an advisory on the link between drinking alcohol and cancer. He wants the labels on alcoholic drinks to carry a cancer warning. Alcohol, the advisory notes, is the third leading preventable cause of cancer in America, after tobacco and obesity. It accounts for nearly 100,000 cancer cases a year. But while 89% of Americans know that tobacco can cause cancer, less than half are aware that alcohol does too.

That is partly because the risk from alcohol is smaller, but it is not trivial. According to the surgeon-general's report, 17% of women who drink occasionally will be diagnosed, at some point in life, with one of the seven cancers for which alcohol's causal effect has been established. For women who have two drinks a day the cancer rate goes up to 22%. Among men, the cancer rate goes up from 10% among occasional drinkers to 13% among those having two drinks a day.



The link between alcohol and cancer is not scientific news. The World Health Organisation classified alcohol as a carcinogen in 1988. Yet nearly 10% of Americans today say that drinking is good for health. Some of the confusion stems from studies that have found, over the years, that moderate drinkers live longer than non-drinkers. This result is explained mostly by a seemingly protective effect of moderate drinking against heart disease.

But what scientists have learned over the years is that plain comparisons of drinkers and non-drinkers make alcohol seem healthier than it may be. Many abstainers have given up alcohol because they are too unwell; some are former alcoholics. How researchers account for these “sick quitters” matters. Some exclude all non-drinkers from the analyses and only measure how risks of disease change with the amount of drinking; others group ex-drinkers with current drinkers. With such adjustments, the protective effect of moderate drinking on longevity and heart disease nearly disappears; the increased cancer risk chalked up to drinking goes up.

Newer studies that use genetic tolerance to alcohol to mimic randomised trials of drinking have found no health benefits from alcohol. This study method mitigates biases: people who drink are richer, more educated and healthier than those who do not. That may explain why red wine, rich people’s drink of choice, has seemed particularly heart-healthy. Most scientists now see the idea of alcohol being beneficial in moderation as “either exaggerated or completely false”, says Tim Stockwell from the University of Victoria in Canada.

Americans are bombarded with headlines about the benefits of alcohol (“Wine may be good for the heart, new study says”). Occasionally, a headline gives them pause (“Even a little alcohol can harm your health”). The surgeon-general’s message may clear the air—and make resolutions to drink less stick better. ■

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<https://www.economist.com/united-states/2025/01/09/most-americans-think-moderate-drinking-is-fine>

Against expensive excellence

## The US Army needs less good, cheaper drones to compete

*It seems obvious. So what is stopping it from happening?*

Apr 07, 2025 03:02 PM



IN UKRAINE BOTH sides are deploying millions of [low-cost drones](#), which play a role in combat as both scouts and weapons. The US Army, long considered a leader in this field, has been following events in Ukraine closely. But the Pentagon is acquiring only small numbers of drones at high cost. Why are American drones so expensive, and can prices be brought down?

A typical [FPV](#) (“first-person view”) attack drone costs Ukraine’s army less than \$500. Based on [racing quadcopters](#), these are typically made by small suppliers. Some are assembled at kitchen tables through a government initiative which shows people how to make drones at home. Though rough and ready, they can knock out a Russian tank, artillery piece or bunker from several miles away.

The nearest American equivalent is the Marine Corps’ new Bolt-M made by Anduril. This is a slicker, more polished quadcopter with more on-board intelligence and requiring less operator skill, but it

performs the same basic task of hitting a target with a 1.5kg warhead. The cost though is “low tens of thousands” of dollars. The similar Rogue-1 comes in at an eye-watering \$94,000 apiece. In Ukraine, FPVs are so numerous that two or more may pursue each Russian footsoldier. The US cannot issue drones quite so lavishly when each costs as much as a sports car.

Critics accuse American companies of “gold plating”, adding unnecessary expenses to push prices up, or of excessive profits. Certainly there have been cases of gross overcharging, such as when the Pentagon has bought hammers for \$48 apiece when the same hammers cost \$9 from another supplier. But the situation with drones is more complicated.

One issue is sourcing. Ukrainian drones are typically assembled from cheap components made in China. The Pentagon has banned its forces from acquiring Chinese drones, both because it worries about security and because it does not want its supply chain to be controlled by a potential future adversary. Higher specifications also quickly push prices up. Most Ukrainian drones only have daylight cameras; a few are fitted with thermal imagers for night operations, which add hundreds of dollars to the price. All American military drones come with far more expensive high-resolution imagers.

For reconnaissance, Ukrainian operators typically use the Chinese DJI Mavic 3 Pro, which sells for around \$3,000. The US Army’s new Short-Range Reconnaissance quadcopter will carry out similar missions. The current version costs around \$20,000. The difference is partly accounted for by the need to meet US military requirements such as resistance to shock and vibration, extreme temperatures and radio interference. New capabilities, including better GPS, higher-resolution thermal imaging, automated target tracking and obstacle avoidance are pushing the price up to around \$40,000. Experience suggests this type of cost spiral keeps going. And the more

expensive such drones become, the less expendable and less useful they are.

And while Ukraine maintains a fleet of about 40,000 reconnaissance quadcopters, the Pentagon is acquiring about 1,000 a year, so economies of scale are not kicking in. Chinese drone-maker DJI has dominated the consumer drone market since the 2010s and produces several million drones each year. In the 2010s commercial drone-makers were forced out of business in America, or into supplying the niche market for government drones. Teal and Skydio, which supply the US Army reconnaissance drones, both followed this route.

George Matus, the boss of Teal, believes America needs to build up its drone infrastructure. An ecosystem of companies making flight controllers (the brains of the drone), cameras, communications and other components could enable drone manufacture at prices and quantities to rival China. Mr Matus believes this could all be achieved for the cost of a single high-tech jet fighter. Some companies are also drawing on alternate supply chains in Europe and Taiwan.

Since 2023 a Pentagon initiative called Replicator has been exploring how to produce large numbers of small drones rapidly at low cost, and how to learn from the Ukrainian experience. Replicator faces a deeply entrenched culture of expensive excellence. The American way has been to make world-beating systems, like the F-35 fighter jet and the M1 Abrams tank, regardless of cost. Making “good enough” hardware in bulk is a departure which faces resistance. In June, Replicator announced a contract to buy SwitchBlade loitering munitions, exactly the sort of expensive legacy drones that it was expected to replace.

***Going on and on***

Russia's drone industry is ramping up. Vladimir Putin estimated Russia would make 1.4m drones in 2024. Meanwhile China has reportedly placed an order for almost 1m attack drones from one supplier (some experts dispute this). The low cost of this technology, and the fact that drones and their components can be bought easily, mean the technology is rapidly proliferating. Small drones played an important role in aiding Syria's rebel offensive in December, for instance. Elon Musk, the tycoon tapped by Donald Trump to find government savings, has drawn attention to the wastefulness of America spending \$100m on a manned jet in lieu of cheap, expendable drones. In truth, the two platforms perform wildly different tasks. But unless the Pentagon succeeds in rebalancing its arsenal, America could be heavily out-droned in any future conflict. ■

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<https://www.economist.com/united-states/2025/01/05/the-us-army-needs-less-good-cheaper-drones-to-compete>

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# The Americas

- **Justin Trudeau steps down, leaving a wrecked party and a divided Canada**

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- **Canada and America have been fighting about timber for 40 years**

Wood wars :: As Donald Trump takes office, the chances of a lumber deal look slim

- **Does made in Mexico mean made by China?**

Caught in the middle :: Donald Trump believes Mexico is a trojan horse for Chinese mercantilism

**Crisis in Canada**

# Justin Trudeau steps down, leaving a wrecked party and a divided Canada

*Mark Carney and Chrystia Freeland are among those tipped as the next Liberal leader*

Apr 07, 2025 03:03 PM | Ottawa



ON JANUARY 6TH Justin Trudeau, Canada's prime minister, announced his resignation after weeks of speculation and a mounting political crisis. The Liberal Party has won three successive elections under his leadership. But over the past year he has become an [isolated and polarising figure](#) as supporters abandoned his party, angry that it had failed to deal with inflation, growing housing costs and strains caused by high levels of immigration which have driven the fastest population growth since 1957.

His party is now gripped by a leadership struggle. Canada faces an election which must be held by October. It will be fought over Mr Trudeau's flawed legacy, the right response to a looming trade war, geopolitical risks and a sluggish economy. "This country deserves a real choice in the next election," said Mr Trudeau. "It has become

clear to me that if I am having to fight internal battles, I cannot be the best option in that election.”

He joins a growing list of progressive leaders done in by their failure to assuage the anxieties of ordinary voters, many of whom are shifting to populist parties. Among those crowing over his exit was president-elect Donald Trump. His contempt was laid bare recently in a stream of social-media posts, dismissing Mr Trudeau as the “governor” of “the Great State of Canada” and urging Canadians to consider becoming the 51st member of the United States. The rampant Conservative Party, led by Pierre Poilievre, will be watching who the Liberals pick next and eyeing a landslide election victory.

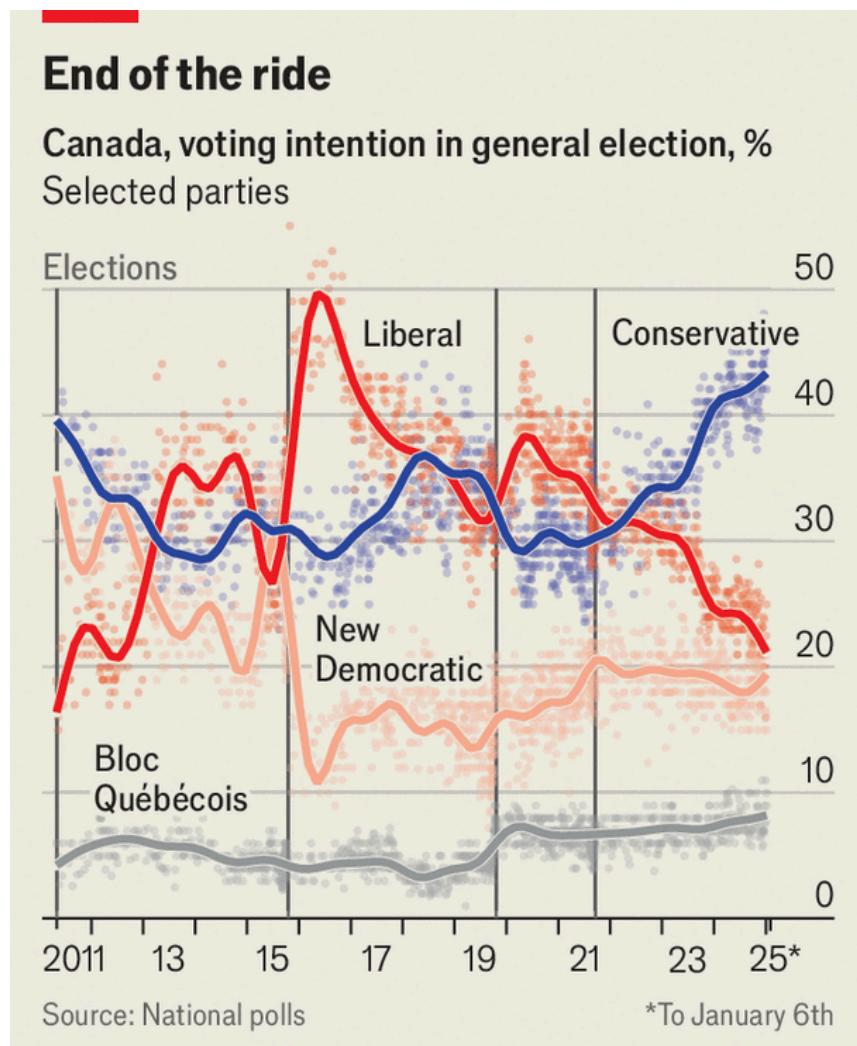
Whoever is chosen must face down Mr Trump while leading an enfeebled and unloved Liberal government. The president-elect is threatening to put tariffs of 25% on all of Canada’s exports to the United States immediately after his inauguration on January 20th. Pile that onto an already anaemic economy and the double-digit lead that Mr Poilievre has held in national polls for more than a year, and that landslide looks very likely.

That Mr Trudeau has said he will go so near the end of his term means his party is missing an essential ingredient for success: time to recover. Whoever succeeds him will probably have only a few weeks as prime minister. The election must be held by October, but will almost certainly come this spring. Opposition parties in Canada’s parliament, which the Liberals control as a minority, have all vowed to bring down the government at the first opportunity through a vote of no confidence.

### ***The starting gun***

Parliament was due to return from holiday on January 27th, but Mr Trudeau has managed to “prorogue” it, aborting the current session and leaving the legislature suspended until March 24th. That

triggers a ten-week sprint to choose a successor, appoint a new cabinet and develop an electoral blueprint. The successor must then either face that no-confidence vote or he or she must call for an election that would probably take place in May.



Mr Trudeau's arc has been vertiginous (see chart). He took his party from third place to a majority mandate in 2015 by winning over a wide swathe of the electorate, including working-class, indigenous and first-time voters. He championed the causes that animated progressive politics a decade ago, such as climate change and minority rights. He won praise in his first term for reducing child poverty and successfully negotiating with a truculent first-term President Trump to clinch a new free-trade agreement.

In elections in 2019 and 2021 Mr Trudeau won with less support and minority mandates. Much of his political capital was squandered as his Liberals failed to recalibrate in the wake of the pandemic, and as the public's priorities shifted to inflation, housing and immigration. He and his party offered pious sermons that railed against their Conservative rivals' coarser tactics, rather than pragmatic solutions to the problems that bedevilled anxious voters.

### **Party's over**

Support for the Liberal Party has crashed. A recent survey by the Angus Reid Institute, a pollster, suggests it is now backed by just 16% of voters, compared with the 45% who support Mr Poilievre's Conservatives. That represents a new low for one of the world's most successful political organisations: the Liberals have been in power for 93 of the past 129 years. When Michael Ignatieff led them to their first (and so far only) third-place finish in 2011, they had the backing of 19% of voters.

The Liberals' meagre support is mirrored in its bank accounts. The party raised one third of the C\$29m (\$20m) pulled in by the Conservatives in the first nine months of 2024. This feeble fundraising has shown up in the paltry number of advertisements for the Liberals on television, radio and the web. Every hockey game or home-renovation show seems to be flooded with Mr Poilievre's face, or his voice intoning Conservative slogans.

Despite these formidable challenges, several aspirants to be the Liberal leader have been quietly assembling campaign teams for months. Those being urged to run by fellow Liberal MPs include Chrystia Freeland, whose [surprise resignation as finance minister](#) on December 16th precipitated the crisis that saw much of Mr Trudeau's caucus abandon him. Mark Carney, who governed the Bank of England and before that the Bank of Canada, may jump into the race if the party does not opt to choose a new leader from among existing Liberal MPs. Mélanie Joly, the foreign-affairs

minister, and François-Philippe Champagne, the industry minister, are also weighing their prospects.

Whoever becomes leader must prepare to fight an election campaign that will turn in part on which party is best placed to confront the challenge of Mr Trump. Trevor Tombe, an economist at the University of Calgary, estimates that the president-elect's proposed tariffs would shave 2.6% off Canada's GDP and tip the economy into recession. But the election will also be a battle over Canada's identity. A decade of progressive liberalism has ended in widespread disillusionment. Far more than the Liberal Party's fortunes will be at stake when it selects its next leader. ■

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<https://www.economist.com/the-americas/2025/01/06/justin-trudeau-steps-down-leaving-a-wrecked-party-and-a-divided-canada>

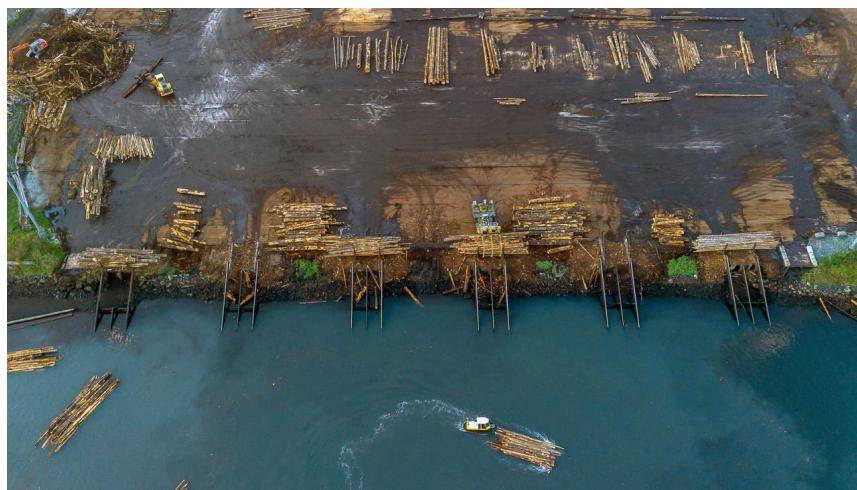
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## Wood wars

# Canada and America have been fighting about timber for 40 years

*As Donald Trump takes office, the chances of a lumber deal look slim*

Apr 07, 2015 03:03 PM | Vancouver

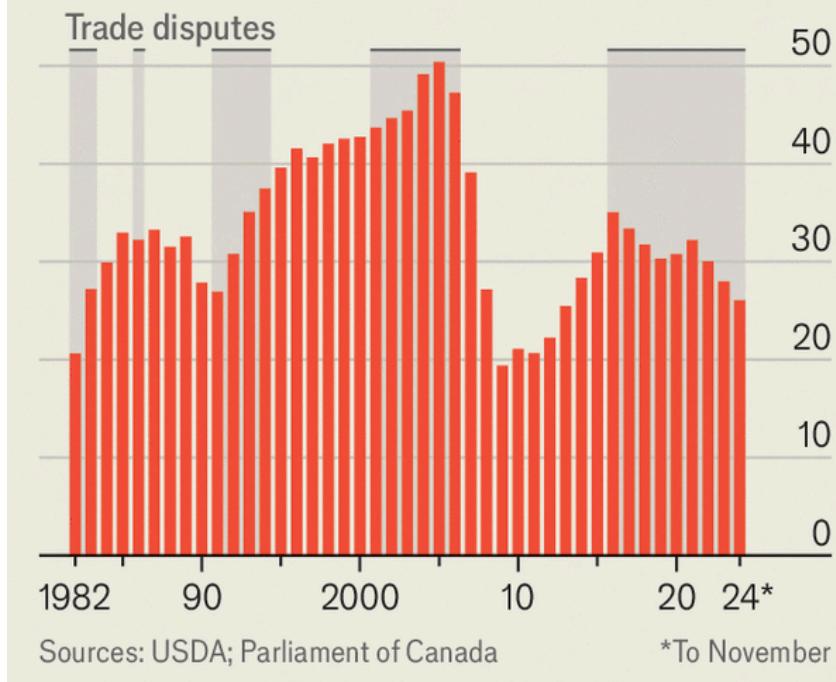


WHEN THE boss of the US Lumber Coalition took the podium at the Global Wood Summit in Vancouver in October, he did not have to tell his mostly Canadian audience to hold their applause. “I’m not going to make a lot of eye contact,” Zoltan van Heyningen said, standing before the frosty room.

Canadian wood used to flow into the United States at quite a clip (see chart). Exports are now running at levels last seen in the 1970s, thanks to the fact that softwood lumber is the subject of the longest-running trade dispute between the two countries. Since the 1980s the lumber industry in the United States has maintained that Canadian producers receive unfair subsidies in the form of low “stumpage fees” set by provincial Canadian governments, which own most forest land. The United States has periodically placed duties on Canadian imports to “level the playing field”.

## Exports, stemmed

Softwood lumber, US imports from Canada,  
m cubic metres



Canada's federal government says the duties are "unfair and unwarranted". In September it filed a challenge under the United States-Mexico-Canada Agreement (USMCA) after the US Department of Commerce increased duties from 8.1% to 14.5%. If Donald Trump is true to his word these will rise to 25% this year, before the challenge is heard. "The US has always worried there will be a flood of Canadian wood going across the border, a stream of cheap Canadian products," said Harry Nelson of the University of British Columbia.

Trade war aside, Canada's lumber industry is suffering, thanks to wobbling prices during the pandemic, and wildfires and insect infestation that have led to mill closures and job cuts. Canfor, a Vancouver-based forestry company, says shipments and production are both down due to high duties and weakness in the North American lumber market. The firm has closed ten of its 13 mills in British Columbia over the last decade. The number of people

working in forestry in British Columbia has fallen by more than half this century.

Canadians want a new softwood-lumber agreement. The United States was in no hurry to give them one, even before the election of Mr Trump. Austria, Brazil, Germany and Sweden have all recently increased their lumber exports to the United States, which itself is set to become a net exporter by 2027. The most recent us-Canada deal expired in 2015. Under that one, some \$5bn in collected duties were returned to Canadian producers by the United States government. Canadian industry hopes a new agreement would see collected duties returned once again, up to \$10bn by some estimates—not likely under the new Trump administration. Kevin Mason, an analyst with ERA Forest Products Research, takes the long view. “This is a battle going back to the early 1800s,” he says. “It’s not going to change.” ■

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<https://www.economist.com/the-americas/2025/01/09/canada-and-america-have-been-fighting-about-timber-for-40-years>

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**Caught in the middle**

## Does made in Mexico mean made by China?

*Donald Trump believes Mexico is a trojan horse for Chinese mercantilism*

Apr 07, 2025 03:03 PM | Mexico City



IN 2018 United States President Donald Trump started a trade war with China. Mexico benefited; companies seeking to avoid tariffs by diversifying production out of China saw the country as a good option thanks to affordable labour, decent infrastructure and, most importantly, its free-trade agreement with the United States.

As Mr Trump's second term approaches, that logic is souring. Chinese companies [looked to Mexico](#) more than most. Their investment in the country has surged. Mr Trump (who has already threatened to apply a [tariff of 25%](#) to Mexican imports "on day one" unless it stops migrants and drugs from illegally crossing the border) believes those firms are using Mexico as a tariff-free gateway to the United States. His conviction may end up blowing apart the United States-Mexico-Canada Free Trade Agreement (USMCA).

Concerns about Chinese activity in Mexico are bipartisan and long-running. In 2019 American officials worried that Chinese exporters were simply using Mexico as a route to the United States market, especially for steel and aluminium. This has largely been dealt with by Mexico imposing tariffs on imports of the metals from China, and a “melt and pour” rule that requires steel to be “substantially transformed” in Mexico before it is exported to the United States. Outright fraud—where products are imported from China, relabelled as Made in Mexico, then exported to the United States—is probably rare.



Today the focus is on Chinese firms assembling or manufacturing products in Mexico for sale in the United States. There is plenty of this happening. In 2023 Mexico overtook China to become the leading exporter of goods to the United States; meanwhile, Chinese exports to Mexico have boomed (see chart 1). In 2002, Mexican exports to the United States contained less than 5% Chinese components by value. By 2020 that number was 21%.

Electric-vehicle (EV) production is the big issue. Most of the EVs sold worldwide are Chinese-made, usually at a lower price than those made by American firms, and of equivalent or higher quality. In September President Joe Biden [raised tariffs](#) on imports of EVs from China to 100%; without them, sales would boom. But the tariffs do not apply to vehicles made in Mexico.

Mr Trump claims that Chinese carmakers are constructing “monster” factories south of the border. That is false. Just one Chinese joint venture makes EVs for the Mexican and regional market. BYD, China’s leading EV manufacturer, has said it will build a factory in Mexico to churn out 150,000 vehicles a year, but it has yet to materialise. This month Solarever, a smaller producer, announced it would build a factory in northern Mexico.

The areas where Chinese firms really are expanding tend to be further down the supply chain. Eight Chinese auto-parts manufacturing companies operated in Mexico in 2018. By the end of 2023 there were at least 20. They make trims and battery casings as well as high-tech elements such as software to assist drivers. Many cars made in Mexico with Chinese components meet the USMCA requirement that 75% of a car must be made in Mexico, whether by Chinese companies or otherwise, to qualify for free trade. But it doesn’t matter if it is legal, says Joshua Meltzer of Brookings, a think-tank in Washington: “Political tolerance [for China] is going down.” Anything with a whiff of China is seen as suspicious. “Made by China is the new Made in China,” says Jorge Guajardo, a former Mexican ambassador to China.

Today the free trade that USMCA enshrines is subordinate to the China concern, says Enrique Dussel Peters, who runs the Centre for Chinese-Mexican Studies at the National Autonomous University of Mexico. The issue looms over a review of the deal in 2026. In September Marco Rubio, Mr Trump’s nominated secretary of state, warned of “China’s rampant exploitation of Mexico as an intermediary,” and its “manipulation of USMCA”. Politicians in

Canada have suggested booting Mexico out of USMCA and drawing up a bilateral free-trade agreement.



Mexican officials complain that the focus on Chinese investment in Mexico is hypocritical; Chinese FDI into Mexico is small compared with the billions China invests in the United States every year. But in Mexico Chinese FDI has been growing sharply, while its FDI into the United States has fallen. It does not help that Mexico's official FDI figures seem to undercount Chinese investment by a factor of six (see chart 2), according to the Rhodium Group, a research firm, which finds that \$13bn has been invested cumulatively since 2013. Mexico is paying the price for “being slow to read the writing on the wall”, says a North American diplomat.

Claudia Sheinbaum, Mexico's president, has read it. Her government is scrambling to please its northern neighbour, setting up a body to screen foreign investments that apes those in the United States and Canada. It has plans to substitute imported

Chinese components with ones made in Mexico. Marcelo Ebrard, the economy secretary, says Mexico must start making microchips and lithium batteries. Other Trump-pleasing measures are coming thick and fast. “Mexico wants to be a team with Canada and the United States,” says Luis Rosendo Gutiérrez, an official with Mexico’s economy ministry.



Yet the discussion is detached from the reality of the complex nature of trade, says Mr Dussel Peters. Foreign companies in Mexico, predominantly American ones, account for 70% of the exports to the United States. American car makers like General Motors and Ford are among those that have integrated Chinese companies into their supply chains. Some encouraged Chinese suppliers to set up shop in Mexico.

Import substitution takes time and requires incentives. Mexico's cash-strapped government cannot offer the kinds of subsidies that are available for domestic production of chips and batteries in the United States. And some items simply can't be sourced outside China. “We haven’t developed supply chains in the region for items like batteries for EVs,” says Odracir Barquera of the Mexican Automotive Industry Association.

Meanwhile Mexico has another reason to fret. In the early 2000s it lost out to China in exports to the United States. Now, if Chinese companies start displacing Mexican ones in North American supply

chains, Mexico will suffer again, notes Margaret Myers of the Inter-American Dialogue, a think-tank in Washington. Here American and Mexican officials see eye-to-eye. “The message to the United States is ‘how do I help you make what you import from Asia?’” says Mr Gutiérrez. “Because it will help us, too.” ■

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<https://www.economist.com/the-americas/2025/01/05/does-made-in-mexico-mean-made-by-china>

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# Asia

- **Indonesia nearly has a monopoly on nickel. What next?**

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[Back to the future](#)

## Indonesia nearly has a monopoly on nickel. What next?

*Prabowo Subianto, the new president, wants to create an electric car supply chain*

Apr 07, 2025 03:02 PM | JAKARTA



IN 1996 TOMMY SUHARTO, the youngest son of Indonesia's dictator, set out to build the Timor, a national car. The plan was to import models manufactured by Kia Motors, a South Korean carmaker, and rebrand them. Kia would teach Indonesians carmaking; strict local-content requirements would ensure the economy benefited. But as a financial crisis in 1997 battered Indonesia's car market, 15,000 Timors sat idle in a car park. By 1998, as riots in Java brought down the Suharto regime, embarrassed Indonesians who owned the national car tore off their "T" logos. Under pressure from furious trade partners, the Timor was withdrawn.

Yet the economic-nationalist spirit that infused the Timor has never quite gone away. Today, it animates Indonesia's programme of "downstreaming", or moving towards higher value-added activity. The policy is being championed afresh by Prabowo Subianto, the new president.

One mineral is the linchpin of this policy: nickel, a crucial material for electric vehicle (EV) batteries. A nickel-ore export ban came into force in 2020. Now, Indonesia dominates global nickel-mining and smelting. It produces nearly half the world's refined nickel and two-thirds of its mined nickel. Both shares have doubled since 2020. In 2023 Indonesian exports of processed nickel amounted to \$22bn, or 9% of total exports, up from 2% in 2019.

As Indonesia's market share has multiplied, so too has the grandeur of its politicians' ambitions. With local content requirements as a stick and lavish tax incentives as a carrot, the idea is to create a complete EV supply chain on Indonesian soil. So far, only China has managed to do this. Even so, politicians are bullish. Luhut Pandjaitan, the architect of downstreaming, thinks Indonesia could be a top-three producer of both batteries and EVs by 2027.

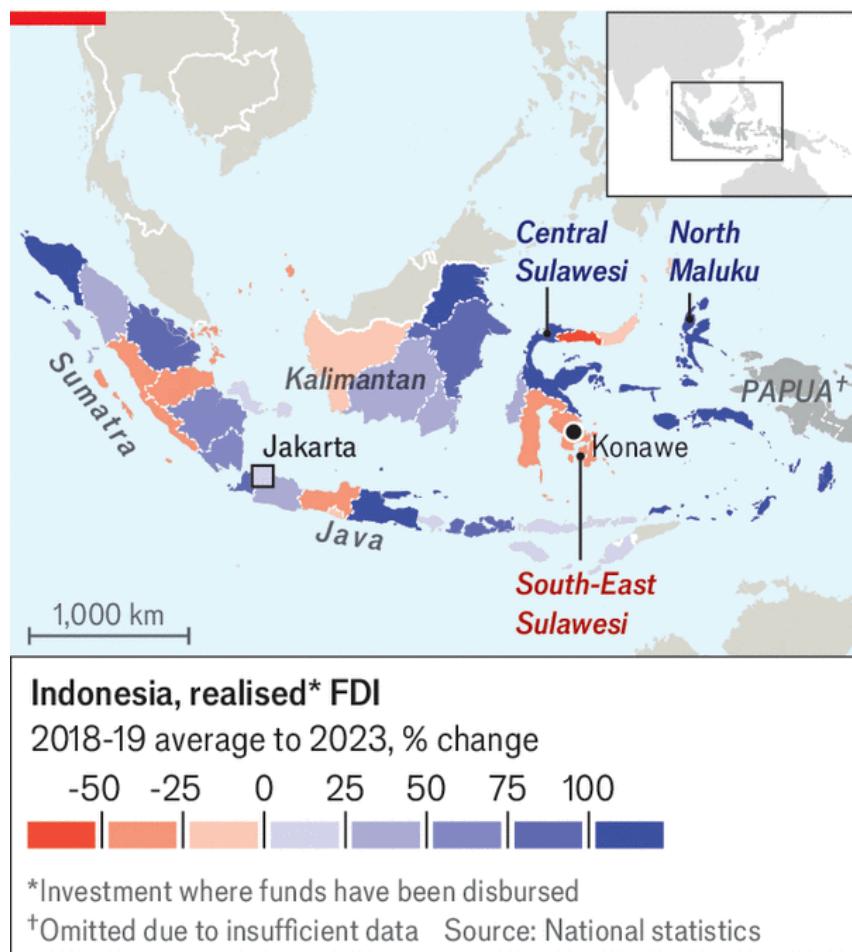
Such estimates are not mere hyperbole. The country has reserves of nearly all the necessary raw materials to build EVs, from copper to cobalt. Moreover, virtually no one foresaw Indonesia's abrupt takeover of the nickel market, powered by new smelting technology and investment from Chinese mining firms. At a conference in Jakarta, the capital, on November 26th, the mood was defiant. "For us, this is a matter of survival," Mr Luhut told investors.

### ***Electric dreams***

What are downstreaming's aims? First is Mr Prabowo's ambitious target for Indonesia's GDP to grow by 8% each year, which officials hope to achieve by supercharging export-oriented foreign direct investment (FDI). (The average growth rate has been around 5% over the past two decades.) Another goal is to boost growth beyond Java.

An additional motive is that Indonesia's policy wonks, haunted by the rupiah's plunge during the Asian financial crisis of 1997, want

to bolster the currency by exporting more. They also want to reverse premature deindustrialisation. Since 2002 Indonesia's manufacturing value-added share of GDP has nearly halved. Finally, as part of Mr Prabowo's drive for energy security, he wants to foster a domestic EV market. Once a member of OPEC, an oil cartel, Indonesia became a net oil importer in 2004 after a decade of declining production. (It is still declining.)



So far, downstreaming has had some successes. Since the nickel-ore export ban, FDI has surged, largely into industrial sites away from Java (see map). In Central Sulawesi, home to a nickel-smelting complex, exports have risen from \$5.9bn in 2019 to around \$21bn in 2024. The province, just a third as rich as Java in per-person terms, has become Indonesia's second-most favoured FDI destination. In the poorer province of South-East Sulawesi, which hosts several smelting operations, manufacturing has grown at twice the rate of regional GDP in recent years. (FDI boomed in

2020-21 but has since slowed.) Nickel exports helped Indonesia's trade surplus reach a record high in 2022.

But efforts to boost reindustrialisation have been less impressive. Indonesia's realised foothold in the EV supply chain is tiny. It is on track to have produced 10Gwh of battery capacity in 2024, with another 25-45Gwh in the pipeline through 2027, reckons Putra Adhiguna of the Energy Shift Institute, a think-tank. By contrast global capacity was 2,600Gwh in 2023. Indonesia hosts just two of the world's over 400 planned or operational battery giga-factories, according to Benchmark Mineral Intelligence, a research service. This pattern holds for "midstream" investments in battery ingredients, too. Indonesia's FDI boom has created "shallow industrialisation", says Mr Adhiguna. Vast sums are flowing into building one stage of the EV supply chain (nickel processing), with a small sprinkling of investment everywhere else.

### **Danger! High voltage**

Officials counter that deployment takes time. "If you build upstream [ie, minerals processing] and downstream first, midstream investments will come," says Septian Hario Seto, Indonesia's deputy minister of investment co-ordination. In the meantime, hundreds of thousands of good-paying jobs are being created in nickel smelting.

However, even this job creation is less impressive than it seems. Patchy data makes the aggregate effect hard to measure. But smelting is a capital-intensive investment. The FDI surge has created temporary construction jobs that will last only as long as the industrial sites are expanding. A typical smelting plant initially employing 30,000 people only generates a few thousand long-term jobs, says a mining bigwig in Jakarta.

Regions that have experienced runaway export growth are not seeing accompanying reductions in unemployment or poverty. In

Konawe, a rural area of 250,000 in South-East Sulawesi that hosts an industrial park owned by Tsingshan, a Chinese steel and nickel company, unemployment is above pre-export ban levels, find Hilman Palaon and Robert Walker of the Lowy Institute, an Australian think-tank. Workers' associations report that mid-skill roles are being filled by workers brought in from Java, while locals fill lower-level jobs such as janitors, says Mr Palaon, who visited the area earlier last year.

Indonesia is also failing to cultivate a demand base for electric cars. It has rolled out a bewildering array of tax nudges to lower the cost of electric two- and four-wheelers. A recent paper by Siwage Dharma Negara, an Indonesia expert, counts 12 distinct incentives or exemptions. A charging-station network is being built; over 1,500 are in operation. Even so, a low-cost gas guzzler remains 40% cheaper than the equivalent EV. As a result, just 12,000 electric cars were sold in 2023, compared with overall car sales of 1m.

Even among the EVs that have been sold, the vast majority use non-nickel batteries. Nickel's energy density gives batteries superior range, but it is more expensive and less durable than the main alternative, lithium-iron-phosphate (LFP) batteries. Indonesia is better suited to cheap, lightweight electric vehicles powered by the LFP type. Moreover, the global EV battery market is already oversupplied. The amount of batteries made in 2023 in China alone could fully satisfy global demand, according to BloombergNEF, a research service. And other countries in South-East Asia are competing hard for investment, such as Thailand and Vietnam.

Finally, there are negative consequences of downstreaming. Much nickel ore is situated under rainforests; extracting it has led to huge deforestation. Smelting is a dirty business. A drumbeat of harrowing industrial accidents has sullied the industry's reputation. America has put Indonesian nickel on its "forced labour" list. Fishermen in islands off North Maluku complain that heavy metal pollution is poisoning their catch. The government has begun a

clean-up effort. In October, North Maluku-based Harita Nickel said it would undergo an audit by IRMA, a Western mining-standards body. But the chief environmental concern remains untackled: lethal air pollution from burning coal (which powers two-thirds of Indonesia's electricity generation). The nickel-smelting boom has led to even more burning; many of the new industrial parks have dedicated coal plants on-site.

Indonesia will probably develop some sort of EV supply chain thanks to downstreaming. But what is missing is a judicious weighing of costs and benefits. The risk is that Indonesia is spending vast state resources to grab a tiny share of an oversaturated industry, creating a modest number of factory jobs at a serious cost to the environment. Tommy Suharto's efforts were not totally in vain; tens of thousands of Timor cars were sold. But, in the end, Indonesians were no richer for it. ■

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<https://www.economist.com/asia/2025/01/09/indonesia-nearly-has-a-monopoly-on-nickel-what-next>

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**Spy games**

## Pakistan's army puts a former intelligence chief on trial

*General Faiz Hameed is an ally of Imran Khan, who is currently behind bars*

Apr 07, 2025 03:03 PM | Islamabad



THE ROLE of director-general of Pakistan's Inter-Services Intelligence (ISI) is the second-most powerful job in the country. In terms of its clout it is behind only the army chief and ahead of the nominally elected prime minister. It is also now a stop on the way to jail. On December 10th General Faiz Hameed, head of the spy agency until late 2021, was court-martialled by the Pakistan army.

General Hameed, who has been in custody since August, is accused of, among other things, "engaging in political activities" and violating secrecy laws. He is also being investigated for "fomenting instability" alongside "vested political interests". A trial is under way and could last several more weeks, according to Mian Ali Ashfaq, General Hameed's lawyer. His client has pleaded not guilty and "categorically denies" all charges, he says. (Secrecy laws prevent the defence from revealing the punishment General Hameed faces.)

It is a dizzying fall. As spy chief, General Hameed browbeat parliament, recalcitrant judges and dissident journalists. His predecessors have been sacked, replaced and censured before. But he is the first former director-general of ISI to be put on trial. His alleged crimes are many but his sin is singular: he is a close ally of Imran Khan, the jailed former prime minister. General Hameed remained aligned with Mr Khan even after a new military leadership soured on him. “General Faiz thought he could become [director-general] again if Imran Khan became prime minister again,” says Faisal Vawda, a senator.

The trial of Mr Khan’s enforcer-in-chief signals further trouble for the Pakistan Tehreek-e-Insaf (PTI), Mr Khan’s party. In December military courts sentenced 85 of its supporters, including a nephew of Mr Khan, to prison for smashing up military sites in protests in 2023. America, Britain and the EU have criticised the use of military trials for civilians. On January 13th an accountability court is scheduled to announce its verdict in the latest corruption trial of Mr Khan and his wife.

Under pressure, the PTI is changing tack. Having failed to win Mr Khan’s release through street protests, the party is negotiating with Shehbaz Sharif, the prime minister. Two rounds of talks have been held in parliament. The PTI wants its prisoners released. The modest demands indicate the PTI’s weak position.

There is an additional factor this year, too: Donald Trump, the president-elect. A handful of pro-Khan tweets by Richard Grenell, the incoming Trump administration’s envoy for special missions, has sparked fervent speculation that the next president may take an interest in Mr Khan’s plight. (Mr Khan claims, falsely, that Joe Biden’s administration orchestrated his ousting as prime minister in 2022.)

Meanwhile, trouble is growing outside the country. On December 24th Pakistan launched air strikes inside Afghanistan, targeting

hideouts of the Pakistani Taliban. Nearly 50 people died in the raids. On December 28th the Afghan Taliban struck back across the border, killing a Pakistani soldier. More violence is likely. It is a far cry from September 2021, when General Hameed sipped tea in Kabul, the capital of Afghanistan, and said, on the back of America's withdrawal from Pakistan's neighbour: "Don't worry, everything will be okay." So far it has not worked out—for him or for Pakistan. ■

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<https://www.economist.com/asia/2025/01/09/pakistans-army-puts-a-former-intelligence-chief-on-trial>

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**Incorruptible**

# What a 472-year-old corpse reveals about India

*St Francis Xavier is both venerated and despised*

Apr 07, 2025 03:03 PM | VELHA GOA



SOME BOW. Others halt in their tracks. But every person in the queue reaches out, palm open, to touch the glass-panelled casket, supplicating before the body and spirit of St Francis Xavier. Reverence for departed religious figures is not uncommon. What is unusual, is that the body of St Francis Xavier is 472 years old. Roughly once a decade, the Archdiocese of Goa organises an exposition of his relics. This is the 18th exposition since 1752, which ended on January 5th. Nearly 8m pilgrims visited it. That is double the number of visitors who came last time, says Father Barry Cardozo. Christians, Hindus, Muslims and others asked for the saint's grace.

Born in Spain, St Francis Xavier was the most influential member of the Society of Jesus (or the Jesuits), second only to Ignatius of Loyola, its founder. He arrived in Goa in 1542 and spent the next ten years evangelising in India, Malacca and Japan. On his way to China in 1552, he contracted a fever, died and was buried on the island of Shangchuan. His grave was opened on two occasions,

once for transfer of his remains to Malacca and again some months later. Both times the body was found to be miraculously preserved. He was brought to Goa in 1554 and canonised in 1622.

Today St Francis Xavier is the patron of Goa. His feast day on December 3rd is a public holiday. He is beloved by locals and is known as “Goencho Saib”, or the Protector of Goa. But his influence extends further. In the age of empire, “every year a sizeable number of Jesuits would write to the Superior General in Rome [the leader of the Jesuits], asking to be sent to India,” says Fr Charles Borges, a historian at Loyola University in Maryland. “The only reason given was Francis Xavier.” Jesuits in India spread agricultural knowledge, popularised the printing press and set up schools.

The most recent census, in 2011, found that 2.3% of Indians are Christians—roughly 32m people today, or half an Italy. Yet they have been increasingly targeted by Hindu-nationalist groups, sometimes violently. In Goa last year a local group installed Hindu idols outside a Goan church, claiming that it had been built on the site of a razed temple. In October a former senior member of a prominent Hindu group caused a fuss by demanding a DNA test of Francis Xavier’s relics. Right-wingers portray him as a tormentor of Hindus for his role in the Goa inquisition.

It is undeniable that the inquisition was particularly bloody. But if “for 450 years nothing happened, why now?” asks Mario Monteiro, who has attended every exposition since 1984. Today Francis Xavier is a symbol of Goa’s—and India’s—syncretism. That is the true target of the new holy warriors. ■

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<https://www.economist.com/asia/2025/01/09/what-a-472-year-old-corpse-reveals-about-india>

**Ambitious but expensive**

## AUKUS enters its fifth year. How is the pact faring?

*It has weathered two big political changes. What about Donald Trump's return?*

Apr 07, 2025 03:03 PM



The urge to submerge

FOUR YEARS ago America, Australia and Britain sent shockwaves through the world of defence. The three allies, working for months in secret, hatched an audacious plan. Australia would cancel a deal to buy diesel-electric submarines from France. Instead it would build nuclear ones with the help of America and Britain in what would turn out to be the most ambitious defence project for a generation. How is it going?

The AUKUS deal, as it is known, is a multifaceted megaproject. In “pillar one”, Britain and Australia will jointly design and build an advanced nuclear-powered submarine, *ssn-AUKUS*. Australia’s first boats will be built in Adelaide in the 2030s. To plug the gap until then, it will buy American Virginia-class submarines, ploughing cash into American and British industry to smooth things along. In

“pillar two”, the countries are collaborating in advanced technologies.

The deal has already survived changes of government in Australia and Britain. Australian submariners are training aboard British and American attack subs and graduating from the US Navy’s nuclear-power school. Technical colleges are springing up in South Australia. And \$5bn is being poured into HMAS Stirling, a naval base in Perth, which will host American and British subs from 2027. But in any multi-decade scheme with so many moving parts, much could go awry.

There are broadly four major risks to AUKUS. The first and most immediate one is that Donald Trump refuses to sell Virginia-class submarines to Australia. Mr Trump is thought to support the deal, but some of his advisers worry that America is building too few Virginias—1.2 or so a year, far short of a target of 1.5 by the end of 2024—to spare any. “It would be crazy for the United States to give away its single most important asset for conflict with China over Taiwan when it doesn’t have enough,” argued Elbridge Colby, Mr Trump’s choice as the Pentagon’s top policy official, last year.

A second risk is that Australians change their mind. Federal elections are looming. The ruling Labor Party supports AUKUS but it is divided within. If it limps on to a minority government, it could depend on support from the Greens, who oppose the pact. The risk is that the enormous cost of AUKUS—between \$166bn and \$228bn over its lifetime—could hollow out Australia’s armed forces, absent big rises in defence spending. It remains popular for now. Last year fully 65% of Australians were somewhat or strongly in favour, according to polling by the Lowy Institute, a think-tank.

The third hurdle is that British or Australian shipyards prove unequal to the task. The Australian Submarine Agency, set up in 2023, is already being reviewed amid claims of low morale and the departure of key staff. In Britain Stephen Lovegrove, a former

national security adviser, recently submitted a sweeping review of AUKUS. He is thought to have warned that the project risks losing momentum, with *SSN-AUKUS* being delayed, because of a lack of top-level focus in London and Canberra and inadequate investment in facilities.

The fourth challenge is that pillar two, the collaboration on advanced tech, is going too slowly. The basic problem is that it covers a dizzying range of activity, from deep-space radars to quantum sensors. Many would like it to focus more narrowly on a handful of areas with the greatest promise, including submarine drones and hypersonic missiles. A milestone came last year when America lifted its draconian International Traffic in Arms Regulations, known as ITAR, to let sensitive technology flow to Australia and Britain.

Despite these issues, the fact that AUKUS is alive and ticking over after four years is encouraging enough for people familiar with the fate of many multinational defence projects, let alone ones that involve a country with no nuclear experience building perhaps the world's most complex pieces of military hardware. "Pillar one is in okay shape," says an American insider closely involved in AUKUS. That keeps alive the hopes of its authors: that, in two decades' time, five new cutting-edge subs will be prowling the Pacific. ■

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<https://www.economist.com/asia/2025/01/09/aukus-enters-its-fifth-year-how-is-the-pact-faring>

**What are friends for?**

## Joe Biden's mixed legacy on Japan

*Security co-operation flourished, but a scuppered steel deal leaves a sour taste*

Apr 07, 2025 03:02 PM | TOKYO



WITHIN 24 HOURS on January 6th, two events took place that encapsulate the mixed legacy Joe Biden will leave in America's relationship with Japan. That afternoon North Korea tested an intermediate-range ballistic missile, and America shared data about the launch in real time with Japan and South Korea; such co-operation is the fruit of the Biden administration's efforts to foster closer ties between allies in the Indo-Pacific. Later that day, Nippon Steel, a Japanese steel firm, sued the American government over Mr Biden's recent decision to scupper its acquisition of US Steel, an American one.

Under Mr Biden, security co-operation with Japan has flourished. America and Japan have ramped up joint exercises, deepened intelligence sharing and better integrated their armed forces; the two have also worked in closer concert with other American allies in the region. This has all unfolded with the clear aim of deterring China. Rahm Emanuel, America's outgoing ambassador to Japan,

argues that the alliance is “better prepared” to do so than it was four years ago.

That was hardly a given. Japanese officials met Mr Biden’s victory in 2020 with some apprehension. Ahead of the election that year, one senior Japanese foreign ministry official even wrote an anonymous article praising Donald Trump’s confrontational strategy towards China and lamenting a possible return to engagement with China under a Democratic administration. Those fears proved unfounded. Mr Biden accelerated America’s hard turn on China and made alliances central to his approach. “The Indo-Pacific is a home game for China; it’s an away game for the United States,” Mr Emanuel says. Allies like Japan help to “level the playing field for us”.

Tighter security ties became possible because of changes in Japan, which moved to [accelerate its defence build-up](#) in the wake of Russia’s invasion of Ukraine. There was a realisation that “things have to be moved into the second and third gear by the Japanese for the Japanese,” says Mr Emanuel. That spurred America to undertake long-discussed reforms of its own, such as restructuring its command-and-control systems in the region. Japan pushed America to “rip the band-aid off and do something that we all knew had to get done,” he reckons. The armed forces of the two allies have never been closer.

Yet Mr Biden will leave office on a sour note with Japan. One of his last acts as president was killing the Nippon Steel deal, on the grounds that such investment from a Japanese firm poses a [national security threat](#) to America. Japanese reactions have been unusually sharp. Ishiba Shigeru, the prime minister, demanded that America “clearly explain why there are security concerns”. Japanese business leaders expressed surprise and dismay; many say it may impact future investment decisions. “This is a one-off case, but it will still carry major ramifications,” argues William Chou of the Hudson Institute, an American think-tank.

Japan and America have weathered frequent bouts of economic friction in their decades-long alliance. No single commercial transaction is big enough to throw the whole relationship off-course. But the affair is indicative of America's broader protectionist turn. Japan's biggest gripe about Mr Biden's approach to the Indo-Pacific has long been the absence of a trade policy. One response for Japan may be to seek closer economic ties with China; plans to host a state visit for Xi Jinping, China's leader, are reportedly in the works. Mr Emanuel, for his part, calls for America to develop a "more nuanced position" on trade, between "ignoring, as we did over 30 years, all the downsides of trade" and "the position that all trade is bad regardless of the benefit". Nuance, alas, is unlikely to be a hallmark of Mr Biden's successor. ■

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<https://www.economist.com/asia/2025/01/09/joe-bidens-mixed-legacy-on-japan>

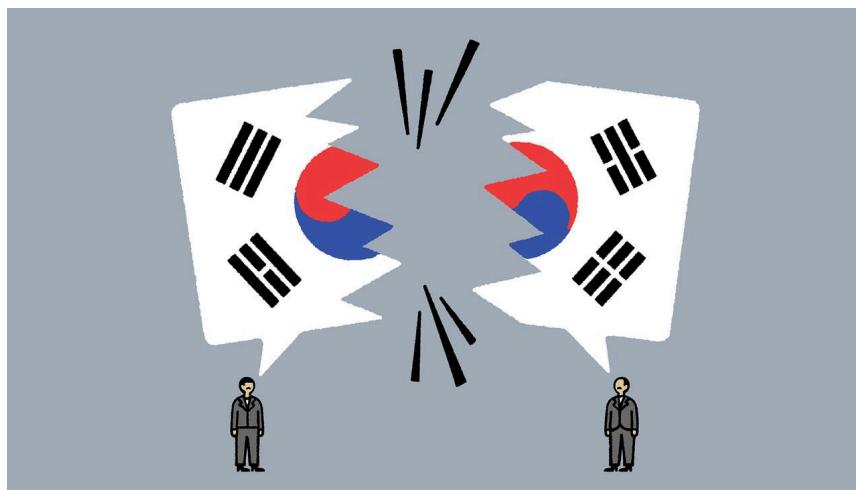
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Banyan

## By resisting arrest, South Korea's president challenges democracy

*His attempt to impose martial law failed. But Yoon Suk Yeol is still causing trouble*

Apr 07, 2025 03:03 PM



AFTER YOON SUK YEOL'S attempt in early December to impose martial law on [South Korea](#) failed, two stories emerged. One was a tale of vulnerability: an assault on democracy by the president himself is worrying, even if it falters. The other was about resilience: South Korea's democratic institutions rose to the challenge, with citizens rallying and lawmakers taking action to stop the self-coup and, eventually, to impeach the president. In the immediate, bleary-eyed aftermath, the resilient parts of the country seemed dominant.

In recent weeks, however, vulnerability has come to the fore. The constitutional crisis has only deepened and partisan warfare has only become more bitter. That culminated in the sorry spectacle of a stand-off on January 3rd between the country's police, who sought to arrest [Mr Yoon](#) on insurrection charges, and the presidential security service, which chose instead to protect him.

Ostensibly an arm of the same state, the president's bodyguards barricaded the road to his residence to prevent his detention. Mr Yoon and his lawyers contend that the criminal proceedings against him are themselves illegal. On January 7th a court granted an extension of the arrest warrant; investigators are gearing up for a second attempt to enforce it.

Mr Yoon, ironically, first made his name as a defender of the law, rising through the ranks of South Korea's prosecutorial service before launching his political career. He pledged to "not avoid legal or political responsibility" for his declaration of martial law. But he has done exactly that—and in so doing has only brought more shame upon himself and his country. The president's residence is not a foreign embassy, a sovereign island unto itself; it is subject to the laws of the land it sits on. Mr Yoon is surely familiar with that principle.

Resolving the stand-off might be easier if South Korea's interim leaders had more authority. But the country is now on its third president in as many weeks. Following Mr Yoon's impeachment, Han Duck-soo, the prime minister, took over as acting president on December 14th. Just two weeks later the National Assembly, led by the main opposition force, the Democratic Party (DP), impeached Mr Han as well. DP leaders contend that Mr Han played a role in the insurrection; they were also peeved that he refused to appoint new justices to the constitutional court, which is hearing Mr Yoon's impeachment case. Yet by rushing to oust the caretaker president, a career technocrat, the DP has hardly helped restore stability.

Choi Sang-mok, the deputy prime minister and finance minister, took over from Mr Han. Mr Choi has ably led the response to the crash of Jeju Air Flight 2216 on December 29th, the deadliest air disaster to occur on the country's soil. But he has largely stayed silent on the matter of Mr Yoon's arrest. The acting president says he is pursuing a principle of non-intervention in political affairs. He may also fear that he lacks the political capital to assert control.

The erosion of the rule of law and the chain of command comes at a worrying moment. On January 6th, with Antony Blinken, the outgoing secretary of state, visiting Seoul to reiterate America's commitment to its ally, North Korea tested an intermediate-range ballistic missile. Although the test was mostly a message to Donald Trump, ahead of his inauguration later this month, it also serves as a reminder that the turbulent world around South Korea will not wait for it to resolve its own crises.

And a resolution remains months away. Impeachment proceedings against the president, which are separate from the criminal charges against him, have only just begun: the first full hearing at the constitutional court will take place on January 14th. While some two-thirds of South Koreans believe that Mr Yoon should be impeached, even attitudes on that question have split sharply along partisan lines. According to a recent poll by KBS, the national broadcaster, fully 96% of DP supporters believe Mr Yoon should be impeached, whereas among supporters of Mr Yoon's party 84% believe the case should be dismissed.

Mr Yoon has encouraged his base's basest instincts. During one rally outside his residence last week, a lawyer representing Mr Yoon cast the struggle in existential terms. "We are at war," he railed. "You are the fighters in the war to set the Republic of Korea back on track." South Korea's democracy may have survived the initial assault, but the battle for its future is far from over.■

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<https://www.economist.com/asia/2025/01/07/by-resisting-arrest-south-koreas-president-challenges-democracy>

# China

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**Debt, deficits and depressed consumers**

## Does China have the fiscal firepower to rescue its economy?

*There is a fierce debate over whether it can afford to keep spending*

Apr 07, 2025 03:03 PM | HONG KONG

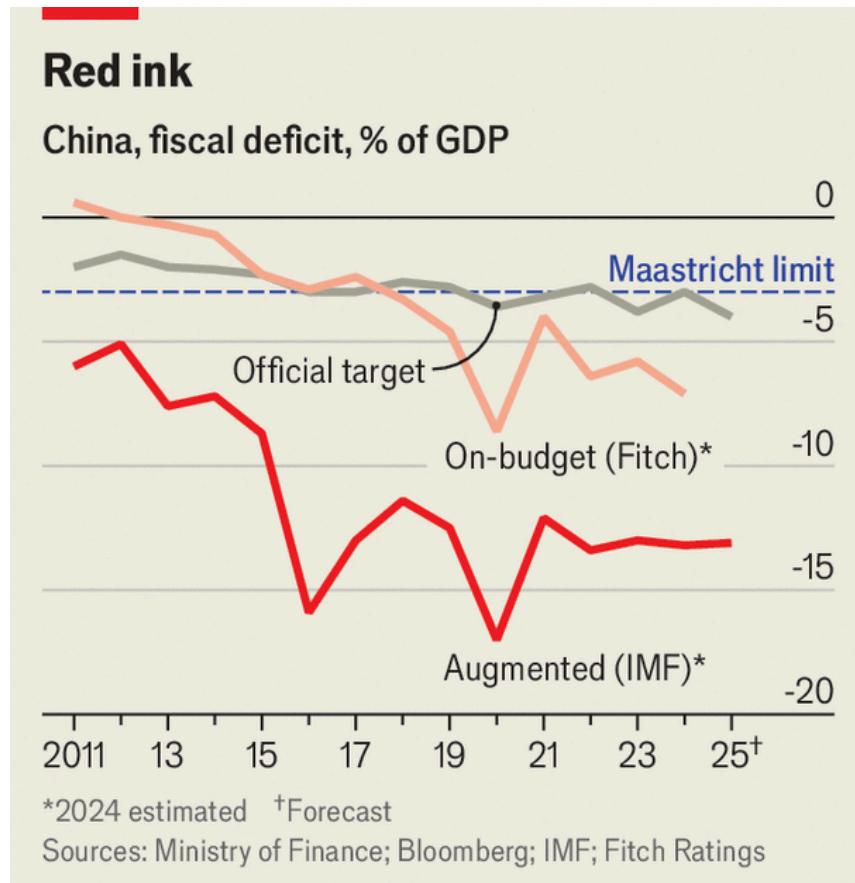


MAASTRICHT IS A small Dutch city that casts a big economic shadow. European leaders gathered there in 1992 to sign the treaty that led to the euro. Serenaded by a marching band, they vowed to keep their budget deficits below 3% of GDP and their government debt below 60%.

The numbers made little sense; one prominent economist has dismissed them as “fiscal numerology”. But they came to define what counts as a respectable, squared-away fiscal policy—even far beyond Europe. China, for example, has taken pride in meeting these norms through thick and thin. In 2009, at the height of the global financial crisis, its official deficit was less than 2.8%.

It is striking, therefore, that China has breached the Maastricht limit three times in the past five years (see chart). “Special measures are required for special circumstances,” the finance ministry said in 2020 after the covid-19 pandemic struck. Five

years later, what was special is becoming routine. China plans to increase its deficit to 4% of GDP in 2025, according to Reuters, a news agency.



With household confidence low, property investment shrinking and exports threatened by tariffs, the economy needs the extra fiscal push. By spending more itself, the government hopes to encourage others to do likewise. On January 8th China's planning agency said it would enlarge two "trade-in" schemes which offer financial help to firms and households replacing old kit for new. Consumers can now be offered subsidies of up to 500 yuan (\$68) for new smartwatches, phones and tablets. The scheme will also encompass dishwashers, rice cookers and home decoration. China's government has long insisted that homes are for living in, not for speculation. Now they're for renovation, too.

In November the finance minister, Lan Fo'an, insisted China can afford such generosity, claiming it has plenty of fiscal "room". Is

he right? One reason to worry is that the official deficit covers only a fraction of public borrowing. If you add the government's three other accounts—covering social insurance, land-financed infrastructure spending and transactions with state-owned enterprises—the deficit was probably 7.1% of GDP in 2024, according to Fitch, a ratings agency. Even broader measures are possible. The IMF calculates an “augmented” deficit, which includes a lot of red ink that does not appear in the budget. One example is borrowing by local-government “financing vehicles”, which invest in infrastructure and other ventures. By this measure, the IMF thinks China’s deficit this year could exceed 13% of GDP and its debt could reach almost 129%.

When plugged into the IMF’s models, these figures suggest China’s risk of debt stress is “high” in the medium term. Credit-rating agencies have also taken note. China’s (on-budget) deficit is more than double that of the median country with a similar credit rating, Fitch points out. In April it said China was at risk of a downgrade. That could make borrowing more expensive for the many state-owned banks and enterprises whose ratings are tightly linked to the sovereign’s.

China’s public finances also face longer-term strains. With an ageing population, the share of GDP devoted to pension spending will increase by about nine percentage points by mid-century, estimates the IMF. The erosion of China’s government revenues appears persistent. They began to decline even before the pandemic, notes Jeremy Zook of Fitch, falling from about 30% of GDP in 2018 to roughly 23% in 2024. And China has yet to find a source of revenue to replace land sales, which have suffered from the property slump. In light of such difficulties, Rhodium Group, an American research firm, has argued that China’s “fiscal space” is a myth.

But a government’s room to borrow and spend partly depends on what else is going on in the economy. The space available depends

on who else wants to fill it. If the private sector is in an expansive mood, government deficits get in the way, pushing up borrowing costs and inflation. China, sadly, has the opposite problem.

Households and private entrepreneurs are in retreat, reluctant to spend and all too eager to accumulate safe financial assets instead. That has left the economy short of demand and prone to deflation: consumer prices rose by only 0.1% in December, compared with a year earlier. The rest of the economy's eagerness to save, not spend, has also made it extraordinarily cheap for the central government to finance itself. It can now borrow for ten years at yields of about 1.6%, a record low. The rest of the economy is, in other words, making plenty of room for the state to extend itself.

The demand for the government's paper is helped by China's capital controls, which make it harder for domestic investors to seek safe havens abroad. Many government bonds are held by banks that the government happens to own. Indeed, just as China's tentacular state has liabilities scattered all over the economy, it has a sprawling collection of assets, too. W. Raphael Lam and Marialuz Moreno-Badia of the IMF estimate that fiscal deposits in the banking system amounted to about 18% of GDP in 2019 (excluding money earmarked for payments for services). The government's equity holdings in state-owned firms and financial institutions totalled another 68%. The social-insurance funds also held assets exceeding 2% of GDP.

Whatever the long-term risks, the central government therefore has the wherewithal to rescue the economy from its immediate predicaments. The IMF has urged Beijing to end China's property crisis by providing more of the financing required to complete pre-sold, but unfinished, buildings (or to compensate their buyers).

The likely aim of China's fiscal push is to bolster the confidence of households, according to Mr Zook. The more of their income households spend, the less the state will have to do to prop up demand.

A revival in private borrowing and spending could make government deficits more expensive and harder to sustain. But it will also make deficits less necessary. The government can then cut back without jeopardising the recovery. “The boom, not the slump, is the right time for austerity at the Treasury,” said John Maynard Keynes during the Great Depression. His budgetary maxim is many decades older than the Maastricht treaty. It deserves to cast an even longer fiscal shadow. ■

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<https://www.economist.com/china/2025/01/09/does-china-have-the-fiscal-firepower-to-rescue-its-economy>

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**Hot TIP**

# Militant Uyghurs in Syria threaten the Chinese government

*How much does China have to fear?*

Apr 07, 2025 03:02 PM



AS REBELS STORMED across Syria late last year, eventually toppling the country's dictator, Bashar al-Assad, some were accompanied by fighters from a foreign militant organisation—one with ambitions that extend far beyond Damascus. These men had roots in the Chinese region of Xinjiang and were members of the Turkistan Islamic Party (TIP), a group which aims to establish an Islamic state spanning Xinjiang and other parts of Central Asia.

The history of the TIP is fuzzy, including name changes, alleged ties to jihadist organisations and assertions of responsibility for attacks on Chinese targets. The group was established by Uyghur refugees from Xinjiang in Pakistan in 1997. Over the next decade it developed links to the Taliban and al-Qaeda. China and several other countries, such as Britain, view the TIP as a terrorist organisation. Leaders in Beijing have used its actions to justify their repression of the Uyghurs and other Muslim minorities in Xinjiang.

China's abuses in Xinjiang, where it is accused of arbitrary detention and forced labour, have caused tens of thousands of Uyghurs to flee the country. In the 2010s many travelled to Turkey, where they struggled. Across the border in war-torn Syria, rebels in control of the area around Idlib offered the Uyghurs a haven. It is not known exactly how many went. Most were civilians. But in 2017 Mr Assad's ambassador to China said that between 4,000 and 5,000 Uyghurs were fighting in Syria.

Some of these Uyghur militants joined Islamic State. The majority, though, are associated with the TIP. When Hayat Tahrir al-Sham (HTS), the dominant rebel group in Syria, took Aleppo in a surprise attack on November 29th, it rolled into the city with TIP fighters. A week later, with Mr Assad about to fall, Abdul Haq al-Turkistani, the TIP's leader, released a statement. "The Chinese disbelievers will soon taste the same torment that the disbelievers in [Syria] have tasted, if God wills," it read.

The Chinese government has long expressed concern about the TIP's presence in Syria. In 2016 it began holding monthly talks with the Assad regime to share intelligence on the group's movements, reported the AP. On December 31st a Chinese foreign-ministry spokesperson called on all countries to "recognise the violent nature" of the TIP and "crack down on it".

But other countries may have little to fear from the group. Like many jihadists, the TIP used to wave a black flag with the *shahada*, or Muslim profession of faith, written in white. Now, though, it sports a version of the flag of East Turkestan, the Uyghur name for Xinjiang. "The TIP has no real interest in global jihad, nor gripes against the West," says Sean Roberts of George Washington University. "Their focus is the independence of their homeland." As the group has come to seem less Islamist, it has gathered support in Xinjiang, according to Uyghur activists.

How much does China have to fear from the TIP? The group has claimed attacks inside the country, and been officially blamed for many more, but it is not clear how many of these were actually its doing. And though three of its members were recently promoted to the Syrian army's upper ranks, the TIP will probably not be allowed to use Syria as a staging ground for action abroad. The country's new government, desperate for cash, will want to please China. The TIP is expected to be subject to any disarmament programme.

Ahmad al-Sharaa, the leader of HTS, has made his stance towards the Uyghurs clear: "I sympathise with them, but their struggle against China is not ours." ■

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<https://www.economist.com/china/2025/01/09/militant-uyghurs-in-syria-threaten-the-chinese-government>

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**Grains for the iron rice bowl**

# A pay rise for government workers sparks anger and envy in China

*The effort to improve morale has not had the intended effect*

Apr 07, 2025 03:02 PM



IN CHINA'S PRIVATE sector, many complain that jobs and wages are being cut as the country's economy flounders. So as news spread online in late December that people on the government payroll were being given a salary increase, some netizens were outraged. "Reminds me of a famous Soviet joke," wrote one. "Brezhnev on stage says, 'Our lives will get better and better.' A worker in the audience asks, 'What about ours?'" Life can be tough as a state employee, but envy of them is growing.

The government is keeping typically quiet about the pay rise. On social media, however, users have been confirming their pay packets are bigger (though some say they have not been notified). Those affected include civil servants as well as others paid by the government, such as teachers. The raise is hardly massive: a few tens of dollars per month, backdated to July, according to examples cited on the internet. It would amount to an increase of a few percent on their basic pay. But it appears to be the first hike since

2021. After several years of urging by the government that officials tighten their belts, it signals a little easing. Reuters, a news agency, reckons it could involve a one-off injection of between \$12bn and \$20bn into the economy.

That is handy as the government tries to boost consumption as a way of reviving growth. But China's roughly 50m government workers may not be overjoyed. In recent years there have been widespread reports of cash-strapped local authorities delaying or cutting payments of other benefits. These extra remunerations usually exceed employees' basic salary, says Alfred Wu of the National University of Singapore. Staff woes may abate as local governments benefit from a national campaign, launched last year, to stimulate the economy. It has involved allowing lower-tier administrations to refinance their crippling debts by issuing bonds worth up to 10trn yuan (\$1.4trn) over the next five years. For now, though, morale appears patchy.

For the Communist Party, this is a problem. Government workers are the party's backbone: more than 80% of government employees are party members, noted China's leader, Xi Jinping, in 2016. They play a vital role in maintaining the party's legitimacy. Ill-motivated ones are unlikely to perform it with vigour. Pay—even when received on time and in full—has often failed to reflect the amount of effort put in. So workers are putting in less effort. In 2022 two scholars from a party academy wrote of a growing tendency among officials to “lie flat” rather than work. State television, not known for its gibes at the bureaucracy, lampooned the lying-flat phenomenon in 2023 in its much-watched “Spring Festival Gala”, an annual programme on the eve of the lunar new year. Thousands posted approving comments on social media.

Mr Xi's relentless anti-corruption campaign may have helped to improve the image of officials, but it may have also contributed to their lack of motivation. Opportunities for kickbacks have become scarcer. Fearful of being accused of graft, officials avoid getting

involved in projects that might be linked with it. Morale has not been improved either by Mr Xi's stepping up of political indoctrination among cadres. In recent years they have had to spend more time attending mind-numbing meetings to study his pronouncements and, out of hours, using a smartphone app that drills these lessons in. Points scored on the app can be reviewed by superiors and used to determine bonuses.

To make matters worse, in the past couple of years the party has been making it harder for government employees to travel abroad, even for private purposes. Now a wider range of people in non-sensitive jobs, such as academics and even primary-school teachers, have to hand their passports to officials for safekeeping. Getting the document back requires submitting a detailed explanation of the reason for travel. The tightening appears to relate to efforts to stop corrupt officials fleeing, and to prevent the leaking of secrets and contacts with overseas dissidents.

Government jobs remain coveted. In December a record 3.4m people sat the annual civil-service exam, about 400,000 more than in 2023. Fewer than one in 80 applicants were expected to succeed. It is clear why so many are keen: high youth unemployment and the increasing precariousness of work in private firms. But scorn is rampant, too. On January 8th much was vented at a district party leader in the south-western region of Chongqing who suggested that officials take the lead in reviving consumer spending by buying new clothes and taking their families out to meals. "Who wouldn't spend money if they had it? Spending requires earning first," said one. "The first big joke of the year," another chimed in. Censors scrambled to stem the flood of cynicism. ■

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<https://www.economist.com/china/2025/01/09/a-pay-rise-for-government-workers-sparks-anger-and-envy-in-china>

The roof of the world shakes

## A big earthquake causes destruction in Tibet

*Dozens are dead, thousands of buildings have been destroyed*

Apr 07, 2025 03:03 PM



A 7.1 MAGNITUDE earthquake struck Tibet on January 7th, killing at least 126 people. The quake's epicentre was in Dingri county, some 50 miles from the base of Mount Everest and near the holy city of Shigatse. The rumbling was felt in Nepal and parts of India.

According to an initial survey, over 3,600 buildings were destroyed. Thousands of rescue workers have descended on Tibet to look for survivors. More than 400 people have already been pulled from the rubble, report Chinese state media. Survivors and rescuers face many challenges, such as freezing temperatures and more seismic activity. Since the initial quake, there have been hundreds of aftershocks, some exceeding a magnitude of 4.0. ■

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<https://www.economist.com/china/2025/01/09/a-big-earthquake-causes-destruction-in-tibet>

# Middle East & Africa

- **Lebanon tries yet again to elect a new president**

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Halfway to revolution :: Will Venâncio Mondlane’s arrival on January 9th deepen or ease political crisis?

Thirteenth time lucky?

## Lebanon tries yet again to elect a new president

*But it will not be easy to convince its corrupt politicians to reform*

Jul 24, 2025 01:57 PM | DUBAI



IT IS RARE that a presidential palace stays empty for long: politics abhors a vacuum. But the one in Baabda, in the hills above Lebanon's capital, Beirut, has been vacant since October 2022, when Michel Aoun finished his six-year term. Lawmakers have failed to select his successor a dozen times. The last attempt was in June 2023, but as *The Economist* went to press on January 9th, they were trying again.

Expectations were rising in the weeks before the vote. The faction led by Hizbullah had been weakened by the Shia militia's war against Israel and the collapse of Bashar al-Assad's regime in neighbouring Syria. It seemed as if MPs might be able to break their deadlock, with the army chief, General Joseph Aoun (no relation to the former president), favoured to win.

Yet on the eve of the vote, people close to the general cautioned that he may not have enough support. The Middle East has been

through dramatic change over the past year—but Lebanon’s venal politics may prove stubbornly rigid.

Though Lebanon’s presidency is mostly symbolic, it has a few important powers, like approving prime ministers and cabinets. In a country still haunted by the memory of civil war, symbolism is important too: how the head of state is chosen says much about the balance of power in Lebanon’s factious politics.

The first 12 votes in parliament were desultory; many MPS abstained or plumped for ineligible write-in candidates such as Salvador Allende. After the last failed vote, they settled into two camps. Hizbulah and its allies endorsed Suleiman Frangieh, an undistinguished politician who was close to the Assad regime. Their foes backed General Aoun. Neither side had the support for its candidate to win.

That began to change after the war with Israel, which ended on November 27th with a shaky ceasefire. It left Hizbulah less popular than ever, resented by many for dragging the country into conflict. The group’s charismatic leader, Hassan Nasrallah, was dead. So was his heir apparent. Its interim boss, Naim Qassem, is a colourless functionary. For now, Hizbulah seems incapable of imposing its will on Lebanon.

Less than two weeks later, Mr Assad made his unexpected flight from Damascus. Mr Frangieh’s close ties with the Assad regime ceased to be an asset. Syria’s interim government was in no position to meddle, even if it wanted to. “We have no plans to get involved in Lebanon’s affairs,” Ahmad al-Sharaa, Syria’s de facto leader, told journalists last month. He said he had no objection to General Aoun (or any other candidate) being president.

Then Wafiq Safa rose from the dead. Not literally, of course. While Mr Safa, a feared Hizbulah enforcer, was thought to have been killed in an Israeli air strike in October, he in fact survived. In early

January, in his first media appearance since the war, he too said Hizbulah would not “veto” General Aoun’s candidacy. Instead, he said, the party had just one proscription: it would not accept the nomination of Samir Geagea, the head of the Lebanese Forces, a right-wing Christian party.

That red line was something of a red herring. Almost no one had previously considered Mr Geagea a serious candidate. A ruthless warlord during the civil war, his nomination for president would be deeply divisive. Indeed, he was one of General Aoun’s earliest supporters.

Trying to veto a candidate who had little chance of winning anyway says much about Hizbulah’s diminished power. It is nervous about General Aoun, who has the support of Lebanon’s Western and Arab allies. Saudi Arabia openly backs his candidacy, and America sees the general as a force for stability.

Many Lebanese are relying on their own army to enforce the ceasefire, which demands that Hizbulah withdraw its fighters and weapons from the country’s south. The pull-out is meant to happen before January 26th, a deadline that seems likely to slip. Israel also appears to be in no rush to withdraw its troops.

Hizbulah is in no position to be defiant. It knows that Lebanon is desperate for money to rebuild after the recent war with Israel, which caused an estimated \$9bn worth of damage and economic losses. It also knows its Iranian patrons cannot provide it. The only source of reconstruction aid will be rich Gulf states, which Hizbulah must not antagonise. On January 8th Mr Frangieh dropped out of the race.

None of this guarantees that General Aoun will win the job. He has powerful opponents, among them Gebran Bassil, a Christian MP who wants the presidency for himself. And even if he does win, a reform-minded president may not ensure that Lebanon will reform.

Hizbullah has long been a malevolent force in the country's politics —but it is far from the only one. ■

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<https://www.economist.com/middle-east-and-africa/2025/01/09/lebanon-tries-yet-again-to-elect-a-new-president>

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No easy fix

## The West is making a muddle of its Syria sanctions

*Outsiders should be much clearer about how and when they will be lifted*

Apr 07, 2025 03:03 PM | DUBAI



Where does my help come from?

FOR MANY Syrians, the past month has been bewildering. They have watched one Western envoy after another rush to Damascus to celebrate the fall of Bashar al-Assad, the longtime dictator deposed in December. Yet as they depart, those same envoys insist it is far too early to ease the web of sanctions on Syria's economy. America and Europe seem eager to meet Syria's new rulers, but not to help them.

On January 6th America's Treasury Department announced a small but welcome change. It issued a licence that allows companies to do business with the new Syrian government and to provide the country with electricity and fuel. The licence, valid for six months, does not remove any sanctions. Still, it should allow more humanitarian aid to reach the country. It seems to have had immediate effects.

A day after the Treasury announcement, a Syrian official said that Qatar and Turkey would send floating power plants to the Syrian coast. The barges are expected to generate 800 megawatts, which would boost Syria's electricity output by 50%, welcome relief in a country where the state provides fewer than four hours of power a day. Gulf states are also in talks to finance a 400% rise in public-sector pay, an early promise of the interim government—but one it cannot afford without help.

This is a good start, but if Syria is to recover from a decade of civil war, it will need more than piecemeal exemptions. So far, though, that is all that many Western policymakers seem prepared to offer.

America's sanctions on Syria date back to 1979, when it labelled the country a state sponsor of terrorism. In the subsequent decades it added a heap of other measures to punish the Assad regime for sending jihadists to Iraq, meddling in Lebanon's politics and massacring countless Syrians. Some of those restrictions ought to remain in place: Mr Assad and his cronies should stay pariahs indefinitely. It is harder to argue that the whole country should, too.

Proponents of a take-it-slow approach believe that America and Europe should use sanctions as leverage to push for an inclusive government in Syria. Lifting them would not forfeit that leverage, though: they can always be reimposed. And while inclusion is a laudable goal, it is a squishy one. Mr Assad often appointed women and religious minorities to his cabinet. He also gassed his own people. If Western policymakers want the new government to be inclusive, they will need to spell out exactly what that means.

One American diplomat offers a procedural argument: Joe Biden has just days left in office, and weighty decisions about Syria should be left to his successor. But Donald Trump will need time to nominate officials and get them confirmed by the Senate—and Syria may not be a priority. It could take months for America to deliver meaningful relief.

Europe may move faster. On January 3rd the French and German foreign ministers met Ahmad al-Sharaa, Syria's de facto ruler, in Damascus. Annalena Baerbock, the German foreign minister, said it was premature to lift sanctions. In private, though, German diplomats are circulating a proposal which would do just that.

The EU would probably start by dismantling sanctions on a few key sectors, such as Syrian banks and the national airline. Reconnecting banks could make it easier for Syrians in Europe to send remittances, a lifeline for many inside the country. The bloc is expected to discuss the German proposal at a meeting of foreign ministers later this month.

There will be a separate debate around Hayat Tahrir al-Sham (HTS), the Islamist rebel group which led the offensive that toppled Mr Assad. America, Britain and the EU all label it a terrorist organisation, as does the United Nations. Some of these prohibitions date back more than a decade, to a time when HTS was still known as Jabhat al-Nusra, al-Qaeda's affiliate in Syria. It has since ditched the jihadists and moderated its views.

But unwinding the sanctions will be tricky. The secretary of state could revoke America's designation, but that is politically fraught. The EU's 27 members would all have to agree. Delisting the group at the UN could take more than a year. Even if HTS dissolves itself, as Mr Sharaa has promised to do, lifting sanctions on it will not be straightforward.

Western governments should make all this a priority. A six-month exemption might allow donors to send power barges, but investors will need stronger assurances before they promise to build new power plants. If sanctions remain in place, Syria could remain a charity case. ■

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All talk and no truce

## From inside an obliterated Gaza, gunfire not a ceasefire

*In north Gaza the IDF is now facing “a bitter guerrilla war”*

Apr 07, 2025 03:02 PM | JABALIA



ONCE HOME to nearly 200,000 residents, [Jabalia](#), the main town in northern Gaza, is a deserted wasteland of destroyed buildings and churned-up mud. But the soldiers of the Israel Defence Forces (IDF), now on their third offensive there since [the war in Gaza](#) began in October 2023, have no idea when they are leaving.

“We still have a mission here,” insists Major Omer, commander of an infantry company, who accompanied *The Economist* on a brief visit to Jabalia. “There are still Hamas snipers hiding, carrying out ambushes. It is now the most basic and bitter guerrilla war.” The young soldiers and officers may still believe in the mission, but their former commander, Yoav Gallant, the defence minister [who was fired in November](#), has admitted in private that the IDF no longer has a military [purpose in Gaza](#). Occasionally, the major’s men encounter civilians, whom they force towards the seething mass of misery of around 1.5m displaced Gazans huddled in southern Gaza. The operation in Jabalia, which is in its fourth

month, could drag on indefinitely. Or it could end in days, if a ceasefire being negotiated in Cairo and Doha is agreed.

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

Only a few thousand civilians remain in Gaza's northern quarter. Some right-wing Israeli politicians and generals want to prevent those who lived there ever returning. Others insist that Israel's military presence is temporary, until a deal is reached with Hamas, the Islamists behind the October 7th attacks. But that remains elusive.

The odds of a ceasefire have little to do with the situation in Gaza, where at least 45,000 people, well over half of them civilians, have been killed in the war. Policy is driven neither by Israel's military objectives—or lack thereof—nor the immense suffering of most Gazans, now entering a second winter in a cramped “humanitarian zone” where several babies have died of hypothermia. The main considerations of both sides are political.

The basics of the notional deal supposedly on the table have not changed since May, when they were first laid out: Israel would withdraw fully from Gaza, in stages, in return for the release of 98 Israeli hostages, around half of whom are assumed to be alive. But in public Binyamin Netanyahu, Israel's prime minister, insists Israel will fight on until it achieves “total victory” over Hamas, whatever that means. Hamas, despite its shattered state, is showing little flexibility, refusing to release hostages before Israel guarantees a withdrawal.

Mr Netanyahu is under pressure from his far-right allies, who talk of building settlements in Gaza. Ending the war could bring down his government and bring on the public reckoning he has been evading. Hamas leaders are anxious to retain some control over the rubble of Gaza and keep some hostages as bargaining chips.

America's secretary of state, Antony Blinken, insisted on January 8th that "we're very close to a ceasefire and hostage agreement." But those close to the talks believe a deal to end the war and free all the hostages is extremely unlikely before Donald Trump takes power. It is more likely that a smaller number of hostages will be released in return for a truce of a few weeks. For now, even a short respite for Gaza seems too much to hope for. ■

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<https://www.economist.com/middle-east-and-africa/2025/01/08/from-inside-an-obliterated-gaza-gunfire-not-a-ceasefire>

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**Certifiably genocidal**

## America concludes genocide has been committed in Sudan—again

*The move highlights the magnitude of Sudan's civil war but does little to end it*

Jun 19, 2025 01:47 PM



Seeking safety

FOR MONTHS America has been criticised for not doing enough to help end the catastrophic civil war in Sudan that began nearly two years ago. It took ten months for President Joe Biden to appoint a special envoy to Sudan, and then another nine for his top emissary to pay the country a visit. An American-led push for ceasefire talks fizzled in August after the Sudanese Armed Forces (SAF), the regular national army, did not show up.

Just days before leaving office Mr Biden appears to be trying to save face. On January 7th Antony Blinken, America's secretary of state, said that the Rapid Support Forces (RSF), a brutal paramilitary force fighting the SAF for control of Sudan, had committed genocide in the western region of Darfur. Mr Blinken slapped sanctions on the RSF's leader, Muhammad Hamdan Dagalo (better known as Hemedti), and on seven companies owned by the RSF in

the United Arab Emirates (UAE). America's Treasury says the firms have supplied the group with arms and money.

It is the second time America has concluded that a genocide has been carried out in Sudan. The first was two decades ago, when Mr Blinken's predecessor, Colin Powell, told Congress that the rape and slaughter of black Africans in Darfur by government-backed Arab militias known as the Janjaweed ("devils on horseback") amounted to genocide. Mr Powell's speech helped turn Omar al-Bashir, Sudan's dictator at the time, into a global pariah.

This time, Mr Blinken's statement adds weight to what many observers, including this newspaper, concluded within months of the war's eruption. The RSF, a descendant of the Janjaweed (which were also led by Mr Dagalo), launched a campaign of ethnic cleansing in West Darfur in the first months of the war in 2023. As many as 15,000 members of the Masalit, a black African ethnic group, were killed in the city of el-Geneina alone. Hundreds of thousands fled to neighbouring countries.

Back in the 2000s the authors of a report to the UN Security Council questioned whether Mr Bashir's military campaign in Darfur included "the crucial element of genocidal intent". Today there are fewer voices of dissent. "The US government has had all the information it needs for a genocide determination for months now," says Kholood Khair of Confluence Advisory, a Sudanese think-tank.

What took so long? Apart from bureaucratic hold-ups, some inside the Biden administration worried that the move might weaken America's ability to act as a mediator. Others were concerned about angering the UAE, an American ally that stands accused of supplying the RSF with weapons (a charge the UAE denies in the face of plentiful evidence). Yet in the end, "I think they realised this is a real stain on their legacy," says Cameron Hudson, a former American diplomat now at the Centre for Strategic and

International Studies in Washington. The last-minute announcement serves as a salve on their conscience.

Will it do more than that? By sanctioning the leadership of the RSF but not that of the SAF—whose continued blocking of aid has contributed to a famine that could kill millions—the Biden administration appears to have abandoned its policy of cautious evenhandedness. Yet the timing of the decision makes its strategic value questionable, argues Jonas Horner of the European Council on Foreign Relations. The incoming Trump administration is likely to be motivated less by protecting human rights in Sudan than by advancing American interests in the Horn of Africa. It will probably have little interest in alienating the RSF or, more crucially, the UAE.

Twenty years ago, the American genocide designation galvanised an international campaign to “Save Darfur”, helped to bring war-crimes charges against Mr Bashir and spurred the deployment of a joint UN and African peacekeeping force three years later. There seems little prospect of a similar effort today. ■

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<https://www.economist.com/middle-east-and-africa/2025/01/09/america-concludes-genocide-has-been-committed-in-sudan-again>

**Halfway to revolution**

# Mozambique's opposition leader flies home into chaos

*Will Venâncio Mondlane's arrival on January 9th deepen or ease political crisis?*

Apr 07, 2025 03:02 PM | Maputo



Hurtling into the unknown

IT HAS BEEN three months since a [rigged election](#) in Mozambique in which Venâncio Mondlane, the popular opposition candidate, says he was cheated of victory by Frelimo, the party that has ruled the country for half a century. For most of the past few months he has been in self-imposed exile, choreographing from afar [protests](#) that security forces have met with brutality. Ahead of the inauguration of the official winner, Daniel Chapo, on January 15th, Mr Mondlane is raising the stakes. He returned on January 9th and has said he will informally swear himself in as president on the day Mr Chapo takes office.

Mr Mondlane's return is the latest twist in a saga that has rocked the country of 35m people. Last month the constitutional court confirmed the election results, reallocating a few percentage points here and there, but declaring Mr Chapo the winner with an

implausible 65% of the vote. Upon arrival at the airport, Mr Mondlane said he is open to talks. How the government responds will determine whether Mozambique resolves its crisis, or continues its plunge into chaos.

Protests against the election result have turned into a popular uprising against Frelimo. The streets echo to whistles and shouts of “the people in power”. Angry crowds have burned courts, police stations and Frelimo party offices. Others have looted shops, raided factories and attacked mines, complaining that their land has been stolen or that promises of development have been broken. After months of protest from farmers, an Australian-owned graphite mine suspended operations and secured a waiver on loans owed to the American government. One of the world’s biggest ruby mines closed for days after informal miners invaded its site, wanting to dig for gems themselves.

The state no longer maintains basic order. On Christmas day thousands of inmates escaped from four different prisons in murky circumstances. Local civil-society groups allege that more than a hundred of them were executed after being recaptured.

“Mozambique is moving towards the institutionalisation of anarchy,” warned Carlos Martins, the president of the bar association. Some speculate that Frelimo has been instigating chaos as an excuse to crack down.

Security forces have killed around 300 people since the protests began, including 176 in the final week of December alone, according to local rights groups. Tens of thousands have fled to neighbouring countries. Many more feel like Lídia, a shopkeeper in the capital Maputo, who does not know if her business will survive a new wave of protests. The economy is shrinking, reckons Standard Bank.

So far there is no sign of compromise. The outgoing president, Filipe Nyusi, is “in the exit lounge”, says Borges Nhamirre of the

Institute for Security Studies, a South African think-tank, meaning the initiative for talks with the opposition now lies with Mr Chapo. Once he is sworn in, he could offer to meet some of Mr Mondlane's demands in return for the opposition leader calling off the protests. That might involve trimming presidential powers and giving Mr Mondlane the opportunity to make good on his promises to build houses and finance small businesses.

The Southern African Development Community, a regional bloc, has made half-hearted offers to help broker an agreement. Its leaders are loth to back change, for fear of giving their own people ideas. The most serious effort has come from South Africa, which worries about economic spillover from the crisis. But the envoy it dispatched was given a cool welcome by Mozambique's government.

Instead of trying to negotiate, Mr Chapo could wait it out, hoping the unrest eventually dies down. Tomás Queface, a security consultant, thinks that Frelimo will try to "eliminate Venâncio Mondlane politically" by pursuing criminal cases against him. Politicians from the Podemos party, which is allied with Mr Mondlane, have said they will take up their seats in parliament, which he considers a betrayal. Once ensconced within the state, they will have less incentive to overthrow it.

The government could have arrested Mr Mondlane on arrival. That it did not is a hopeful sign. But there are tense days ahead. Supporters of Mr Mondlane clashed with police on the morning of his return. Further breakdown is possible if protests continue. Those who have taken to the streets in recent months may worry about the opposite danger: that politicians compromise too readily, and the uprising against a broken system changes nothing much at all. ■

[into-chaos](#)

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# Europe

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A Volkskanzler in the offing

## Austria could soon have a first far-right leader since 1945

*Herbert Kickl of the Freedom Party could be the next head of government*

Jul 09, 2025 09:38 AM | VIENNA



HUNDREDS OF PROTESTERS gathered on January 6th in front of Vienna's imperial Hofburg palace. These days, as well as being a vast museum, it is the residence and office of Austria's president, and the protesters were crying "Nazi Raus!" and "Van der Bellen, kick him out!" In one of its resplendent rooms, adorned with patterned red fabric wallpaper and a prominently displayed portrait of Empress Maria Theresa, Alexander Van der Bellen, Austria's president, was meeting Herbert Kickl, the leader of the hard-right Freedom Party (FPÖ), to ask him to try to form Austria's next government.

Mr Van der Bellen, a former leader of the Green party, said he had not taken the decision to turn to Mr Kickl lightly. But he had been left with no choice. For three months after parliamentary elections at the end of September, Karl Nehammer, the incumbent chancellor, strove to form a coalition consisting of his centre-right

People's Party (ÖVP), the centre-left Social Democratic Party (SPÖ) and the small liberal NEOS party to keep the FPÖ out of power. The FPÖ had won more seats than any other party at the election, with 31% of MPS; the ÖVP had come second with 28% and the SPÖ third with 22%. Talks between the three parties broke down on January 3rd owing to disagreements over economic and fiscal policies. The next day Mr Nehammer announced his resignation.

Is Mr Kickl now a shoo-in for the chancellorship? Although the centrist parties tried to exclude him, his party has in the past taken part in five governments as a junior partner and is in government in five of Austria's nine states. Despite vowing not to govern with Mr Kickl during the election campaign, the ÖVP is now willing to try. Christian Stocker, who has taken over as the interim ÖVP leader, used to be one of his party's harshest critics of the FPÖ strongman. "Mr Kickl, nobody in this house wants you. Nobody in this republic needs you either," said Mr Stocker in parliament in December.

Mr Kickl is anti-immigration, anti-Islam, strongly Eurosceptic and dismissive of Austria's LGBT community. In his party's election programme, "Fortress Austria", he has called for the "re-migration of uninvited foreigners" and for a halt to accepting new asylum-seekers via an emergency decree, which would breach EU rules. He is credited with inventing the most controversial FPÖ slogans, such as "*Daham* instead of Islam" (*Daham* is Austrian dialect for "home").

An accidental party leader, Mr Kickl was meant to be the power behind the throne rather than the man seated on it. Short, bespectacled and dull, he failed to complete his philosophy degree and his military service. Rather than knocking back beers and tucking into a schnitzel in a pub, the stick-thin Mr Kickl prefers to drink water. More a lone wolf than a team player, he has competed in extreme triathlons such as "the Celtman" in Scotland and "the Evergreen" in Chamonix.

Most Austrian commentators assume that Mr Kickl is close to achieving his goal of becoming *Volkskanzler* (the people's chancellor), a term he insists on using even though critics point out that Adolf Hitler used to campaign as a *Volkskanzler* too. "It is very likely that Kickl will be chancellor," says Laurenz Ennser-Jedenastik of the University of Vienna. On economic policy, social policy and immigration, the campaign platforms of the two main right-wing parties largely converge. Both would cut corporate taxes and social contributions by employers, and reduce benefits for asylum-seekers and migrants. Both would also ban the Muslim headscarf in public.

But serious sticking-points remain, especially in foreign and security policy. These include Austrian aid for Ukraine (which Mr Kickl wants to stop), EU sanctions against Russia (which Mr Kickl would vote against) and the European Sky Shield initiative, a German-led air-defence procurement plan, which the ÖVP backs but which Mr Kickl sees as a threat to Austria's neutrality. Other scratchy areas are compensation payments related to policies during the covid-19 pandemic (Mr Kickl opposed covid-19 vaccinations) and the public-broadcast licence fee, which Mr Kickl wants to abolish.

The worst problem at home is the poor health of Austria's public finances. The ÖVP and the FPÖ will need to find €6bn (\$6.2bn) in annual spending cuts by mid-January if Austria is to avoid the humiliation of being placed under close supervision by the European Commission through its excessive-deficit procedure. (Eight countries are already under such scrutiny.) The EU forecasts a budget deficit of 3.7% of GDP for Austria this year, well above the 3% prescribed by the union.

Kathrin Stainer-Hämmerle of the Technical College in Kärnten thinks it is still possible that talks between the ÖVP and FPÖ will fail, and that new elections will have to be called. She found the tone of Mr Kickl's statement to the press on January 7th to be far from

conciliatory. He warned the ÖVP to employ “no games, no tricks, no sabotage and no obstructionism”. Moreover, Mr Stocker is a wily negotiator who will not easily give ground over his party’s fundamental foreign and security policies.

Even so, according to polls, the FPÖ will do still better if snap elections are held. *Kronen Zeitung*, Austria’s largest-circulation tabloid, published a poll on January 5th that put the FPÖ at 37% of the vote, which would give them around 40% of the seats in parliament. That should focus the minds of the ÖVP’s negotiators. ■

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<https://www.economist.com/europe/2025/01/09/austria-could-soon-have-a-first-far-right-leader-since-1945>

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The true believer

## Olaf Scholz still thinks he can win re-election as chancellor

*Someone has to*

Apr 07, 2025 03:03 PM | BERLIN



SOON AFTER Olaf Scholz defied the odds to win election as German chancellor in 2021, his jubilant party colleagues exulted over the coming “decade of social democracy”. Now he is set to fall having served barely a third of that. In the run-up to an election on February 23rd, polls give 16% to Mr Scholz’s Social Democrats (SPD), placing them a distant third behind the centre-right Christian Democratic Union and its Bavarian ally, the Christian Social Union, or CDU/CSU (31%), and the hard-right Alternative for Germany (20%). Germany’s economy is in the doldrums, war and uncertainty stalk the land, and voters are anxious. Yet as the SPD prepares to anoint Mr Scholz its candidate on January 11th, the chancellor’s camp think their man can pull it off again. “It’s going to be hard but there’s absolutely a chance,” says Dorothee Martin, an SPD MP from Mr Scholz’s home town of Hamburg.

The case proceeds like this. First, consider the previous election. Written off in 2021 as he is today, Mr Scholz executed a perfectly

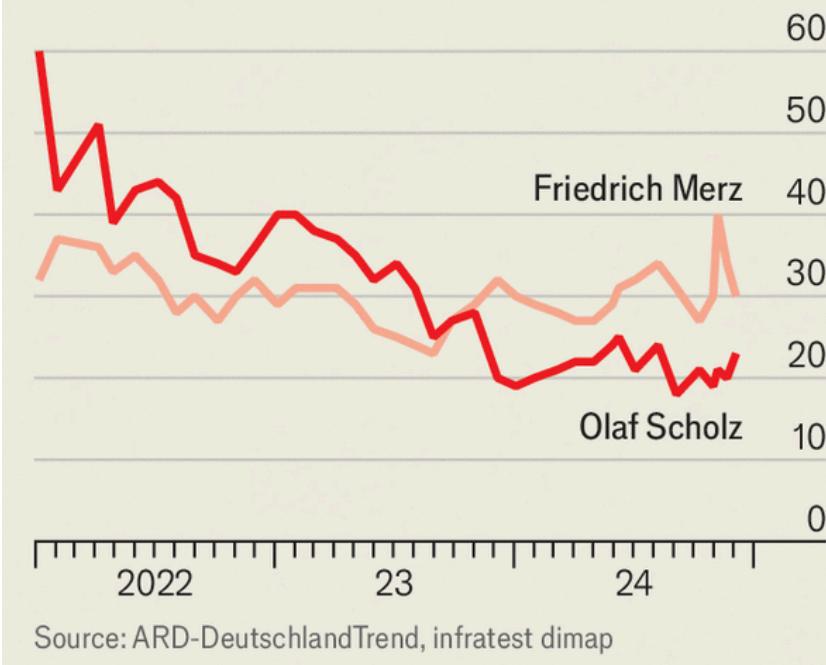
pitched campaign and led the SPD to overcome the CDU/CSU's double-digit lead in its final weeks. Where pundits see only opinion polls, argue Mr Scholz's aides, he retains a deeper instinct for the subterranean currents of German politics. Slow and steady wins the race.

### *German election tracker: who's leading the polls?*

Second, look at the opposition. Mr Scholz may be the most unpopular chancellor of modern times. But his main opponent, Friedrich Merz, the CDU/CSU candidate, fares little better (see chart), and he is prone to gaffes. Crucially, notes a Scholz aide, the more voters see of Mr Merz the less they like him; and many are only now tuning into the election, after a snap vote precipitated by the demise of the three-party coalition in November. Anyway, say his team, Mr Scholz's unpopularity has more to do with that detested government than his own deficiencies. Expect a personalised campaign: the cool-headed Mr Scholz v the irascible, untested Mr Merz.

## None of the above

Germany, satisfaction with politicians,  
% replying “satisfied” or “very satisfied”



Third, peer ahead. The last month of Germany’s campaign will be the first of Donald Trump’s presidency, and Mr Trump will surely give voters reason to notice. A campaign now focused on wages, industry and immigration may in part turn on who can best respond to American tariffs, a proposed peace deal in Ukraine or demands to triple the defence budget. So far the SPD campaign has been about unflashy reassurance: pay, pensions, investment and energy costs. This modest approach seems out of kilter with the scale of Germany’s challenges. But party strategists hope it will leave Mr Scholz well placed to present himself as the rock in whatever storm Mr Trump unleashes after January 20th. “Today ‘change’ and ‘progress’ sound like threats,” says Armand Zorn, an SPD MP from Frankfurt. “Voters want stability and security.”

Can this really work? Mr Scholz may well make up ground in the campaign; the SPD usually does when trailing the CDU/CSU. Although the chancellor’s governing style is plodding in the extreme, he enjoys playing the underdog and can be surprisingly effective on

the stump, notes Daniel Brössler, author of “A German Chancellor”, a biography of Mr Scholz. As for Mr Trump, to risk-averse Germans Mr Scholz’s safety-first approach could prove more appealing than Mr Merz’s more macho style.

Yet for all that, the odds against a Scholz re-election look almost insurmountable. The lessons from 2021 are limited, says Peter Matuschek, of Forsa, a pollster. Mr Merz is more popular than Armin Laschet, the previous CDU/CSU candidate, and Mr Scholz is both better known and less liked today. Just 8% of Germans think the SPD is best placed to manage the country’s problems. Unlike in 2021, when Mr Scholz was an electoral asset for his party, today he is a drag on its support. Seen in that light, the SPD’s decision to plaster his visage all over its posters may seem bold.

So, for some, was the choice to run with Mr Scholz in the first place. Last year the SPD flirted with the idea of replacing him with Boris Pistorius, the popular defence minister, whose decision to withdraw from contention in November hurt the morale of some SPD foot-soldiers who did not relish the prospect of a winter campaign canvassing for a weak candidate. The chancellor himself appears to have inexhaustible reserves of self-belief. Someone has to: 62% of the SPD’s own supporters believe he will lose to Mr Merz. ■

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<https://www.economist.com/europe/2025/01/09/olaf-scholz-still-thinks-he-can-win-re-election-as-chancellor>

**Mining muddle**

# Europe has lots of lithium, but struggles to get it out of the ground

*Its targets for strategic autonomy look hard to meet*

Apr 07, 2025 03:03 PM



EUROPE MAY not be as well endowed when it comes to lithium as Australia, China and Chile, but it is still home to an estimated 5% of the world's reserves of the rare white metal. Yet it currently produces next to none of the stuff, which is crucial for making electric-vehicle (EV) batteries and energy-storage systems. It still relies on imported refined lithium that usually comes from China.

The EU wants to change that, in the name of autonomy. The EU's Critical Raw Materials Act, which came into force last May, aims to ensure that at least 10% of the EU's lithium needs, as with other critical raw materials, are met from home-grown sources by 2030. It also specifies that no more than 65% of annual consumption of these products should be sourced from any single country. At first glance these targets appear eminently achievable, given Europe's untapped reserves. If anything, the 10% production goal seems modest. European lithium could potentially meet half of the region's demand, or even more.

But the job of getting lithium out of European ground is not easy. The metal is mostly found in hard-rock deposits. Open-pit mines are large, polluting, water-intensive and noisy. Planned projects are opposed by the not-in-my-backyard crowd and also by environmental groups.

Take Serbia, home to huge lithium deposits in the Jadar Valley, in the west of the country. Rio Tinto, a mining giant, has been trying to advance a project there for over 20 years, but progress has been stop-start. A wave of protests in 2021-22 forced the government to revoke Rio's licence; it was reinstated in July 2024 after fresh assessments. The government has hinted that the firm may be able to start construction in 2026. But that will inevitably spark another public backlash, which may put the brakes on the project again.

A project in Portugal's northern Barroso region risks meeting a similar fate. A British mining firm, Savannah, wants to open four open-pit mines that it estimates could produce enough lithium for 500,000 EV batteries each year. But most of the land it needs to purchase belongs to local communities, which do not want to sell. Little wonder that investors are treading carefully, not just there but in the Czech Republic, Finland, France and Spain, which also boast hard-rock lithium deposits.

Open-pit mining is not the only game in town. Lithium is also found underground in hot, salty water. Companies like Vulcan Energy, which has 17 licences in Germany's Rhine valley, pump brine from geothermal springs to the surface and filter out the lithium before sending the rest back down. That is less damaging to the environment, because water loss is minimal and the above-ground facilities are smaller and cleaner than open-pit mines.

The elephant in the room is China. It was quick off the mark to develop huge domestic capacity in the 2010s, thanks to a raft of subsidies and tax breaks. It has flooded markets with refined lithium. Prices have plummeted as a result, which has eliminated a

lot of the competition. Only a few European projects are viable at the current rock-bottom prices. But that should not be an excuse for inaction. Prices will not stay low forever. Projects across Latin America, Asia and Australia are being scaled back, which will whittle away at the world's lithium surplus.

Europe's challenge is two-fold. If for strategic reasons it is serious in its resolve to produce more (expensive) lithium, it will have to provide more support to firms that are trying to do so. Public funding is available, but in a myriad of places, usually co-ordinated by national governments and arguably in insufficient quantities.

The second challenge is equally daunting. Securing the paperwork to advance these projects is fiendishly complex and time-consuming. Streamlining the process would help. But unless Europe addresses these obstacles, lithium projects currently on the drawing board will stay there, and autonomy will remain a fantasy.



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<https://www.economist.com/europe/2025/01/09/europe-has-lots-of-lithium-but-struggles-to-get-it-out-of-the-ground>

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**Remembering a dictatorship**

## Spain's government marks 50 years since Franco died

*Opponents say it is the birth of democracy that should be commemorated*

Apr 07, 2025 03:03 PM | MADRID



Still divisive

AS HISTORIC turning-points go, it was squalid. On November 20th 1975 Francisco Franco, who had ruled Spain for almost 40 years, was declared dead, his body already rotting. That eventually ushered in a transition to democracy under King Juan Carlos.

Today, most Spaniards give no thought to Franco. But Pedro Sánchez, the Socialist prime minister, thinks they should. Not long after becoming prime minister in 2019 Mr Sánchez organised the exhumation of Franco's remains from the Valley of the Fallen, the dictator's grandiose monument to his victory in the Spanish civil war, and their reburial in a quiet cemetery. Many cheered.

To commemorate the 50th anniversary of the dictator's death, on January 8th Mr Sánchez launched a government plan that will see events in schools, universities and public places under the slogan

“Spain in Liberty”. Officials note that polls find that a quarter of young Spanish men think that in some circumstances authoritarian government can be preferable to democracy. “Those who sing the praises of authoritarianism want us to forget...that Spain was governed by an autocratic and repressive minority,” Mr Sánchez said.

Some question why the government has chosen to mark the dictator’s death in his hospital bed, rather than the arrival of democracy—by commemorating, say, the 1977 election or the 1978 constitution. The conservative opposition People’s Party (PP) sees in that choice an attempt to divide Spaniards and a smokescreen to distract attention from corruption scandals.

Mr Sánchez knows that discussing the dictatorship makes the PP queasier than it should, partly because it looks over its shoulder at Vox, a hard-right party. But his critics argue that he is using the past to fight today’s political battles—precisely what the leaders of the transition renounced. ■

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<https://www.economist.com/europe/2025/01/09/spains-government-marks-50-years-since-franco-died>

**Bones of contention**

## A dispute over old war crimes strains Polish-Ukrainian relations

*The beneficiary is Russia*

Apr 07, 2025 03:02 PM | KYIV AND WARSAW



All must be remembered

HANNA PETRIVNA, now 91, was a schoolgirl when she saw lorries packed with dozens of Poles from nearby villages pull up near her home in Vishnevets. Ukrainian Insurgent Army (UPA) fighters herded them into the basement of a church, “threw some hay inside and burned them alive.” Hannah recalls the Christmas carols she learned from her Polish friends, and sings one.

Up to 100,000 ethnic Poles died at the hands of the UPA and Ukrainian villagers across Volhynia and Galicia, in what is now western Ukraine, in 1943, in a cycle of genocidal violence that engulfed the region in the second world war. Other mass graves include those of Volhynia’s Jews, murdered wholesale by the Nazis and their local accomplices, and of Ukrainians executed by Soviet agents. They scar the region to this day. Some have been discovered; many have not.

As today's war rages in Ukraine's east, a row over the graves is tearing at the country's relations with Poland, one of its key allies in Europe. Poland has long accused Ukraine of playing down the scale of the massacres, impeding the search for victims, and so denying them a proper burial. Ukraine says the killings were part of a wider conflict going back to the 1920s, with death and displacement on both sides.

A potential breakthrough came on November 24th, when the Polish and Ukrainian foreign ministers said there would be "no obstacles" to exhumations in Volhynia and next-door areas. Ukraine says the digging can begin in the spring. But many Poles doubt such assurances. Politicians of all stripes are upping the stakes. In December the far-right Law and Justice (PiS), Poland's main opposition party, asked parliament to consider making the "glorification" of UPA and Stepan Bandera, the group's chief ideologue, a crime punishable by up to three years in prison. Poland's defence minister, Wladyslaw Kosiniak-Kamysz, had caused an even bigger stir in October, warning that Poland would block Ukraine from joining the EU unless the exhumations took place. Opinion polls suggest most Poles agree.

Historians from each country have locked horns. Karol Nawrocki, head of Poland's Institute of National Remembrance (INR), a body set up to investigate Nazi and Soviet war crimes, has accused Ukraine of acting in bad faith. He says Polish teams could begin exhumations "in 24 hours" and champions the idea of a museum to honour the victims in Volhynia. "For various forces in Poland the past has become a tool for obtaining certain political dividends," says Volodymyr Tylischak, deputy head of Ukraine's own INR. Others fear the issue may be exploited ahead of Poland's presidential race this spring. Mr Nawrocki, backed by PiS, is a candidate.

### ***Reopening old wounds***

The row began in 2017, when Ukraine blocked exhumations in response to vandalism against monuments to UPA soldiers killed by the Russians in Poland. The issue disappeared from the headlines once Russian tanks rolled into Ukraine in 2022. Poland raised its support for Ukraine, called for a path to EU membership, and became the West's main hub for military aid to Ukraine. Nearly a million Ukrainian refugees made Poland their home. In the face of a common enemy, Russia, the legacy of the massacres, of the reprisals by Polish resistance fighters who killed thousands of Ukrainians, and of the later deportations of some 150,000 Ukrainians by Poland's communist regime faded away.

Or so it seemed. The dispute simmered again in 2023 and boiled over last September, after Dmytro Kuleba, then Ukraine's foreign minister, fumbled a question about Volhynia at a conference in Poland. An outcry ensued; Polish politicians and historians accused him of refusing to confront past Ukrainian wrongs. Ukrainians do not know enough about Volhynia, admits Mr Tylishchak, but he says Poles need to appreciate Ukrainian suffering too.

The controversy, along with Poland's earlier decision to ban grain imports from Ukraine, spells the end of the honeymoon between the two countries. The share of Poles who back new military aid to Ukraine has dropped from 87% as the war began to 63% in October. Poland's prime minister, Donald Tusk, has since suggested he wants no part of a plan floated by France's Emmanuel Macron to send peacekeepers to Ukraine in the event of a ceasefire with Russia. The share of Ukrainians who have a positive view of Poles has halved, to 41%, in only two years.

Versions of history compete. Poles see the UPA as war criminals seeking an independent Ukraine through ethnic cleansing, whereas many Ukrainians see them as a symbol of resistance to Soviet rule and Russian aggression, especially since the full-scale invasion in 2022. According to one survey, the share of Ukrainians who view

Bandera favourably reached 74% in 2022, up from only 22% ten years earlier.

Russia has pounced on the row, hoping to drive a wedge between the two countries. To whip up anger in Ukraine, Russian social media are airing old photos of damaged UPA monuments in Poland. Officials in Warsaw suspect Russian involvement in some of the attacks on the monuments. Ukrainian and Polish historians and diplomats say the way forward for both their countries is to focus on the exhumations and set aside history. “What we agree on, each time we meet,” says Piotr Lukasiewicz, the Polish ambassador to Ukraine, “is that Russia wins whenever we argue”. ■

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<https://www.economist.com/europe/2025/01/09/a-dispute-over-old-war-crimes-strains-polish-ukrainian-relations>

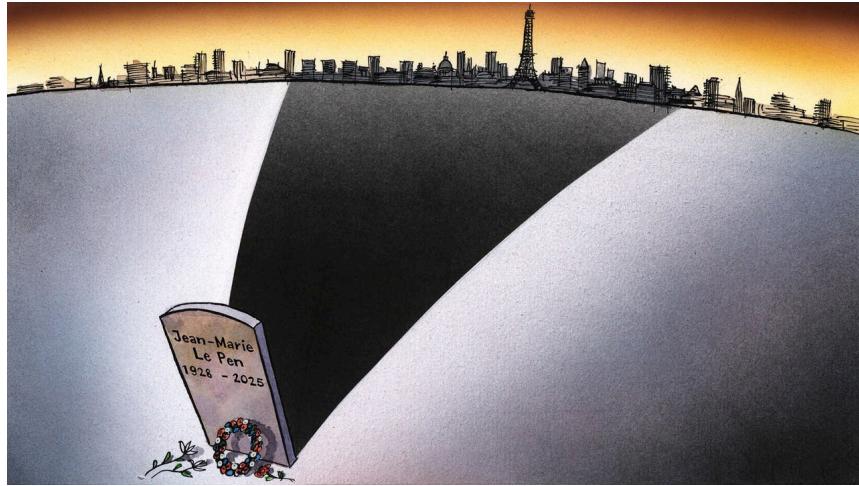
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**Charlemagne**

# How extremist politics became mainstream in France

*Jean-Marie Le Pen paved the way for his daughter, Marine*

Apr 07, 2025 03:02 PM | PARIS



HE LIVED HIS life in lurid colour. But it often felt as if Jean-Marie Le Pen, who died on January 7th at the age of 96, belonged to an era of black and white. There was Indochina (where he served as a paratrooper); French Algeria (where he fought for the homeland, and admitted to torture); the French Fourth Republic (during which he was first elected to the National Assembly, in 1956, two years before Charles de Gaulle wrote the modern constitution). Even Mr Le Pen's 19th-century mansion, perched magnificently on a ridge overlooking Paris, appeared to be the product of decades of neglect; its walls were dark brown, furniture shabby and it "stank of death", noted Yann, his middle daughter. Like Mr Le Pen's unapologetic extremist politics, the far-right leader's formative moments seem to belong to history. Yet his influence on French politics could hardly be more current.

Little about Mr Le Pen's life was tempered. With his broad frame and bombastic manner, the son of a Brittany fisherman thundered

through life without a filter. He relished public provocation, which often landed him in court, just as he did belting out Breton sea shanties at the family mansion after a boozy dinner. Given a platform Mr Le Pen would rant against anything—fists punched into the air, articulation precise—even the country’s winning multi-ethnic football team (too many “foreigners”). An apologist for Pétain’s collaborationist regime, he was periodically convicted: for hate speech, antisemitism and denying crimes against humanity, the latter after claiming that the Nazi gas chambers were a “detail” of the history of the second world war.

In two respects in particular, Mr Le Pen was also a precursor for today’s nationalist-populist right. In the 1950s he was first drawn into politics by Pierre Poujade, a proto-populist whose movement represented shopkeepers, tradesmen, artisans and “the little people”. His was the politics of the “downtrodden” against the elite, which finds a wide echo today. As co-founder of the National Front in 1972, Mr Le Pen was also a proponent of “great replacement” thinking, long before it became a fashionable theory for the far right. From his study in the mansion above Paris, filled with nautical memorabilia, it was almost as if he imagined himself to be single-handedly commanding the country’s maritime defences. There, beside brass-mounted binoculars and model frigates, Mr Le Pen once held forth to this columnist about the upcoming “submersion” of France by an “invasion” of “all the miserable populations of the world”. “We lived through German military occupation, but afterwards they left,” he roared at her; “immigrant populations have no intention of leaving.”

Ultimately, Mr Le Pen’s unfiltered approach was too much even for his own daughter, Marine Le Pen, who took over the party in 2011. Four years later she expelled her father, and then changed its name, to the National Rally. It was a seminal political moment, and a brutal, humiliating personal disavowal. Ambition triumphed over affection; rivalry overrode filial duty. All his life, Mr Le Pen thrived on conflict; Ms Le Pen sought to appear respectable. He

swaggered about on the untouchable fringes of polite society; she dines coolly at upscale Parisian restaurants. He never really sought political power; [she wants to govern France](#).

The trace that Mr Le Pen left on French politics was noxious and incremental, but not as linear as it appears in some telling—and not all of his own making. The political cynicism of his adversaries also played a part. The *lepénisation* of French minds, or the spread of his core discourse, began to take hold in the 1980s. But it was François Mitterrand, then the Socialist president, who changed the electoral rules to favour small parties, in an attempt to split the right. In 1986 Mr Le Pen and his group of assorted extremists, nativists and colonial apologists secured a record 35 parliamentary seats, before losing all but one when the rules changed again two years later. Indeed the very toxicity of Mr Le Pen's extremism served the left, prompting an anti-racism movement that bred a new generation of politicians and helped Mitterrand to win re-election. A serene debate about controlled immigration in France has been difficult ever since.

### ***Le Pen is mightier***

For Ms Le Pen the moment has never seemed so favourable. The best Mr Le Pen ever managed in his five runs for the presidency was 18% in 2002, when he shocked France by making it into the second round against Jacques Chirac. Twenty years later, in the run-off against the centrist Emmanuel Macron, Ms Le Pen scored 41.5%. The judges may yet keep her from running for office, when they decide on March 31st whether to rule her ineligible in a trial over the misuse of public funds. Barring this, she looks better placed than ever. Mr Macron, who has twice kept her from power at the ballot box, cannot run again at the next presidential election, due in 2027; no clear successor has yet emerged. If he calls fresh parliamentary elections this summer, Ms Le Pen's party could enter government earlier still.

In the end, Mr Le Pen's legacy is also hers: the normalisation of anti-immigrant nationalist politics. Mr Le Pen may have belonged to the toxic fringe. But he also laid the foundations for a form of politics which, purged of its extreme imagery and elements, has become mainstream, in France and Europe. Today its champions hold power (Italy, Hungary, Slovakia), or share it, in over half a dozen countries. The *lepenisation* of minds has spread even to places, such as Germany, once thought immune.

Two decades ago Mr Le Pen's brand of xenophobic politics was rejected by a majority of French, and European, public opinion. Today Ms Le Pen is one of the most popular politicians in France. Ms Le Pen had to turn on her father to get to where she is today. But she would not be there if he had not come first. ■

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<https://www.economist.com/europe/2025/01/07/how-extremist-politics-became-mainstream-in-france>

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# Britain

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**Offline Keir, online Kemi**

# What Elon Musk’s tweets about sex abuse reveal about British politics

*An offline prime minister faces an online leader of the opposition*

Apr 07, 2025 03:03 PM



ELON MUSK’s barrage of posts about sexual-abuse scandals in Britain tells you a lot about the temperament of the owner of X, a man with the ear of America’s president-elect. The predation by largely Pakistani gangs on girls in English towns was first seriously reported on in 2011. Sir Keir Starmer, the prime minister (who was chief prosecutor back then), was “complicit in the rape of Britain”, Mr Musk wrote; he mused about whether America should “liberate” the British people.

But the reaction to Mr Musk’s rant also reveals something about the prime minister and his principal political opponent. The most important biographical difference between Sir Keir and Kemi Badenoch, the new leader of the Conservative Party, is not that she was brought up in Nigeria and he in Surrey; nor even that he is a self-declared socialist and she a Thatcherite. It is that he came of age professionally before social media transformed politics, and

she afterwards. British politics is now a contest between an offline prime minister and a very online leader of the opposition.

In 2004, two years before the launch of X (then Twitter), Michael Goldhaber, an American thinker, published an essay arguing that the internet would produce a new type of human, just as printing had. *Homo typographicus* would be followed by *Homo interneticus*. His “mentality significantly altered” by the effects of intense internet use, *interneticus* would be unmoored from time and space, disrespectful of old sources of authority and facing a constant battle for his attention.

Sir Keir is a politician of the pre-internet age. He was born in 1962, and he became a national figure in 2008 as director of public prosecutions (a fine job for *typographicus*). Britain’s low-tolerance approach to wild talk online was shaped during his tenure, with the prosecution of a man who joked on Twitter about blowing up an airport. As prime minister in 2024 he insisted that prosecutors throw the book at those who encouraged riots on social media—and drew a first salvo from Mr Musk.

In a sympathetic biography of Sir Keir by Tom Baldwin, social media appear as either a nuisance or a threat. Trolls say vile things about him; his strategists warn that Labour activists should spend less time in their online bubbles. On the brink of electoral victory, Sir Keir promised that a Labour government would cool online populism. He can, Mr Baldwin says, be the prime minister “for the 80% of normal people who don’t abuse each other as ‘rape genocide enablers’ before they have had their cornflakes”.

And so Sir Keir tried to brush off Mr Musk’s onslaught. “I think most people are more interested in what’s going to happen to the NHS, frankly, than what’s happening on Twitter,” he told a press conference at a hospital on January 6th. His rivals, he said, needed to decide if they wanted politics rooted in truth or in lies.

If for Sir Keir social media are a distraction from real politics, for Ms Badenoch they are the essence of it. She is the right honourable member for *interneticus*. Born in 1980, she took a course in Apple repairs and later a computer-engineering degree. She is reputed to have been busy on Nigerian-diaspora message-boards; a job on the website of the *Spectator*, a conservative magazine and keen participant in the culture wars, would follow.

*Interneticus*, wrote Mr Goldhaber, would attach himself to new communities based on affinities “unshackled by space, unbounded by borders”. So the causes that most animate Ms Badenoch are litigated online and heavily influenced by America: gender identity; critical race theory; diversity, equity and inclusion schemes. She wants her party to think deeply about the civilisational questions the internet poses, such as the loss of presumption of innocence that emerges from online “pile-ons”. She was quick to defend Allison Pearson, a conservative journalist questioned by police over remarks on X.

Whereas Sir Keir speaks with lawyerly caution, Ms Badenoch does not so much talk as post, whether online or off. When she stood for the leadership, Tory members (though mostly older than Sir Keir) loved her pithy, contrarian hot-takes, served up in a style familiar to those who dwell on X. Sir Keir is criticised for being dull; she is unusually interesting.

Little wonder that she embraced the intervention of Mr Musk, who she says has made X much better since buying it in 2022. Soon after his onslaught began, she proposed a new national inquiry into the grooming gangs; she brought a vote (though doomed by Labour’s huge majority) in Parliament on January 8th.

Sir Keir was baffled: had her party not been in power for 14 years, while reports into the abuse gathered dust? Why was she tweeting about it now? Yet, wrote Mr Goldhaber, the internet would erode notions of time, because unlike musty books which immediately

betray their age, pixelated text is continually refreshed. *Interneticus* would live in a “space devoid of chronological ordering...an ever-changing now”. And so the court judgments of over a decade ago pinging round X seem as urgent as if they had been written yesterday.

Mr Musk was also rumoured to be mulling a donation of \$100m, a huge sum in British politics, to Reform UK, until a spat—on X, naturally—with the populist outfit’s leader, Nigel Farage. (Mr Farage, as it happens, was early to see the potential in YouTube and Facebook for propelling the fusty Eurosceptic movement.) Yet Mr Musk’s posts on sexual abuse had MPS gyrating without his spending a cent.

Neither Sir Keir nor Ms Badenoch has the balance right. Sir Keir is too slow and unagile to react to developments online, his colleagues complain, and does not give the real debates on race and gender that play out there due credence. In 2024 online platforms overtook television as Britons’ main source of news; amid the vitriol, millions of voters of all ages head there.

Ms Badenoch, though, seems too online for her own good. Even on Boxing Day, as Britons digested their turkey, she was rowing on X with Mr Farage over whose party had more members. Yet she has little to say about public services, still the most important issue to voters, polls suggest.

It is possible to be both interesting and irrelevant. A decade ago another prime minister, David Cameron, crowed that his defeated rivals had tangled themselves in online debates: “Britain and Twitter—they’re not the same thing.” Or as Mr Goldhaber put it: “For *Homo interneticus*, cyberspace is most of the real world, and the rest is an appendage of it.” ■

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**Driving up the price**

## Rolls-Royce cars push the pedal on customisation

*Be your own Bond villain*

Apr 07, 2025 03:03 PM



Rolling along

A VISIT TO Rolls-Royce’s factory in Goodwood reminds you that Rolls is a carmaker like no other. Set amid the lovely West Sussex countryside, it resembles a fancy hotel, amid wildflower meadows, reed-fringed ponds and lime trees, with foliage trimmed into perfect cubes. The reaction of the maker of the world’s swankiest cars to a dip in sales is also untypical. The firm revealed on January 8th that in 2024 it sold 5,712 cars, 320 fewer than in 2023. But is Chris Brownridge, the boss since late 2023, concerned? “Absolutely not!” he declares, noting that “we don’t see ourselves as a car company.”

Success for Rolls, which instead regards itself as a luxury-goods firm, is measured on “bespoke content”, says Mr Brownridge. These are the personal touches that customers can request to be added to their vehicles, from a coachline along the bodywork to hand-painted silk panels. Last year the firm increased the value of such highly profitable features by an average of 10% per car, the

most yet. That pushed the average price paid for a Roller to around £500,000 (\$615,000).

The rest of the car industry is catching up with Rolls. Even proletarian brands now differentiate themselves through the in-car “experience”, from mood lighting to elaborate infotainment systems, rather than the horsepower of an internal combustion engine, which is increasingly disappearing in favour of an electric motor. Where Rolls used to disdain performance figures as unspeakably vulgar (it would merely describe its cars’ capabilities as “adequate”), it now emphasises craftsmanship while others boast about digitalisation.

To that end Rolls has a long list of options available through its dealers: within the rear armrests, they may offer you a mini-fridge and a pair of champagne flutes; a lesser company will try to flog plastic cupholders. But the firm also encourages customers to visit Goodwood or four “private offices”, in New York (America is its biggest market), Dubai, Seoul and Shanghai. There customisation can be taken to a new, even pricier, level in consultation with the firm’s army of designers.

Rolls will say merely that “hundreds” of customers have done so. The ultra-rich may not be feeling the pinch quite as hard as buyers of lowlier luxuries, and British craftsmanship still has an appeal. Indeed Rolls is the only carmaker with a head of embroidery, who will stitch intricate designs into interiors—such as the wildflower one customer took a liking to when out for a hike. The firm is especially proud of a Phantom saloon modelled as a homage to the one driven by the villain in “Goldfinger”, an early James Bond film.

Mr Brownridge says he is more interested in increasing bespoke offerings than in lifting sales. An investment of £300m to expand the factory next year will help this side of the business grow even faster, as well as provide more space to make yet more exclusive

one-off cars that might fetch \$30m apiece. Ever discreet, Rolls does not reveal how much all this effort makes for BMW, its German owner, but for a “jewel in the crown”, it is a “meaningful contribution”, says Mr Brownridge. And if you want a bejewelled crown added to your car, Rolls will surely oblige.■

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<https://www.economist.com/britain/2025/01/09/rolls-royce-cars-push-the-pedal-on-customisation>

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**Apple watches and wobble boards**

# A much-praised British scheme to help disabled workers is failing them

*It lavishes spending on some, and unfairly deprives others*

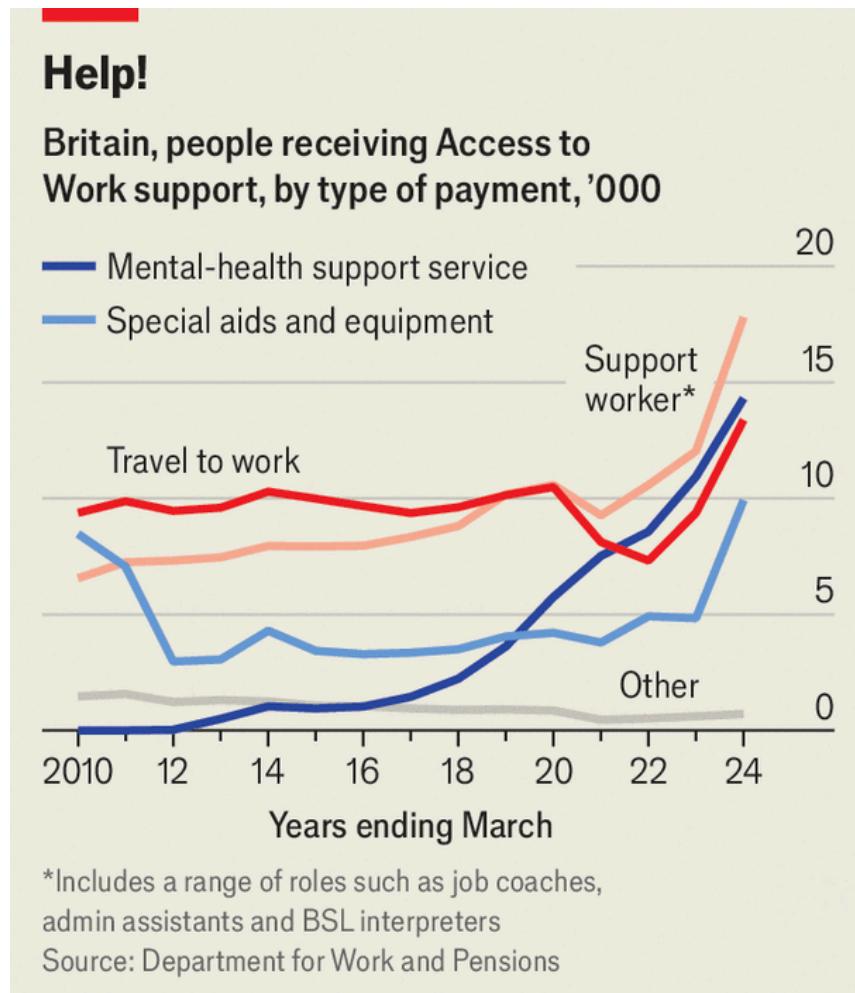
Apr 07, 2025 03:03 PM



RACHEL REEVES, Britain's chancellor, loves "working people". She mentioned them 13 times in her budget speech in October. But like her Conservative predecessors, Ms Reeves is rather less keen on benefit recipients. The welfare bill for those on sickness and disability is expected to increase by about half in the next five years, exceeding £100bn (\$123bn), or 3% of GDP, by 2030. Some suspect the generous terms are contributing to Britain's high levels of economic inactivity.

Against this backdrop, Access to Work, a government initiative to help people with a disability or a health condition back into work, seems like a godsend. Recipients can receive grants of up to £69,260 a year to pay for things like equipment, sign-language interpreters, coaching and counselling. Spending has jumped by 72% in the past two years, but at £258m it is still but a snip of the overall benefits budget. To supporters, it is world-leading and a rare

example of something that is right with the benefits system. Instead, it may embody everything that is wrong with it.



The scheme seeks to tackle a real problem: only 53% of disabled Britons are in work, compared with 82% of non-disabled. Some 2.6m more working-age people identify as disabled than did so a decade ago.

For years spending on the scheme remained stable (and was mainly on support for the deaf). Yet since 2022 the number of claimants has doubled. Most of those now applying cite poor mental health, learning disabilities and neurodivergent conditions such as autism and attention-deficit hyperactivity disorder (ADHD).

The trouble is that generous terms intended to empower disabled people may have left the scheme open to gimmicks. No formal diagnosis is necessary to apply, the grant is not means-tested and

no assessment is needed “if a customer knows their support requirements”. One website lists fidget tools and wobble boards as “practical” equipment that can be reimbursed. On Reddit, a client talks up the “Apple watch” they were awarded for time management.

Word spreads on social media. Maddy Alexander-Grout, an influencer who helps other entrepreneurs “become more visible by telling their story”, coaches 40 people with ADHD, a service paid for by Access to Work. In one YouTube video, Ms Alexander-Grout helps a friend fill in the application form for ADHD and “possible dyspraxia” (“she’s sometimes a bit clumsy...she does hurt herself a lot”).

There is no reason to suggest that Ms Alexander-Grout has done anything improper. But quietly the Department for Work and Pensions (DWP) has cracked down on the budding coaching industry, reducing the hourly costs of coaching that can be reimbursed under the scheme from £450 to £205, and restricting the number of sessions. Demand is growing far faster than the scheme is able to absorb. In October the backlog for applications stood at 55,000, more than the entirety of those who received support in 2022-23. In another video on TikTok Ms Alexander-Grout complains about not being reimbursed for hiring an administration assistant, joking that the department is punishing her for the “huge waiting lists that I caused them”.

Many recipients genuinely benefit from the scheme, says Leanne Maskell, who runs ADHD Works, a coaching company. But it is unclear if, overall, the spending does in fact help much: the DWP has consistently said the scheme is too difficult to evaluate. Despite its recent expansion the number it supports remains tiny: some 68,000, or 1% of the disabled in work.

The growth of Access to Work papers over wider cracks in the benefits system. Yasmine Camilla, who has dyslexia and ADHD,

applied for disability benefits last year when she was struggling with her mental health. The DWP rejected her for the standard disability allowance, worth around £400 a month, but ended up giving her £70,000 over two years through Access to Work to help her focus on being a social-media influencer. “When I was granted the money I kind of laughed inside,” she says. “I’m disabled enough to help me pay more money and pay more tax, but [not enough] just to live.”

Under the Equality Act of 2010 employers must make “reasonable adjustments” to meet the needs of their disabled employees. But in reality the workplace still discriminates against disabled people, notes Kim Hoque of King’s College London, who points out that a voluntary employer scheme, Disability Confident, has failed to improve outcomes. To truly help the disabled back into work, the government should start by making workplaces more accessible: not only with wheelchair ramps, but with quiet corners and flexible working. Then Access to Work could be used for those who most need it, rather than those who discover it first. ■

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<https://www.economist.com/britain/2025/01/09/a-much-praised-british-scheme-to-help-disabled-workers-is-failing-them>

**Conservation**

## Britons are keener than ever to bring back lost and rare species

*Immigrants that everyone can get behind*

Apr 07, 2025 03:02 PM



An immigrant that everyone can get behind

THE LARGE blue butterfly has a strange life. After munching on wild thyme flowers for a few days, it drops to the ground and persuades a particular species of red ant to carry it into a nest. It stays underground for months, impersonating an ant grub and snacking on its hosts. Eventually, it crawls out of the nest and flies.

It became extinct in Britain in 1979, just as scientists began to understand its idiosyncratic needs. But a few years later two researchers, David Simcox and Jeremy Thomas, brought some eggs from Sweden. The reintroduction of the large blue has been so successful that Britain lords it over continental Europe, where the butterfly continues to decline. More than half a million eggs are laid in the country each year.

Britons have been reintroducing species since the 1830s, when the capercaillie, a large bird, was brought to Scotland from Sweden for

the purpose of shooting it. The onset of rapid climate change and the vogue for rewilding have made them much keener. Alastair Driver of Rewilding Britain, a charity, knows of plans to reintroduce 64 species to 45 sites. Some, like red squirrels and devil's-bit scabious, a plant, never disappeared from Britain but are missing from particular places. Others, like Eurasian beavers, had vanished.

The beavers are famous for their furriness and for their ability to transform landscapes. So are white-tailed eagles, which were reintroduced to Scotland beginning in the 1970s and have more recently been released in the Isle of Wight. But many of the projects involve insects. Chequered skipper butterflies have been brought from Belgium to Northamptonshire, where they are thriving. Narrow-headed ants, which had been driven into a single wildlife refuge in southern England, have been moved around the country.

In December Forestry England announced that it had moved plugs of earth containing fungi from an old forest to a new one. The distance travelled was short, just nine miles (14.5km), and the species involved could hardly be less photogenic. But fungi are crucial for plant health, and they are collectively massive, with a global biomass thought to be several times greater than all animals. “Very few top predators can be reintroduced,” says Andrew Stringer of Forestry England. The smaller stuff is where the action is.

People who work on reintroductions and translocations describe many difficulties. Funding for projects is often short-term, and can cease as soon as creatures are released. Governments dither over the status of some species, including the Eurasian beaver (some have been released illicitly by impatient rewilders, a practice known as “beaver bombing”). Farmers object to some toothy and clawed creatures.

Regulations to prevent suffering and the spread of diseases have become far more exacting. In the 1980s Mr Simcox, who is now at the Royal Entomological Society, set out to collect large blue butterflies in a camper van. When Nigel Bourn of Butterfly Conservation brings chequered skipper butterflies to England, vets check the insects before and after the journey to see how they are coping. It does not deter him at all. Mr Bourn says that discussions are under way about bringing back two other butterflies. ■

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<https://www.economist.com/britain/2025/01/09/britons-are-keener-than-ever-to-bring-back-lost-and-rare-species>

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**End of the space race**

# The decline in remote working hits Britain's housing market

*A return to the office means a return to town*

Apr 07, 2025 03:03 PM



**B**RITONS ARE back in the office—and not just because a new year has begun. Five years after the start of the pandemic, ever more employers are demanding that their staff come in three, four or even five days a week, forcing many to abandon home offices eagerly acquired, furnished and decorated during lockdown. That turn in the trend is showing in Britain's housing market. Properties, often large ones outside London, bought and built in the hope that covid had consigned commuting to the past, no longer look so desirable.

The switch back from working at home has gathered pace. According to the Virgin Media o2 Business Movers Index, which tracks commuting behaviour in Britain, the number of companies requiring employees to turn up three or more days a week rose to 75% in 2024, from 67% the year before. Bosses at half the firms it surveys have ordered staff back for at least four days, up from 46%.

Nearly one in three companies insist that employees are in the office for a full five days.

On January 7th WPP, an advertising giant, became the latest to tighten its policy. From April it will require its workers to be in the office four days a week. Nearly two-fifths of British workers now commute five days a week; 83% of business leaders polled by KPMG, an auditor, say they expect a full return to the office by 2027.

All this is undermining the home-buying habits formed during lockdown. So far, house prices overall have remained resilient, even though interest rates are no longer at rock-bottom. They rose by 3.3% in 2024, according to Halifax, a big mortgage lender. But cracks are appearing in the prices of homes that were sought after for their large gardens or extra rooms when covid was at its height.

In 2024 detached properties, the prices of which rocketed during the pandemic, recorded the weakest price growth of any category for the second year running—behind flats, semi-detached and terraced houses, according to Nationwide, another leading lender. They are also proving harder to sell. Detached houses take 73 days to find a buyer, twice as long as they did in 2022 and longer than other homes, says Rightmove, a property website.

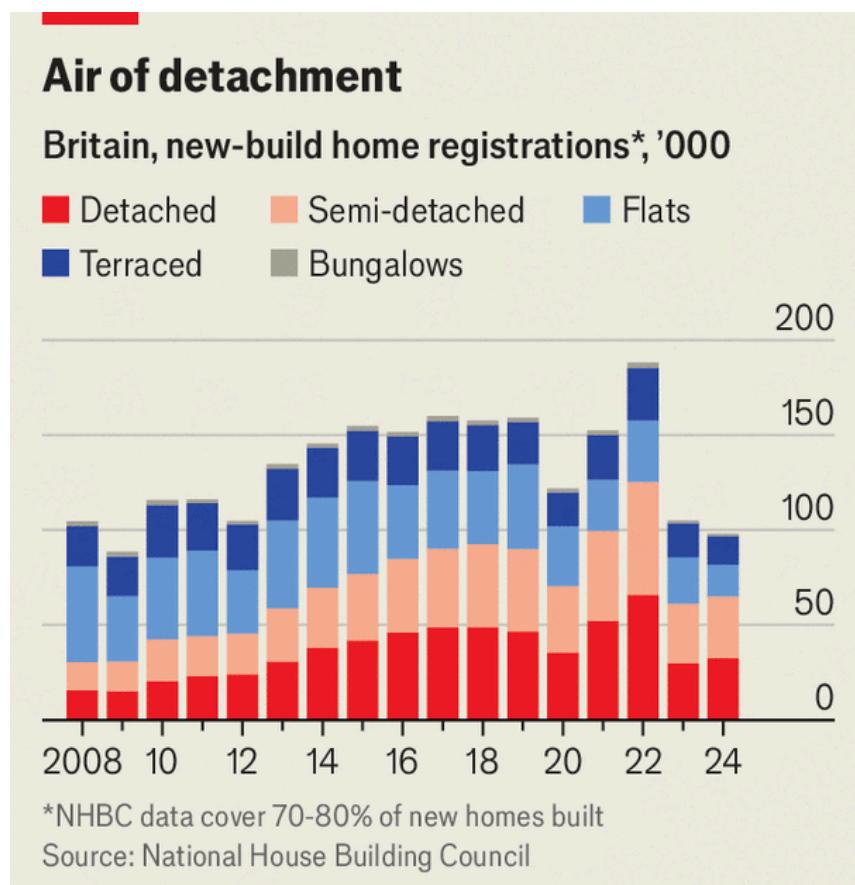
Even at the top end of the market, prices are adjusting to this new reality. Outside London, prices of “prime” properties, valued at £1m (\$1.2m) or more, have fallen by nearly 7% from their peak in September 2022, says Lucian Cook, head of residential research at Savills, an estate agent.

Higher mortgage costs explain some of this. But dwindling demand in areas that Londoners flocked to during lockdowns, sending prime-property prices up by 17% between 2020 and 2023, suggests a structural shift. Prime-property prices in coastal regions, which performed strongly during the pandemic, declined by more than

5% last year, for instance. It marks the end of both the race for space and the dash to the countryside, says Mr Cook.

Markets closer to London appear to be heading the other way—perhaps reflecting a renewed need to be within commuting distance. The capital's prime markets, which lagged behind those in the rest of the country during covid, are returning to modest growth: prices rose by 1.4% in 2024, according to Savills.

As preferences and prices change, so do developers' priorities. Many housebuilders shifted away from flats towards detached homes after the global financial crisis to appeal to cash-rich buyers (see chart). In 2008 detached properties made up 15% of new housing stock, according to the National House Building Council.



A government-backed help-to-buy scheme, initiated by the Conservative-Liberal Democrat coalition in 2013, helped first-time buyers purchase larger homes by lending them part of a property's value. By 2019 detached houses' share had reached nearly 30%.

The pandemic reinforced the trend. By 2022 the desire for more space had boosted the share of detached homes in new housing to more than 35%.

Developers are adjusting their inventory once again. Last year the number of new detached homes was down by more than half from its peak in 2022—a larger decline than for flats, terraced houses or semi-detached homes. The return to the office and the end of cheap debt are pointing the same way: no longer able to afford the houses they want, Britons are settling for the ones they need.■

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<https://www.economist.com/britain/2025/01/09/the-decline-in-remote-working-hits-britains-housing-market>

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**Dangerous liaisons**

## The phenomenon of sexual strangulation in Britain

*A survey suggests the risky practice is more common than you might think*

Apr 07, 2025 03:02 PM



“I'M VANILLA, BABY/ I'll choke you, but I ain't no killa, baby,” raps Jack Harlow on his number-one hit from 2023, “Lovin' On Me”. According to a survey of over 2,000 people published in December by the Institute for Addressing Strangulation (IFAS), a charity, more than one in three Britons aged between 16 and 34 have been strangled during consensual sex on at least one occasion. IFAS was established with Home Office funding in 2022, when non-fatal strangulation was made a distinct offence in England and Wales. Previously, crimes involving strangulation were often charged as common assault (a category that also covered simply shaking a fist at someone or using threatening words).

Despite the perils, sexual strangulation—or “choking”, by its friendlier name—appears to be widespread. It refers to the obstruction or compression of airways and blood vessels in the neck by external pressure, usually a hand. Starving the brain of

oxygen is known to induce feelings of euphoria. A survey in Australia found that most first encountered such strangulation in online porn.

The IFAS survey probed the quality of “consent”. It found that only half of those who said they had experienced strangulation had always agreed to it beforehand; 17% said they had never agreed to it. For consent to be genuine, it must also be informed. Yet the dangers are not widely known. The oxygen deprivation from even modest pressure to the neck can lead to brain injury. Damage to blood vessels in the throat can cause clotting and, ultimately, a stroke—weeks or months later. A meta-study in 2020 suggested that strangulation may be the second-most common cause of stroke in British women under 40.

Data are, unsurprisingly, scarce. In 2019 a BBC survey of over 2,000 women aged 18-39 found that more than one-third had experienced unwanted strangling, slapping, gagging or spitting during sex. According to one study, women who are non-consensually strangled face a seven-fold increase in the odds of being murdered by their partner.

Victims now have better recourse to the law, at least on paper. A strangulation case typically takes about three years to get to court. Campaigners say their work has just begun. Although they raised the alarm about sexual strangulation several years ago, the IFAS survey is the first major British study on its prevalence. IFAS wants to conduct more detailed research and (like the recent “Breathless” campaign in Australia) raise awareness of the practice’s risks among those most likely to experience it. But that will take money. And despite the Labour government’s pledge to halve violence against women within a decade, cash can be in short supply. ■

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**Bagehot**

## How means conquered ends

*British politics has become a prisoner of process*

Apr 07, 2025 03:03 PM



“WE CAN’T AFFORD not to act,” said Wes Streeting, the health secretary. After six months in office the Labour government on January 3rd unveiled its scheme to sort out England’s social-care system. All parties agree the system is a disgrace. It jams the [ailing National Health Service](#), heaps pressure on close-to-bankrupt local councils and causes misery for the infirm and disabled. So act Mr Streeting did: he unveiled an independent commission on social care. Its final report is due in 2028.

British politics has become a prisoner of process, with social care simply the latest topic to be banged up. “Process is a worthy means to an end,” wrote Sir Tony Blair in “On Leadership”, a self-help book for people who think they should run G7 countries. “The trouble is its tendency to become the end.” The result is “a continuous loop of deliberation not decision”.

Commissions, consultations and inquiries designed to improve policy instead delay and distort it, allowing politicians to duck

difficult but necessary decisions, such as who pays for social care and how. In the 20th century arrogant and over-powerful governments trampled voters with the view that the ends justified the means. Now means trump the ends. Guardrails introduced to avoid the errors of the 20th century are instead enabling the errors of the 21st, in which stasis has led to decay.

Decisions that can be made are delayed. Consider the Lower Thames Crossing, a £9bn (\$11.1bn) tunnel to the east of London. In 2023 Sir Keir Starmer, who has styled himself as a builder, bemoaned its slow progress, pointing out that the tunnel had cost the best part of £800m before building had even begun. After several consultations, the project was due to receive a yea or nay from ministers in the autumn. Instead, the government delayed its decision, and launched another consultation. It is a controversial project: environmentalists hate it; local MPs love it. Someone will be angry, whether it is blocked or built. A belief in immaculate conception has been replaced by the immaculate consultation: the idea that something can happen without someone being screwed.

If the purpose of a system is what it does, then consultations, commissions and inquiries are there to ensure decisions are simply not made. After all, in Westminster, doing nothing is wise.

Sophisticated operatives quote “Yes, Minister”, a 45-year-old television satire about a minister and his wily civil servants. “He is suffering from politician’s logic,” says one mandarin of a minister keen on action. “Something must be done; this is something; therefore we must do it,” replies another. This is a world where sins of commission are everywhere and sins of omission do not exist.

When stasis is the norm, legislation at normal speed can seem irresponsibly quick. The most consequential moment of Labour’s tenure so far came when a bill on assisted dying whisked through its first stages in Parliament in November. Rather than representative democracy in action—MPs debated a topic, and sent it through to the next stage—some saw an abuse of process. A

Royal Commission would have been a better approach, they said. People who see assisted dying as little more than state-sanctioned murder would care little if the policy were first suggested by a panel of grandees with a soup of letters after their names. In such a moral case, the means hardly matter when the ends are so profound.

When the choice is between doing and discussing, British politicians instinctively opt for the latter. Consider the recent frenzy over “grooming gangs”—the abuse of thousands of girls by men of mainly Pakistani heritage in Rotherham and other towns from the late 1990s to the early 2010s. The facts are well-known; culprits were jailed; hundreds of pages of reports, detailing wretched abuse and the screw-ups that led to it, are available to read.

Rather than action to prevent a repeat, Conservative MPS and far-right outriders combined to demand a more comprehensive inquiry. Even extremists, whose policy prescriptions sometimes involve mass deportation or the death penalty, called for a grandee to re-examine what is already known. In response the government confirmed it would enact some of the recommendations of an inquiry into child abuse from 2022, which included basic measures such as a statutory duty for certain people working with children to report suspicion of abuse. That the Tories did not enact them while in office is telling. After all, the inquiry had done its job; the means to a better policy had instead become the end.

### ***The outcomes were terrible but the process was immaculate***

People worry, fairly, about the future of democratic politics in Britain. The stability of Parliament, where Labour enjoys an unassailable majority, stands in contrast to the chaos of public opinion, where both main parties are remarkably unpopular. Too often, the saviour is more process. Citizens’ assemblies, in which randomly selected people chew over knotty issues and present their conclusions to lawmakers, are beloved by wonks. At their heart is

the mistaken idea that people are unhappy with the manner of decisions, not their effect. Forget the ends, consider the means.

Offering another commission, consultation or an assembly becomes little more than an ineffective “accountability sink”, into which blame for a decision can be poured. The term was coined by Dan Davies in “The Unaccountability Machine”, one of the most useful books of 2024. In it, he defined accountability thus: “The extent to which you are able to change a decision is precisely the extent to which you can be accountable for it, and vice versa.” In other words, a shop assistant might be able to fob off an angry customer by blaming a system they have no power to change. Politicians have no such defence. After all, a government is almost always able to change something. It can hide behind process only for so long. Voters see through it, eventually. Means are no protection if voters are unhappy with the ends. ■

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<https://www.economist.com/britain/2025/01/08/how-means-conquered-ends>

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# International

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The Kevlar ceiling :: Trump's Pentagon pick wants women off the battlefield

- **[Donald Trump has a strong foreign-policy hand, but could blow it](#)**

The Telegram :: Bullying foreigners can be sadly effective, but also a dangerous distraction

**The Kevlar ceiling**

## Women warriors and the war on woke

*Trump's Pentagon pick wants women off the battlefield*

Apr 07, 2025 03:03 PM



ON JANUARY 14TH [Pete Hegseth](#), Donald Trump's nominee for secretary of defence, will be grilled by senators on his suitability for the job. He will be quizzed on [allegations of sexual assault and excessive drinking](#). He is also certain to face questions about women and war. "We should not have women in combat roles," he said in a recent podcast. He acknowledged that women had served "amazingly" in America's armed forces and that female fighter pilots were welcome, but argued that women were simply not strong enough to serve in infantry, armour and artillery units. Since admitting women, "the standards have lowered," he said.

Mr Hegseth's intervention comes after a decade of integration in America. Some armed forces lifted restrictions on women years before: Sweden's and Canada's in 1989, Finland's in the 1990s. In others the change is more recent. America gradually eased its rules in the 1990s and 2000s, but its biggest step came in 2015 when Barack Obama's administration opened all combat positions to women (see chart 1). Britain made the same move a year later,

declaring that women could serve on the front lines, beginning in the armoured units and expanding to the infantry by 2018. That experience has thrown up a number of lessons.



Mr Hegseth complains that sex differences in “bone density and lung capacity and muscle strength” preclude women from combat. This has two aspects. One is the heightened risk of injury during training. A study by the British Army found that the rate of musculoskeletal injuries in initial training was twice as high in women as men. Female trainees were three times more likely to suffer a stress fracture—and ten times more likely to suffer one at the hip—than men.

The second aspect is the physical ability to perform the tasks involved in combat. Some of the most detailed evidence of this has come from a study by the US Marine Corps, in which mixed units, each including one or two women, were pitted against all-male ones in a battery of realistic tests—marksmanship, loading artillery shells and the like. In 93 out of 134 tasks, the all-male units performed better. Only in two did the mixed units come top. The time it took to evacuate casualties was higher in mixed units (see chart 2). The study was controversial. Ray Mabus, then secretary of the navy, criticised its design and overruled its conclusions, demanding that the marines integrate regardless.

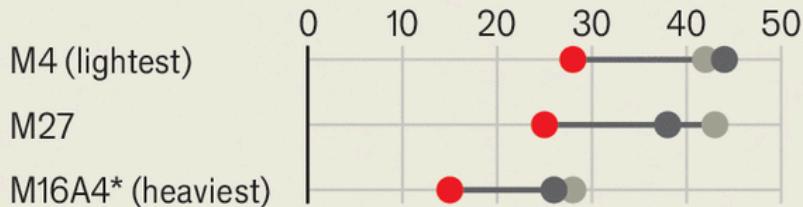
## Trials of strength

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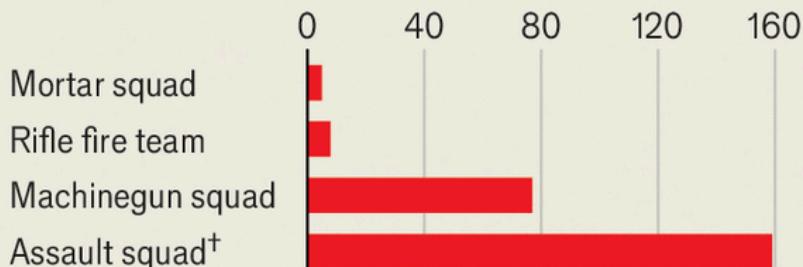
### United States, performance of mixed-sex Marine Corps units, 2015

#### Shot accuracy by rifle type, %

- Females in integrated units
- All-male units
- Males in integrated units



#### Casualty-evacuation times for mixed-sex units compared with all-male, % increase



\*Equipped with M203 grenade launcher

<sup>†</sup>All-female squads compared with all-male

Source: Marine Corps Operational Test and Evaluation Activity

Some argue that technology has made physical strength less important to soldiering. That may be true of some roles, such as for pilots. But, in practice, strength still matters. Anthony King, professor of war studies at Exeter University, who recently wrote an internal report for the British Army on its culture, including the role of women, points out that the average infantryman in the second world war carried around 20kg of equipment in battle compared with 36kg carried in Helmand province in Afghanistan, with loads routinely hitting 45kg. Even among men, he notes, only

30% of recruits meet the requirements for serving in combat arms and even fewer actively want to serve in the infantry.

In Canada women make up almost 17% of the total force, but just 4% of the infantry. In 2023 in Britain only ten female recruits started infantry and armour basic training. Just 85 women have joined those two branches since 2019. Even in the Israel Defence Forces, which are widely held up as an example of successful integration, female soldiers serve overwhelmingly in support units. Some armed forces have targets, such as Britain's wish for 30% of new recruits to be women by 2030. However, Mr King is sceptical that this will mean many more women serving in the infantry: "In combat arms and infantry there is no historical or contemporary evidence for the notion you could even get close to 10%."

Mr Hegseth and those who share his views do not just argue that women are unsuited to combat. They also believe that the presence of women undermines cohesion. There is much less evidence supporting this view. The conscript forces of the 20th century often relied on male bonding (and racial solidarity) to gel their unskilled troops, says Mr King, but in modern professional armies, good training is an effective substitute. A study commissioned by Britain's defence ministry found that men did not rate cohesion as being weaker when women were present. Women themselves experienced lower cohesion than men. But the study was not clear on whether that was because they were women, or because women tended to serve for less time, knew other team members less well and were likely to be more junior.

Mr King says that, in his experience, there are occasions when standards may have been relaxed to accommodate female recruits. What is more common is that women are judged by a double standard. "A successful woman will be given the status of an honorary man and treated as a good bloke," says Mr King. "But the minute she makes a mistake, the mistake gets gendered." That is compounded by other factors, including sexual abuse.

Still, the climate for women is improving in some ways. In the US Army, unwanted sexual contact affected 6.8% of women in 2023, down from 8.4% in 2021. In Britain 2% of rape cases and 6% of broader sexual offending cases resulted in conviction in the civilian justice system, compared with 8% and 23% respectively in the military system. Culture is also changing more broadly. “Ten years ago you would never get senior people talking about menstruation, bras or anything like that with anything other than a sense of profound embarrassment,” says Andrew Murrison, a former British junior defence minister. “These days, it is common parlance.”

The experience of integrating women into combat roles has been “overwhelmingly positive”, says Mr Murrison. Opponents like Mr Hegseth are vocal, but they are in a minority. Even in 2013, two-thirds of Americans supported integration, which has expanded the potential pool of recruits at a time when armed forces in America and Europe are struggling to fill their ranks.

Many of the challenges of integrating women have nothing to do with combat or culture wars, points out Katherine Kuzminski of the Centre for a New American Security (CNAS), a think-tank. Some of these are purely practical. “I used to have one set of barracks,” commanders might ask, she says, “but what do I do if I now have two women and 100 men? Do I need to build an entirely separate barracks?”



Earning their jump wings

Others are about providing a level playing field. Men have often had access to training programmes that give them a better shot when they join the armed forces, says Ms Kuzminski. Yet that can be addressed by relatively simple interventions. The Marine Corps found that a 12-week training programme led to a 30% increase in the number of women who could perform the requisite number of pull-ups.

In the past, women's body armour tended to be scaled-down versions of male armour. Yet this puts disproportionate pressure on women's hips. A study by the US Army's special-operations command in 2021 found that 44% of women had experienced problems with the fit of equipment and pointed out the absence of devices to allow female aviators and flight crew to urinate. "Gender bias is deeply embedded into staff processes and equipping, at all echelons," it concluded.

In many ways, these are old issues. The first female American paratroopers graduated from the army's airborne school more than 50 years ago, in 1973. Two decades later America lifted its "risk rule", which decreed that women could not be assigned even to non-combat support positions—say, as an intelligence officer—if they would be at the same risk of becoming involved in combat as a front-line unit. Thousands of women received the combat action medal in Afghanistan and Iraq, where there was often little distinction between a rear area and a combat zone. That distinction has been further blurred by the growing range, precision and proliferation of drones and missiles. As much as Mr Hegseth may hanker after a more sexist past, he cannot turn back time itself. ■

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<https://www.economist.com/international/2025/01/06/women-warriors-and-the-war-on-woke>

The Telegram

## Donald Trump has a strong foreign-policy hand, but could blow it

*Bullying foreigners can be sadly effective, but also a dangerous distraction*

Apr 07, 2025 03:03 PM



FOR THE SPIES, diplomats and military types tasked with keeping America safe and prosperous, Donald Trump's bullying long ago lost its power to shock. Indeed, the national-security establishment—including officials who currently serve President Joe Biden—concedes that Mr Trump's brand of statecraft, involving America First bombast, cruel jokes and offers that can't be refused, is at times effective. Mr Trump's ability to generate leverage leads to a different lament. Shrewd professionals worry that the 47th president has a potentially strong hand, but might blow it.

Mr Trump's foreign-policy pronouncements on January 7th at his Florida residence, Mar-a-Lago, were a case in point. At moments he mangled facts like a rich uncle at Thanksgiving dinner, falsely claiming that China controls the Panama Canal and hinting that America might have to "do something" about that. Yet he also showed off a salesman's knack for spotting unhappy punters

possibly open to a new deal. In this case some of Greenland's 56,000 people chafe under semi-colonial rule from Denmark. Mr Trump's demand that Denmark sell the resource-rich island to America or face "very high" tariffs might be a show for supporters or a ploy to soften up allies. But it touches on a real dissatisfaction.

To be clear, Mr Trump's land-grabbing bluster is a propaganda win for aggressors such as Russia's president, Vladimir Putin. But Mr Trump did actual harm by saying that he can "understand" why Russia feels threatened by potential NATO membership for Ukraine —endorsing a key Kremlin argument ahead of peace talks that he said could end the Ukraine war in six months.

Mr Trump's ability to amass and squander leverage is at the heart of messages that the Biden administration hopes to pass to its successor. This will be a struggle, for serving and former officials concede that Mr Trump and his team view Mr Biden's foreign-policy record with scorn. For all that, some messages may get through. Mr Trump's chosen national security adviser, [Mike Waltz](#), has been talking intensively to the incumbent, Jake Sullivan. Mr Trump and top aides are consuming top-secret intelligence from America's spy agencies.

Transitions between political parties can be productive as well as fraught, argues Rick Waters, who in nearly three decades as a career diplomat served on the National Security Council of President George W. Bush, and from 2021 to 2023 co-ordinated China policy at the State Department. When one party stays in office, it can be hard to question settled policies. Newcomers have an interest in learning about looming crises, secret negotiations and other "things that are not obvious outside government".

Grown-ups in the Biden team and Trump-world agree on more than some might expect. They concur that Mr Trump's impatience with Ukraine gives him power over President Volodymyr Zelensky. It may even give Mr Zelensky a political excuse to enter negotiations

that involve the loss of some territory—an endgame that Mr Biden's team, like Mr Trump's, considers inevitable. The message from the outgoing Biden team involves the need for corresponding leverage over Mr Putin. In their telling, for the fighting to end soon Mr Trump must be willing to let the war run, otherwise Mr Putin will think he can wait America out. Knowing that this advice is unwelcome, some in Biden-world draw analogies with America's chaotic departure from Afghanistan, and ask whether Mr Trump wants to preside over comparable failure in Ukraine.

On the Middle East, the Biden team agrees with Trump aides that Iran is weaker than in decades. The devastation by Israel of its proxies, Hizbullah and Hamas, and the collapse of the Assad regime in Syria, offer a huge strategic opportunity. That may help Mr Trump with his goal of normalising relations between Israel and Arab states, including the great prize, Saudi Arabia. The Biden team has risks to flag, too. Islamists could end up controlling Syria. Should Mr Trump push regime change in Iran, that overreach will undermine American leverage regionally. Iranian vulnerability could lead the regime to sprint for nuclear weapons.

Mr Trump has generated leverage over China. Chinese leaders are braced for pressure over their industrial policies, trade practices and the modernisation of the People's Liberation Army. Global markets have priced in some disruption. All this gives Mr Trump negotiating clout. The question is how to use it. Trump aides will hear that Chinese leaders are resigned to attempts to rebalance the US-China trade relationship, but will respond fiercely if the Communist Party's legitimacy is questioned. Meanwhile, China's levers of retaliation should be taken seriously, as should its rampant hacking and spying on American infrastructure.

### ***Away from the TV lights***

Whether they listen or not, Trump aides will hear how Team Biden views the axis of adversaries formed by China, Iran, North Korea

and Russia. Co-operation between the four is real and dangerous, they will hear, but China is also an outlier. China has a stake in a stable international order. The other three have little to lose. The advice is for America to impose costs on China, without binding it more tightly to the axis. Space warfare offers an example. Some time ago, America spotted that Russia might deploy a satellite-killing nuclear device in space. Mr Biden's team urged China to warn Russia against such a terrible idea.

Finally, national security involves a lot of hard, thankless work. Biden aides have warned their successors that two differently failing states, Haiti and Venezuela, may soon generate flows of migrants to America. They have messages to share about AI governance and AI diffusion, meaning the tricky business of deciding which technologies to sell to which countries. These are dull problems that cannot be bullied away, but may shape the coming world. Wish the grown-ups luck. ■

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<https://www.economist.com/international/2025/01/07/donald-trump-has-a-strong-foreign-policy-hand-but-could-blow-it>

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# Special report

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Like the jaws of the crocodile...

## The economic gap between Africa and the rest of the world is growing

*Business as usual will not narrow it, says John McDermott*

Apr 07, 2025 03:02 PM



IN MANY WAYS, there has never been a better time to be born African. Since 1960, average life expectancy has risen by more than half, from 41 years to 64. The share of children dying before their fifth birthday has fallen by three-quarters. The proportion of young Africans attending university has risen nine-fold since 1970. African culture is being recognised worldwide; in the 2020s African authors have won the Booker prize, the Prix Goncourt and the Nobel prize for literature. This year the G20 will hold its first summit on the continent, in South Africa. All of this progress augurs well for the world's youngest and liveliest continent.

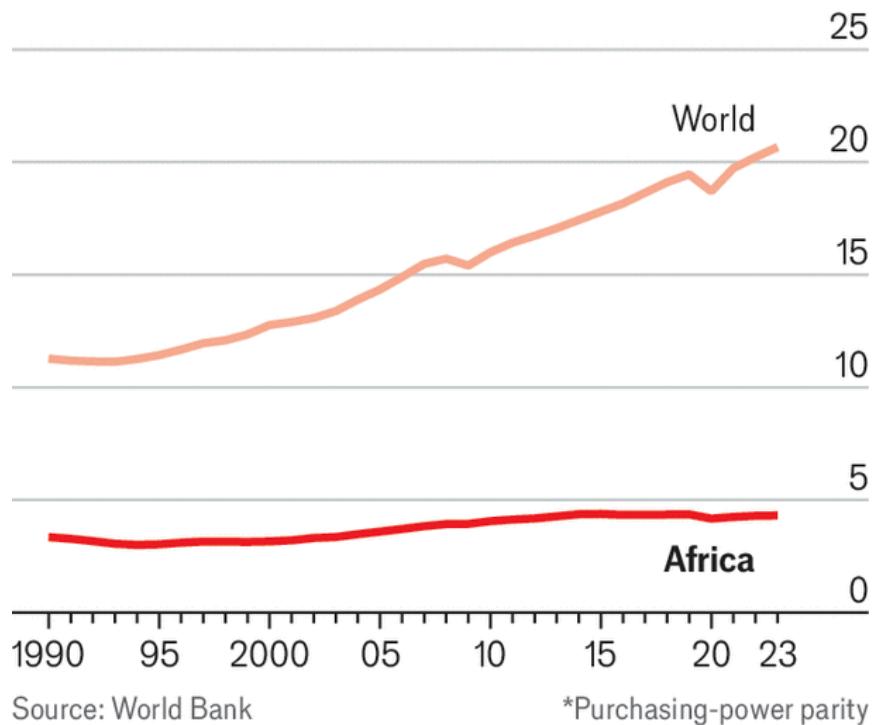
And not since prehistory has there been a time when people were more likely to be born African. The total population of its 54 countries has doubled in 30 years, to 1.5bn. The UN predicts it will double again by 2070. Most of the population growth expected over the rest of the 21st century is expected to take place in Africa. These new generations are already leaving their mark. Political

parties that trace their roots to the independence struggles of the 20th century are losing support from a generation of better educated and digitally connected Africans. In the past decade nearly 30 incumbents have lost general elections.

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## Crooked

GDP per person at PPP\*, \$'000, 2021 prices



Demography, urbanisation, politics and consumer technologies mean the continent is undergoing profound social change. But that change is not being supported by economic transformation. Instead, African economies are falling ever further behind the rest of the world. In 1960 GDP per person in Africa, adjusted for the different costs of goods in different places (so-called purchasing-power parity, or PPP), was about half of the average in the rest of the world. Today it is about a quarter. Then the region was roughly on a par with East Asia. Today East Asians have average incomes seven times higher than those in sub-Saharan Africa. When plotted (see chart) the steadily growing gap looks “like the jaws of a yawning crocodile”, says Jakkie Cilliers of the Institute for Security Studies,

a South African think-tank. One line rises up, the other stays almost flat.

In terms of the great issues of the 21st century, the fact that Africans are becoming relatively poorer even as they are powering the world's population growth ranks up there with climate change and the risk of nuclear war. On current trends Africans will make up over 80% of the world's poor by 2030, up from 14% in 1990.

### ***Real changes, lost chances***

Though the continent seemed to have made a promising start to the 21st century—this newspaper went from lamenting the Hopeless Continent on its cover in 2000 to celebrating Africa Rising in 2011—the growth spurt was short-lived and comparatively weak. Even in the heady days of 2000-14, when real GDP per person rose by 2.4% per year, other developing regions were growing more than twice as fast and creating more jobs. Since then, despite some stellar performers, income per person has stayed flat. The World Bank talks of “a decade of futility in economic performance” in sub-Saharan Africa.

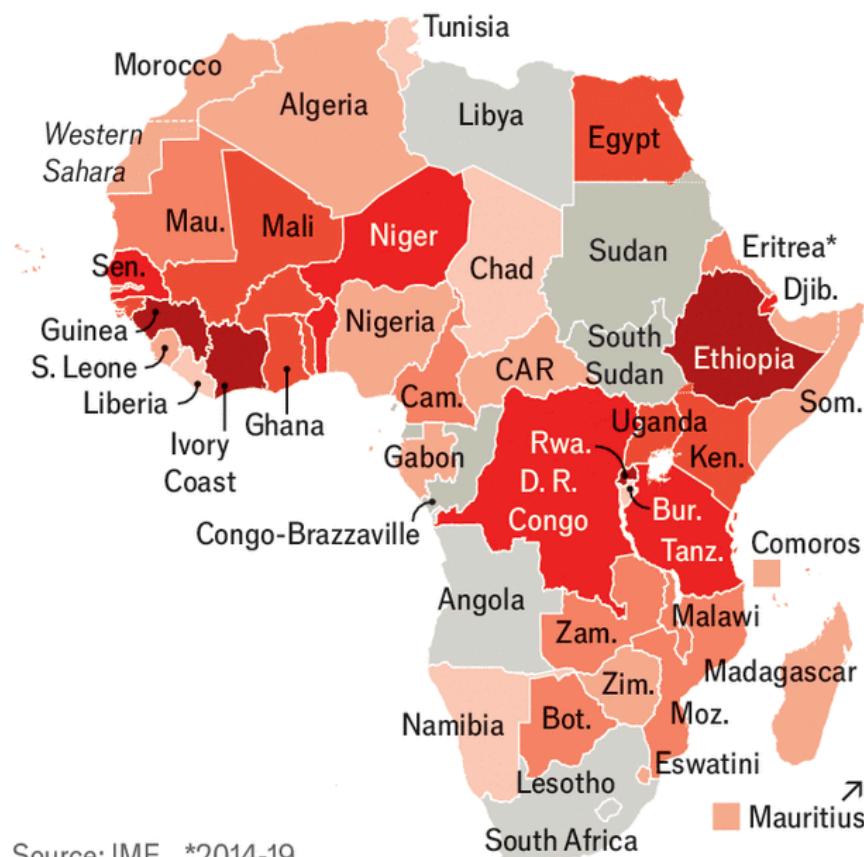
This feeds a growing concern that Africa may have missed its moment. In the 2000s African economies were buoyed by Chinese demand for commodities and by the rise of globalisation. Widespread debt forgiveness, finalised in the mid-2000s, meant that African governments could spend more on schools and infrastructure and take on new loans more easily.

It is wrong to say that the opportunities afforded the continent at that time were all wasted. Abebe Selassie, the head of the IMF's African department, likes to remind those stressing about the latest crises in Africa that, although these may be tough times, the continent is in much better shape than when he was a young Ethiopian technocrat in the early 1990s. “If anybody had said to me then that Accra, Kampala and Addis would, 30 years on, look

anything like what they do today, I would have thought they were under the influence of more than just a cup of strong Ethiopian coffee,” he said in a speech in July.

## Starting from a low base

GDP per person, average annual % change, 2014-23



And the region can boast some enduring success stories. Over the past 60 years Botswana, Mauritius and the Seychelles have grown at a clip, roughly keeping pace with the rise in GDP per person elsewhere in the world. More recently countries such as Ivory Coast, Ethiopia and Rwanda have chalked up impressive growth. But they have been exceptions rather than the rule. And the largest economies—Egypt, Nigeria and South Africa—have been especially sluggish. Even before the twin shocks of covid-19 and

war in Ukraine, some were asking, in the words of the title of a paper co-authored in 2019 by Indermit Gill, now chief economist of the World Bank: “Has Africa missed the bus?”

In most of Africa most people are poor and productivity growth remains sluggish. As long as that continues the continent’s youthful population will not be able to become the force for change that it ought to be. “We have to create jobs for our young people,” says Mavis Owusu-Gyamfi, president of the African Centre for Economic Transformation, a pan-African policy institute. “They can’t keep being labelled an ‘opportunity’ that is never realised.” Sir Mo Ibrahim, a Sudanese-British businessman, adds: “Unmet expectations, especially for the young people, fuel frustration and anger, the best triggers for unrest and conflicts.”

Growing economies with lots of opportunities are not only good for civic calm; they are also vital to withstanding climate change. The UN Economic Commission for Africa says that 17 of the 20 countries most vulnerable to climate change are in Africa. In 2024 droughts and floods associated with the El Niño phase of the El Niño-Southern Oscillation, a flip-flopping tropical-weather phenomenon, showed how vulnerable farmers’ livelihoods are to climate extremes. Floods displaced 4m people and closed thousands of schools. The World Meteorological Organisation, a UN agency, has estimated that African countries divert up to 9% of their budgets to deal with such shocks. If the global temperature rises more than 2°C above what it was in the 19th century African crop revenues could fall by 30%, according to a recent paper by Philip Kofi Adom for the Centre for Global Development, a think-tank based in Washington, DC.

But the foundations such growth would need are in disrepair. The IMF says that about half the countries in Africa are experiencing “high macroeconomic imbalances”, by which it means one or more of the following: inflation at 50% or higher; a wide fiscal deficit; debt-service costs of 20% or more of government revenue; and

foreign currency reserves that can cover just three months of imports.

Finance is increasingly hard to come by. Borrowing in dollars on capital markets is more expensive than in the 2010s. Foreign direct investment flows have fallen by about a third since 2021. In 2023 Chinese lending to Africa was \$4.6bn, a rebound from paltry amounts at the start of the decade, but still below what was seen in every year of the 2010s. The share of Western aid flowing to Africa is declining.

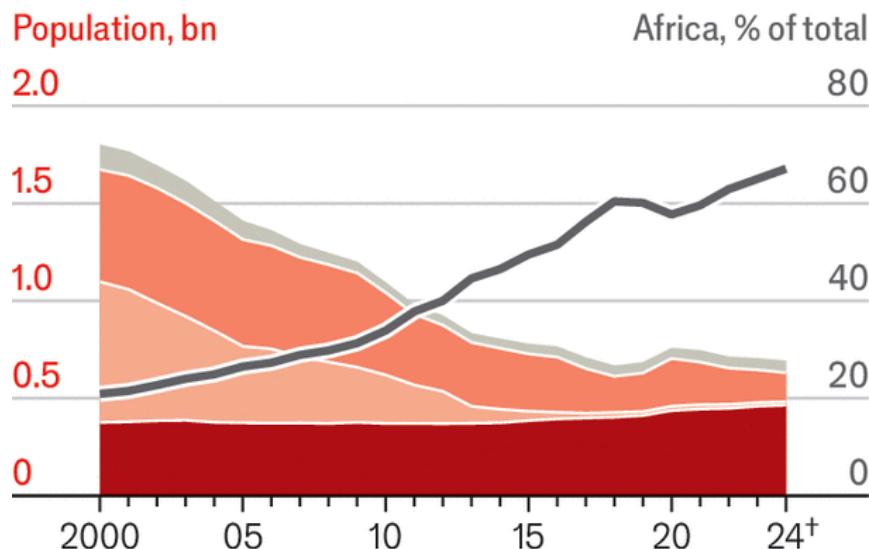
There are other reasons to worry. Geopolitical tensions are at a post-cold-war high, and the IMF says sub-Saharan Africa is the region that would be hit hardest if the world split into separate trading blocs. Some policymakers also fret that the rise of automation will make it harder to attract the sort of labour-intensive manufacturing that powered Asia's rise.

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### Not moving with the crowd

#### Population in extreme poverty\*

■ Africa ■ East Asia and the Pacific ■ South Asia ■ Other



Source: World Bank

\*Living on less than \$2.15 a day at 2017  
purchasing-power parity    †Estimate

This special report will argue that, under a business-as-usual scenario, the Africa gap will not be closed. The continent's countries need much greater levels of investment from Africans and foreigners alike. Most need larger, more dynamic private sectors, more productive farms and more effective governance. They need better provision of public goods and less graft. Only then can they expect the sort of productivity gains and economic transformation seen elsewhere in the emerging world.

For this to happen, those in power need to want it to happen. At present, this is all too often not the case. African elites are often frustratingly complacent about the future of the continent. There are exceptions, but for the most part this generation of political leadership is deeply uninspiring. African business leaders, for their part, are hobbled by political interference and thus incentivised to be damagingly short-termist. This can lead to mutual enrichment and a satisfaction with the status quo. But business- and politics-as-usual are failing today's ordinary Africans—and blighting the prospects of those to come. ■

## More from this Special Report

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<https://www.economist.com/special-report/2025/01/06/the-economic-gap-between-africa-and-the-rest-of-the-world-is-growing>

An urbanisation unlike any other

## Africa is undergoing social change without economic transformation

*Neither farms nor workers are getting more productive*

Apr 07, 2025 03:03 PM



Hit the road, Jack

IT IS HARD to decide which looks more forlorn, Webster Malupande or the wilted maize stalks around him. A smallholder in southern Zambia, Mr Malupande is one of many farmers devastated by a recent drought that halved production, leading the government to declare a state of emergency. Even before then he struggled to get more yield from his fields. “We do what we can,” he says, “but it is never enough.”

The next day Hakainde Hichilema is standing in another field, tipping his cowboy hat to the crowd. Zambia’s president—who has an MBA and a cattle farm—is inspecting crops grown from drought-resistant seeds. “Climate change is here to stay...We don’t need to debate that any more,” he says. Using new technology can prevent shocks in future, he continues. More productive farms mean more food and higher rural incomes, which in turn will boost industry. “This is a Godsend,” the president says of the new seeds.

Mr Hichilema wants Zambia, whose GDP per person of \$1,226 is below the average for sub-Saharan Africa, to be a “prosperous middle-income country” by 2030. He has talked of the need for “structural transformation”. That means people swapping farming and rural life for urban, industrial jobs. He wants Zambia—and Africa as a whole—to go through the sort of green revolution seen in Asia and Latin America last century.

It is not the only revolution Africa has done without. Robert Osei, an economist, has written that Ghana developed “without a green revolution, an industrial revolution, or a service revolution of the types seen ...in Asia”; the observation applies beyond his homeland. In 2024 the African Centre for Economic Transformation (ACET), a Ghana-based think-tank, likened African economies to “early transformers” in Asia and Latin America. Its “African Transformation Index”, which scores countries based on their adoption of technology, labour productivity and diversity of exports, was sobering. “Most African countries are not transforming their economies at a consistent or steady rate,” noted K.Y. Amoako, ACET’s founder.

### ***Superstructuralism***

Underpinning much of this is a lack of productivity growth. If the Africa gap is defined in terms of GDP per person, then closing it could happen via two channels. The first is by having a rising share of workers relative to non-workers. In many African countries that ratio will become more favourable over the 21st century as women have fewer children. But a large “demographic dividend”—like that seen in late-20th-century Asia, where fertility plummeted much faster—is unlikely.

The second channel—increasing how productive each worker is—remains the crucial one. Research by the World Bank has found that growth in total-factor productivity (TFP)—how efficiently labour and capital are combined, and a proxy for the use of

technology in production—has been “negligible” on the continent for the past 60 years. This suggests that African economies have grown from increases in labour, capital and natural resources, but not from technology.

It is not that African countries are standing still. Far from it. But social change is happening without economic change alongside. Understanding what is happening is crucial to closing the Africa gap.

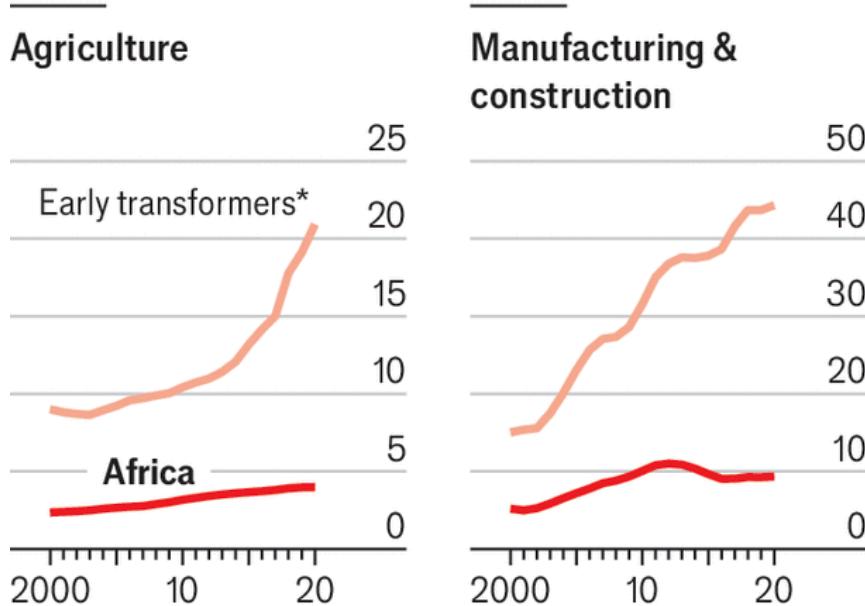
In 1960, 15% of sub-Saharan Africa’s population lived in cities. Now 43% of people are classed by the UN as urban. The region is urbanising faster than any other. The Economist Intelligence Unit (EIU), our sister organisation, reckons that more than half of Africans will live in cities by 2035. Africa will have six cities of over 10m and a further 17 of over 5m.

On the face of it this is a repeat of the global shifts from rural to city life. But African urbanisation is happening in countries poorer than has been the norm elsewhere. And elsewhere more productive farms encouraged urban migration, with less need for farmhands to till fields. Again Africa is different. Its urbanisation looks more like an alternative to rural development than a consequence of it.

## Transformation needed

Value added per worker, \$'000

Three-year moving average



\*Brazil, Chile, Indonesia, Malaysia, Singapore,

South Korea, Thailand, and Vietnam

Source: African Centre for Economic Transformation

Today a little more than half of workers in sub-Saharan Africa still labour on farms, about the share in western Europe two centuries ago. They typically work unproductive plots of less than two hectares (five acres) using methods more suited to the 19th century. The “value-added” per worker in sub-Saharan Africa, a measure of productivity, is less than half the global average, and less than one-fiftieth of the places with the most productive farms. Africa’s cereal yields, another measure of productivity, are less than half the average in the rest of the world. And though production has increased since 1980, this has largely been because Africans are farming more land, not farming it more productively. Between 1980 and 2018 South Asia more than doubled cereal yields without using any more land. In sub-Saharan Africa yields tripled, but the land used more than doubled.

Though there are hi-tech commercial farms in parts of Africa, most small farms are low-to-no tech. Fertiliser use is a tenth of that in Asia. Only 3.5% of agricultural land in sub-Saharan Africa is irrigated. A lack of cold storage means that much food is wasted; in Nigeria 45% of produce rots. Christopher Udry, an economist based at Northwestern University in Illinois, notes how, in America's Midwest, farmers just 80km apart may use different seed varieties. But in Africa, "We don't have seeds optimised for every 50 miles, we have seeds optimised for the continent."

African policymakers and donors have tried to encourage smallholders to adopt better technology. But it has proved difficult. In a review of the evidence on technological adoption published in 2024, Mr Udry and Tavneet Suri of MIT found that "there is no single binding constraint". Mr Malupande, the Zambian farmer, has barely any savings to invest, no access to finance and little option but to buy the generic seeds on offer from state-subsidised schemes.

Small surprise that some farmers, or at least their children, are upping sticks. In a lecture in 2024 Mr Udry showed that, in a sample of 200,000 plots in six African countries, yields fell by 4-5% per year between 2008 and 2018. After mulling many explanations—such as changing weather, land degradation, nearby conflict—he concluded that it was because the farms were being worked less. Farmers, and their children, are opting to try their luck elsewhere. Yields declined most in farms closest to cities, suggesting that there is a flow of erstwhile farmhands from the fields to the hustle on the margins of the urban economy.

The share of Africans working in the service economy has risen from 26% to 37% over the past three decades, more or less mirroring the decline of the share in agriculture from 64% to 52%. However, these jobs are not in corporate back offices. They are casual work in shops, markets and building sites. McKinsey, a

consultancy, notes that service-sector productivity in Africa is less than half that in Latin America, and lower than in India.

### **Trouble at mill**

So far manufacturing has not offered the plethora of jobs seen in other parts of the world. Only 11.5% of sub-Saharan African workers are employed in industry, marginally higher than the 9.9% share in 1991. Why manufacturing has struggled to take off is hotly debated. Africa has for centuries had lots of land and a scarcity of labour, the opposite of Asia. At independence economies were geared to resource extraction. And perhaps because unproductive farms mean more expensive food, it seems to cost more to employ Africans than it does to employ Asians. Research by the Centre for Global Development (CGD), a think-tank based in Washington, has found that in Africa labour costs were on average roughly twice as much as a country's GDP per person, whereas in Bangladesh, for instance, they were roughly the same.

In 2021 Xinshen Diao and co-authors at the Washington-based International Food Policy Research Institute analysed what they call "Africa's manufacturing puzzle". Using data from factories in Ethiopia and Tanzania, they find a dichotomy: highly productive plants use lots of hi-tech equipment but few workers, and many less productive plants use lots of people and little kit. This is not what happened in Vietnam and Taiwan, they note, where labour was absorbed into productive factories—creating a flywheel that helped boost GDP per person over many years.

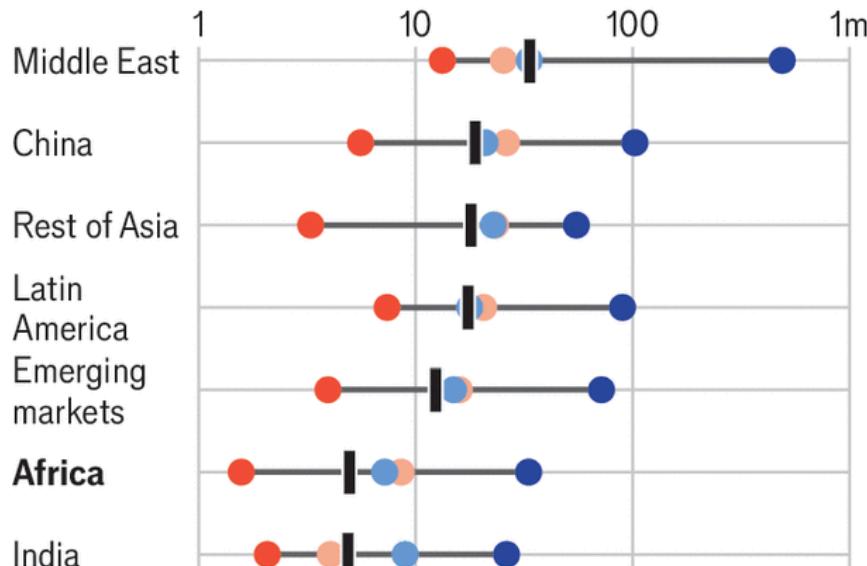
The authors suggest that this is primarily because, to be globally competitive and plug into international supply chains, factories need to adhere to high technological standards. "The choice that African manufacturers seem to face is either to increase productivity or to increase employment."

The implication is that Africa was late to the party; cheap labour may not be the advantage it once was. “The escalator is slowing, although it will not stop altogether,” says Alan Gelb of CGD.

## Underperforming

Real productivity, output per worker,  
2019, \$'000, log scale

● Agriculture   ● Industry   ● Services   ● Extraction  
■ Total economy



Source: McKinsey

For some, manufacturing is special because it has historically employed lots of people globally and had positive spillover effects. In an article about Mauritius, which successfully transitioned from a poor, sugar-dependent economy in the 1960s to one based on textile manufacturing, Joe Studwell, author of “How Asia Works”, writes, “The lesson about the special role of manufacturing in developing countries ought to be clear to every African state. And yet the continent has almost no other examples of governments developing and deploying coherent manufacturing strategies.”

It may be the case that Africa’s development will look more like South Asia’s than East Asia’s. A paper by Tianyu Fan of Yale

University and co-authors, entitled “Growing like India”, noted that Indian development has come in part from improving productivity in non-traded service sectors, such as retail, hospitality and property, rather than export-oriented manufacturing. This suggests that Africa could follow the same path, given its large services sector. The authors imply, however, that the cost could be high levels of inequality and joblessness, as seen in India.

### **A different route**

“The general process of African transformation—which seems to be bypassing an industrialisation stage—is probably not just a temporary phenomenon,” argues Douglas Gollin of Tufts University. “What’s much less clear to me is that this alternative path is suboptimal.” He believes that development economists can be too focused on what is happening in parts of the economy, such as farms or factories, and not enough on general market frictions that hinder productivity. He would like more attention on removing barriers to trade, specialisation and the allocation of capital wherever it is most productive.

The fact that Africa is following an idiosyncratic path does not mean it is headed for a dead end. But whatever route it is on, it needs more productive firms. Even if the continent is not having a green or an industrial revolution, it will still need a commercial one. ■

### **More from this Special Report**

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<https://www.economist.com/special-report/2025/01/06/africa-is-undergoing-social-change-without-economic-transformation>

**Size matters**

## Africa has too many businesses, too little business

*Being your own boss is not the best strategy*

Apr 07, 2025 03:03 PM



Stack 'em high

AFRICAN POLICYMAKERS love to champion their continent's entrepreneurs. For Paul Kagame, Rwanda's president, small and medium enterprises are the "backbone of Africa's economy". "We must support the youth to go beyond looking for jobs," says Akinwumi Adesina, the head of the African Development Bank (AfDB).

Such bigwigs like to point to data that seem to show how unusually entrepreneurial Africa is. The African Youth Survey, a regular poll, suggests that 71% of young Africans plan to start a business. Male leaders also like to congratulate themselves on how more than a quarter of adult women have started, or are starting, a business—the highest share of any continent, according to data cited by the AfDB.

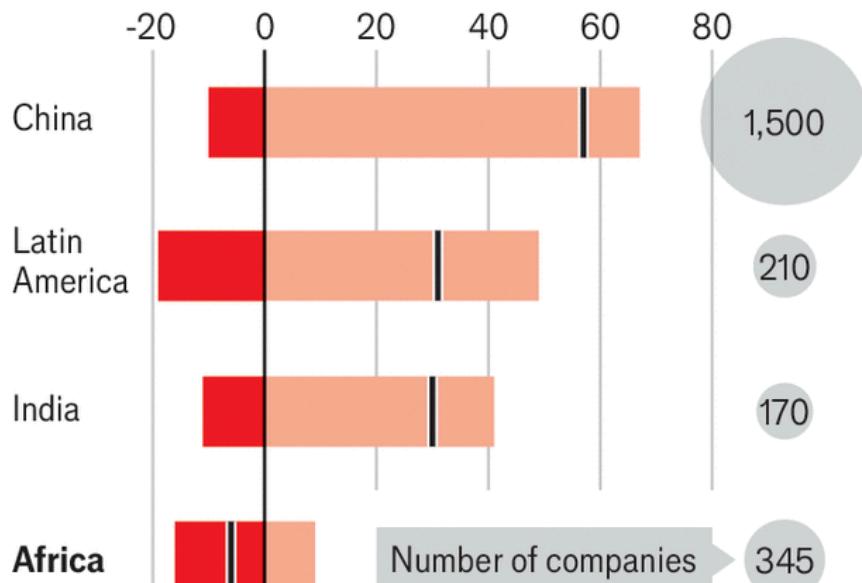
Yet much of this praise amounts to misplaced virtue-signalling. Though there are African entrepreneurs founding innovative startups in everything from fintech to commercial agriculture,

running a business is often the result of desperation, not choice. To close the gap with the rest of the world, Africa does not need more small businesses. It needs more large ones. Large firms are productivity powerhouses. They bring people, ideas, technology and equipment together in ways that make workers more efficient, which makes people richer.

### Not taking over the world

Change in \$1bn+ companies, 2015-21, %

■ Dropout ■ New ■ Net change



Source: McKinsey

McKinsey estimates that there are 345 firms in Africa with revenues over \$1bn (China has about 1,500). Yet the consultancy noted in a report in 2018 that, excluding South Africa, Africa has only around 60% of the large firms one would expect, given the overall size of the countries' economies. Those large firms are also not as large as the ones found in other emerging regions. Taken together, adds McKinsey, the total revenue pool of African firms (excluding South Africa) is "about a third of what it could be". Africa is the only inhabited continent without any of the world's 500 biggest firms, as compiled by *Fortune*, a magazine.

Other research suggests that African firms employ fewer people than businesses do elsewhere. A paper by Leonardo Iacovone, Vijaya Ramachandran and Martin Schmidt, three economists, albeit from a decade ago, estimated that African firms employ between a fifth and a quarter less people than firms of the same age in other countries, even after controlling for the size of the market where they operate. Karthik Tadepalli of the University of California, Berkeley, says that, in America, firms “either grow or die”. Those that are still around ten years after their founding typically employ three times as many people as when they started. Unfortunately, in many developing countries, including African ones, firms grow very slowly, often barely adding workers over time.

Instead of many large firms with salaried staff, Africa has lots of micro-enterprises and informal workers. More than 80% of employment in Africa is informal, according to the International Labour Organisation. Roughly half of informal workers in cities are self-employed, doing everything from crafting Instagram advertising to fixing roofs. Many Africans mix formal work with informal hustles, which are often poorly paid. Most would love a steady job. Mr Tadepalli suggests that many of the “self-employed” may just be the unemployed “in disguise”.

Informal work is common in all poor countries. Data from the 2010s suggest that African cities had similar shares of informality to Indian cities. But Africa seems different in two ways: it has a relatively high share of informal self-employment, and the likelihood of a young person entering informal work does not seem to be diminishing.

In 2022 Oriana Bandiera of the LSE and co-authors compared the sorts of work done by 18- to 24-year-olds in various parts of the world. Young Africans, they found, are more likely to do unpaid work and not to have an employer than their peers in other developing countries. They also found that young Africans are not any more likely to hold a salaried job than older Africans. “The

jobs of many young people in Africa do not differ from [those] of their parents' generation."

### ***Small is unproductive***

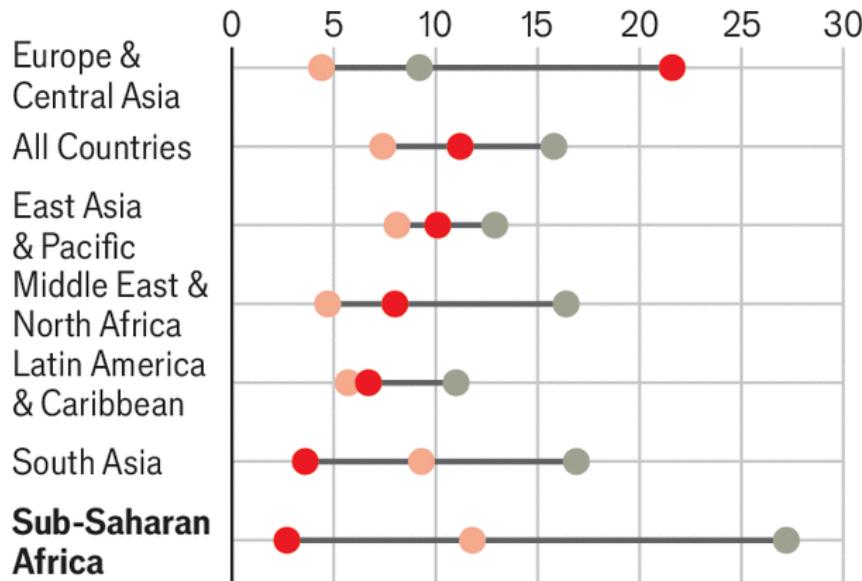
Part of the problem is poor education. Mass literacy has been a precursor to take-off growth in many parts of the world. Reading helps people follow instructions in a factory or a call centre. Yet while primary-school enrolment has risen in sub-Saharan Africa in the past 25 years, some 60% of 15- to 17-year-olds are not in school. Literacy rates for 15- to 24-year-olds are around 75% across the region. The average for other developing regions is 90%.

But the problem is bigger than that: there are simply not enough jobs for young people. There is a risk of a "vicious cycle", argues Ms Bandiera, "where most people run subsistence enterprises because there are no salaried jobs and there are no salaried jobs because most enterprises operate at subsistence levels." As Paul Collier of Oxford University says, "Small isn't stunning. It's unproductive."

## Struggling with the basics

Main obstacles for businesses, % responding

- Inadequately educated workforce
- Electricity      ● Access to finance



Source: World Bank

The World Bank surveys firms from around the world about what they see as their biggest obstacle. The results point to something akin to the business version of Maslow's hierarchy of needs. In sub-Saharan Africa the two most commonly cited obstacles are the basics every growing firm needs: capital and electricity. In each case firms from the region are more likely to cite these barriers than those anywhere else. (A lack of "educated workers" is one of the least commonly cited obstacles in sub-Saharan Africa.)

Access to finance is the main constraint cited by firms. Less than 10% of those with under 20 employees use bank financing. Making Finance Work for Africa, an NGO, reckons that just 20% of all firms have a bank loan or a line of credit, the lowest share of any continent. The ratio of credit to GDP in sub-Saharan Africa is half of that found in South Asia and Latin America.

Small wonder when it costs so much to borrow. The average lending interest rate (the rate banks charge firms to meet short- and medium-term needs) for the 19 African countries for which the IMF had data in 2023 was 25%. In India and Vietnam, it was around 9%. In some African countries business people face even higher rates. On a visit to Accra your correspondent visited Muina Wosornu, founder of Prête Cashews, a snacks firm. She has relied on financing from friends and family. Asked how much it would cost to take out a bank loan, she calls up a banker who says, over the speakerphone, that it would be six to ten percentage points above the base rate, which at the time was 29%.

One reason for high rates is a lack of competition among banks. Their net-interest margins are the highest of any region. Research by the IMF shows that markups in sub-Saharan Africa are on average 11% higher than in other developing regions, suggesting that firms have outsize market power and are shielded from competition from startups.

Rates would also be lower if there were more savings to go around. But the domestic savings rate in sub-Saharan Africa from 2010 to 2021 was just 19%, against 37% in East Asia. This is partly a demographic story: when fertility rates are high there are more mouths to feed and less money to save. But some analysts caution that in parts of Africa, savings rates have remained low even as fertility rates have dipped, suggesting that other factors matter, too.

Stagnant economies do not help. Neither does a rational aversion to saving cash in countries with histories of high inflation or, as was recently the case in Ghana, state-enforced restructuring of pensions because of a debt crisis. Many Africans continue to see land and property (and in some cases cattle) as more reliable places to store wealth. Though the rise in fintech firms should make it easier to save, the shallowness of capital markets means there can also be a lack of investment options. On a recent trip to Angola your correspondent sat in on a talk by a young investor who pitched to

his peers on investing in the local stock exchange. It will be hard for them to diversify their portfolios, though: there are only four listed firms.

Then there is electricity, the second most commonly cited obstacle. Energy for Growth Hub, another think-tank, found that 78% of firms in Africa experienced annual power cuts in 2018, and that 41% identified electricity as a major constraint to their operations, the highest of any region. African firms lose on average the equivalent of 25 days of economic activity a year through power cuts. Justice Mensah of the World Bank last year estimated that Ghana's power crisis of 2013-16 increased the unemployment rate by five percentage points, because it stunted incumbents and made it harder for new businesses to get started. Other research shows that firms in poor countries subject to power cuts have lower productivity growth than those with a steady supply, because it stops them using their capital equipment.

Other inadequate infrastructure also matters. The cost of transporting goods in Ethiopia and Nigeria, for instance, is 3.5 and 5.3 times that of America, according to analysis by David Atkin and Dave Donaldson, two economists. Sub-Saharan Africa has a road density of only about a fifth of the global average, and only about a quarter of roads are paved. When markets, domestic or regional, are poorly integrated, firms' growth prospects are constrained.

To see the difference good infrastructure makes visit Vertical Agro, a processing firm in Kenya. It just became the first company anywhere to sell frozen avocados to China, an achievement that would have been impossible without reliable electricity for freezing. (That electricity, like most of Kenya's, is from renewable sources, which should also help the firm export frozen vegetables into regions implementing cross-border carbon taxes, such as the EU.) Being located near farms, major roads, a railway and Nairobi's airport means goods can get to market swiftly. "If you come back

in 25 years this whole valley will be full of factories,” says Tiku Shah, the firm’s boss.

Other research points to the role of market frictions in keeping African enterprises small. A study in Uganda found that when farmers were given a digital platform that allowed them to sell their goods to a wider group of buyers, they increased their revenues. It is no coincidence that some of the biggest conglomerates in Africa today, including Dangote, a Nigerian company run by Aliko Dangote, Africa’s richest man, started out as trading firms. Having access to granular market intelligence when information is scarce allowed them to build businesses serving demand about which others did not know.

Yet boosting the size, number and productivity of African firms is not simply a case of overcoming market failures. Business in Africa can be highly political, in ways that undermine the continent’s growth. ■

## More from this Special Report

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<https://www.economist.com/special-report/2025/01/06/africa-has-too-many-businesses-too-little-business>

The need for “development bargains”

## African elites should align themselves with their countries’ needs

*Otherwise the future looks zero-sum*

Mar 10, 2025 03:18 PM



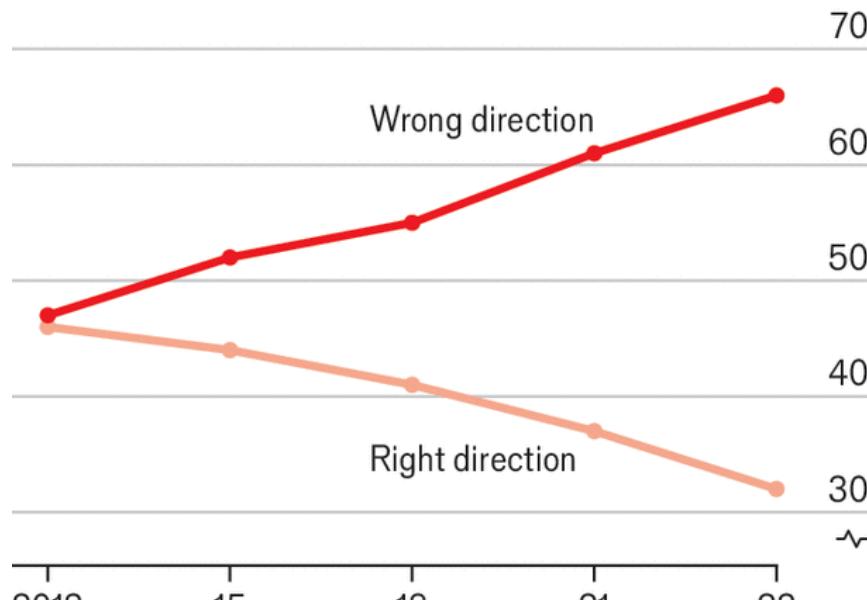
Little Big Man?

IN 2017 CLAUDIO SILVA, who a few years earlier returned to Angola after growing up in America, was optimistic that the country of his birth was turning a corner. That year João Lourenço became president, replacing José Eduardo dos Santos, the corrupt autocrat who ran sub-Saharan Africa’s second-largest oil producer for 38 years. The new president pledged to reform the economy and to cut graft.

Today Mr Silva is sceptical. His dream of setting up a restaurant showcasing local produce has been delayed by venal officials demanding bribes. “I realise the more you try not to be corrupt the more you get punished,” he says.

## Crocked, again

Overall direction of the country,  
30 African countries, % responding



Source: Afrobarometer

Mr Lourenço’s team insists the president is overhauling Angola. “You don’t change a political system overnight,” warns a cabinet minister. But business people all have stories of graft. Beyond Luanda, the capital, there is little sign of the tens of billions of dollars earned from oil. Most of the population lives in poverty. Public spending on health and education is around 3% of GDP, less than half the regional average. “We had the potential to accumulate generational wealth,” Mr Silva sighs, “just as the population was exploding. But we didn’t leave enough on the table.”

There is frustration with politics all across Africa. A decade ago the share of Africans telling Afrobarometer, a pollster, that their country was going in the wrong direction was roughly the same as the share who felt it was on the right track. These days twice as many Africans think things are going badly (see chart). Young people have recently taken to the streets in Kenya, Mozambique and elsewhere to protest against governments they see as corrupt and incompetent.

## **The bad and the ugly**

African politics is subject to the same forces as elsewhere. When governments do a bad job, citizens want them out. Yet there are certain aspects of the political economy in many African countries that seem especially bad for growth, making it harder to close the Africa gap. The first is the weakness of the state. Most African countries are autocracies of one sort or another; the EIU, our sister outfit, classifies just six of the 54 countries as full or flawed democracies. That can bring to mind the idea of all-powerful, ever-present government. The reality is different. African states are often incapable of doing the things a state should do, while doing plenty of things that it should not.

Whether it is the provision of security and basic services or the collection of taxes, Africa is under-governed. Less than half of babies have their births registered in sub-Saharan Africa. Congo has not had a census in 40 years. The IMF estimates that in sub-Saharan countries tax revenues make up 13% of GDP on average, against 18% in other emerging and developing countries and 27% in rich countries. The number of public-sector workers as a share of the population is lower in sub-Saharan Africa than in any other region. When Afrobarometer asks Africans to name the most important problems they face, the issues they mention are things taken for granted elsewhere: clean water, electricity, roads, food and security.

A capable state matters for economic growth. Ricardo Hausmann of the Growth Lab at Harvard University argues that African states struggle to ensure “complementarity between private and public goods”. In 2023 the Growth Lab estimated that failing utilities were responsible for 40% of the South Africa’s recent economic underperformance. State shortcomings put off investors. Sameh Shenoudah of the Africa Finance Corporation, a Lagos-based financial institution, says he tells his dealmakers they need to consider how any exporter they invest in is going to get its goods

out. “Don’t bring me a project, bring me an evacuation plan,” is his message.

At the same time African policymakers have less margin for error than those in other parts of the world. Picking the wrong infrastructure project matters more if you have funding for only a few. The margin of error is also narrow when it comes to adapting to a warming planet. Poor countries are more vulnerable to volatile weather because they are less resilient. They do not have paved roads, high building standards and ample cold storage. The World Meteorological Organisation, a UN agency, estimates that in sub-Saharan Africa the cost of adaptation will be \$30-50bn per year over the next decade, or 2-3% of GDP. This is money that most African countries do not have.

Yet it is also true that many African countries do not help themselves. There are more subtle ways in which African governments undermine development. A research project led by Nic Cheeseman of the University of Birmingham has mapped what it calls “Africa’s shadow states”. These are made up of parasitical networks through which businessmen get sweetheart deals in exchange for funding politicians or accepting kickbacks. This was the model on catastrophic display in South Africa under Jacob Zuma.

And there is a yet more subtle cost. If secure property rights depend on the whims of African leaders, they last only as long as the Big Man is in office. This discourages long-term investment. Ken Opalo, a Kenyan academic at Georgetown University, in Washington, DC, argues that when politicians and businessmen do not keep to their “lanes” it makes for the worst of both worlds. “The fusion of lanes makes it difficult for elites to specialise in either business or politics, resulting in a region full of mediocre politicians and politically dependent mediocre businesspeople.”

### ***Looking for bargains***

The closeness of business and politics also helps explain why there are so few African entrepreneurs of global standing, and so few globally competitive African firms. It is hard to become a legitimate billionaire when wealth depends on politics. It also encourages Africans with cash to stash it offshore. Perhaps 30% of African wealth is held outside the continent, compared with a global average of 8%, according to (somewhat old) estimates by Gabriel Zucman, an economist.

Stefan Dercon of Oxford University, a former chief economist at Britain's Department for International Development, sees rebooting relationships and attitudes among elites as the key to progress. The shared characteristic of successful countries, he argues, is not a particular set of policies. "Successful countries appear to have pursued a relatively diverse set of economic and other policies". It is that political and business elites have agreed on an implicit pact that prioritises increasing the size of the economic pie over simply gobbling it all up, as they did before. Mr Dercon calls this a "development bargain", and argues that the agreement such bargains produce on the path forward matters more than what the path actually is.

Mr Dercon points to India, Bangladesh and Vietnam as examples of Asian countries that were as poor as many in Africa today, but found the right elite consensus. He argues that Ethiopia and Rwanda, both of which grew at 7% per year for much of the past three decades, are African examples of regimes that had such bargains. He suggests that Uganda, Kenya and Ghana may have the ingredients to forge deals, too.

You could add a few others. At independence, in 1968, Mauritius was a poor plantation economy. Its first government cut a deal with the sugar barons to invest in manufacturing. That provided the foundation for the island's future success in tourism and services as well. The decent growth in the first 15 years after apartheid in

South Africa can be seen partly as the result of a pact between the new black political elite and the mostly white capitalist class.

It is easy to quibble with the idea of development bargains. There is a risk of circular logic where any country that grows very fast ought to put its success down to an elite deal of some sorts. The bargain is an easier thing to describe after the fact than to outline ahead of time. In neither Ethiopia, which has recently had a civil war, nor Rwanda, where Paul Kagame rules with an iron fist, do the elite bargains seem durable.

Yet Mr Dercon's insight ought to be galvanising for African policymakers. It suggests that African countries need not be defined by their histories; they could be defined by their futures. And it suggests that the African politicians can do more than just copy and paste the ideas they see abroad, whether in the West or in East Asia. Yuen Yuen Ang, a Singaporean academic who wrote "How China Escaped The Poverty Trap", an influential book that emphasises the idiosyncratic interplay between government and market forces, argues that the lesson from China for Africa is about "using what you have". "As someone coming from a post-colonial country, I know what it's like when great powers tell you that you have nothing. Believing in yourself is a necessary first step to transformation."

Whether African elites are willing and able to strike such bargains is unclear. The model of divvying up rents extracted by foreign firms has worked fine for many of them in the past. For this to change, African elites either need a new mindset—or a change of incentives, making it in their self-interest to gamble on development. The bargains Mr Dercon describes have often been struck when regimes face existential threats to their legitimacy. And there is no shortage of those on the continent, whether in the form of climate change or the 15m young people entering the workforce every year, the vast majority of whom will not get a

formal job. African policymakers say that keeps them up at night. Yet many seem as if they are yet to truly wake up to it. ■

## More from this Special Report

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<https://www.economist.com/special-report/2025/01/06/african-elites-should-align-themselves-with-their-countries-needs>

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**Who you gonna call?**

# The African investment environment is at its worst in years

*Sources of finance have declined*

Apr 07, 2025 03:03 PM



Still friends

ETHIOPIA HAS long benefited from close ties to the West, China and emerging powers. In 2004 Western and multilateral creditors wrote off more than \$3bn of its debts. Since 2000 it has received more loans from China than any other African country except Angola. In 2014 it borrowed on international capital markets for the first time. Asian manufacturers set up factories in industrial parks with the aim of using Ethiopia's duty-free access to Western markets. More recently it has received billions of dollars in investment from the United Arab Emirates (UAE). Though the atrocious civil war in Tigray caused the West to suspend some ties, there was a reset in 2024, with the IMF and World Bank announcing new loans last July.

Yet the architect of many of the reforms which attracted those institutions is concerned about the headwinds faced by African countries. Mamo Mihretu, Ethiopia's central-bank governor, worries that net financial flows—the balance between the amount

received in loans from overseas and the amount going out in debt repayments—have turned negative for many African countries. It is a clear sign of how hard it is to attract the new investment they need. “This is the biggest story that nobody is paying attention to,” argues Mr Mihretu.

To match the sort of capital flows that led to East Asian economic booms, Africa would need to roughly double investment as a share of GDP from its current level of around 16%. The African Development Bank (AfDB) has a similar figure, estimating that the continent needs to close an annual financing gap of \$400bn, or almost 14% of its GDP, to “accelerate its structural transformation process”.

Until recently, the 21st century appeared a benign time for Africa in international affairs. China’s rise fuelled demand for its natural resources. Globalisation encouraged investors into emerging and “frontier” markets. Widespread debt relief in the mid-2000s gave governments room to borrow. They took out loans not just from the World Bank and Western governments but from commercial creditors. Between 2007 and 2020, 21 African countries borrowed on global capital markets, many for the first time. China became the largest official bilateral creditor, lending more than \$180bn since 2000, according to the Chinese Loans to Africa database managed at Boston University.

### ***China whirl***

The world seems less forgiving these days. Geopolitical tensions mean that sub-Saharan Africa may get stuck in the middle of economic competition between the West and China. African leaders may hope to play one side off against the other. But since the region trades roughly as much with China as it does with America and Europe combined, any decoupling of the two blocs into separate trading areas will be bad news. An IMF paper in 2024 suggested that, in such a scenario, the median sub-Saharan African

country would face a permanent decline of 4% in real GDP. No other region would be hurt as much.

It is also harder than it was for most African countries to raise financing. This is to some extent a problem of Africans' own making. After the debt relief of the 2000s, states borrowed heavily. Debt to GDP in sub-Saharan Africa has doubled over the past 15 years. Poor countries need to borrow to pay for infrastructure to help them become less poor. But in Africa debts are growing faster than output and productivity.

Now governments are spending more scarce revenue on paying off old debts. Since 2022 a higher share of government revenues has gone on servicing debts than on health. The median share in Africa is 14% and in 13 countries it is more than 20%. Principal and interest payments are expected to rise as a share of GDP across sub-Saharan Africa in 2025, says the IMF, which has warned that Africa faces a big funding squeeze. Some bright spots, such as Ivory Coast, have refinanced their debt by returning to capital markets. But interest rates on "eurobonds" (debt issued in a foreign currency) are one to four percentage points higher than before the covid-19 pandemic. Kenya, for instance, issued a bond at 10% interest rate in February 2024 to pay off an older eurobond due a few months later. It thus risks piling up problems for the future.

Other sources of capital are relatively scarce. Chinese lending to Africa peaked at \$28.8bn in 2016. In the 2020s it has averaged \$2.5bn per year (the pandemic played a role). Foreign-direct investment in Africa in 2023 was just \$53bn or 4% of the global total, less in nominal terms than a decade previously. In 2022 the share of aid from rich countries going to Africa was at its lowest level since at least 2000.

Around half of African countries have "macro-imbalances" of some sort, notes the IMF. And the lack of investment in future sources of growth, like education, infrastructure or research and

development, means that Africa looks likely to fall further behind. On current trends it seems implausible that it can attract the game-changing investment sums it needs.

What might change this? Even a small increase in the share of global private capital going to Africa could make a big difference. (Between 2013 and 2021 Africa accounted for just 0.5% of the global private-equity market.) There is a debate about whether investors neglect Africa because they think it is riskier than it is. Ignorance about the continent's diversity means that what happens in the most fragile states can affect would-be investors' opinions about, say, Kenya. Data suggest the default risk of African infrastructure projects is lower than in Asia and Latin America.

But that is only one sort of risk—and infrastructure is only one class of investment. Analysis by the IMF suggests that, though African sovereigns attract higher interest rates than other developing countries, the spread can be explained by factors such as a lack of transparency about spending and borrowing. Other sorts of investment, say, in local firms, are vulnerable to big currency devaluations and difficulties repatriating profits. Then there is the risk of operating in countries where politics and business are entwined. A veteran investor says: “I know it’s popular to say that Africa is misperceived but what’s the time value of bullshit? The risk is real. Africa is a high-friction place.”

And the lack of reward can be as important as the presence of risk. For major investors Africa remains too small and too fragmented. Bright Simons of Imani, a think-tank in Ghana, says, “There’s still a lot of room for the global investor to ignore Africa. There’s still a lot of other places to go.”

What about China? At the latest triennial Africa-China summit, President Xi Jinping announced \$50bn in financing over the next three years. There is less to the figure than meets the eye. Some \$10bn will go to Chinese firms in Africa; \$30bn is in the form of

vague “credit lines”. At the summit there was talk about how “small is beautiful”. But big is needed.

Middle powers may fill some of the gap. Turkish arms and construction firms are winning more contracts. The UAE is by some measures the fourth-largest source of FDI in Africa, after China, the EU and America. It and other Gulf countries have deposited hard currency in central banks facing liquidity problems. Yet the economic influence of many middleweight powers can be exaggerated. The EU imports 33 times more from sub-Saharan Africa than Russia does.

African leaders are calling for more money from customary sources. In 2024 they wanted donors to increase funding for the World Bank’s vehicle for poor countries, the International Development Association (IDA), to \$120bn over the next three years, from \$93bn in the previous window. The total announced in December was \$20bn shy of that target. Donald Trump’s administration could bring in officials sceptical of the very idea of the World Bank.

Some African policymakers have latched onto climate finance as a chance to direct more cash their way. But “the dirty secret of climate finance is that much of it is displacing traditional development aid,” says Vijaya Ramachandran of the Breakthrough Institute, an American think-tank. CARE, an NGO, believes half of climate finance provided by 23 rich countries from 2011 to 2020 was money that previously went on funding for areas like health, education and women’s rights.

And the money that does go to poor countries for climate change is mostly on mitigation, not adaptation, despite the small impact that Africa has on emissions. IDA-eligible countries are responsible for 0.5% of current emissions and much less of historical ones. There is a risk that fiscally constrained countries are being encouraged to take on more debt for projects that divert their resources from

growth. The West's approach to aid and climate in Africa is like "banning buses in poor neighbourhoods while subsidising private jets for the rich", says Ms Ramachandran.

Outsiders can help in other ways besides aid, such as clamping down on tax havens and making it easier for African firms to sell their goods overseas. China has promised "green lanes" to facilitate more agricultural exports, but commercial farmers complain of arduous regulations. America's African Growth and Opportunity Act granting African countries tariff-free access could be expanded, for example by offering negative tariffs to incentivise exporters, by making services eligible, and cutting regulations on agricultural exports. Even if all that is unlikely under a tariff-loving President Trump, his government could boost America's Development Finance Corporation, a \$60bn fund for investments in poor countries' private sectors, set up during his first administration.

Geopolitics may encourage great-power competition that Africans can exploit. But rising nationalism and protectionism bode ill. It would be naive to think the world will be kinder to Africa. If the continent is to close the gap it will have to do the hard work itself.



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<https://www.economist.com/special-report/2025/01/06/the-african-investment-environment-is-at-its-worst-in-years>

**Closing arguments**

# To catch up economically, Africa must think big

*But it would require a new surge of ambition*

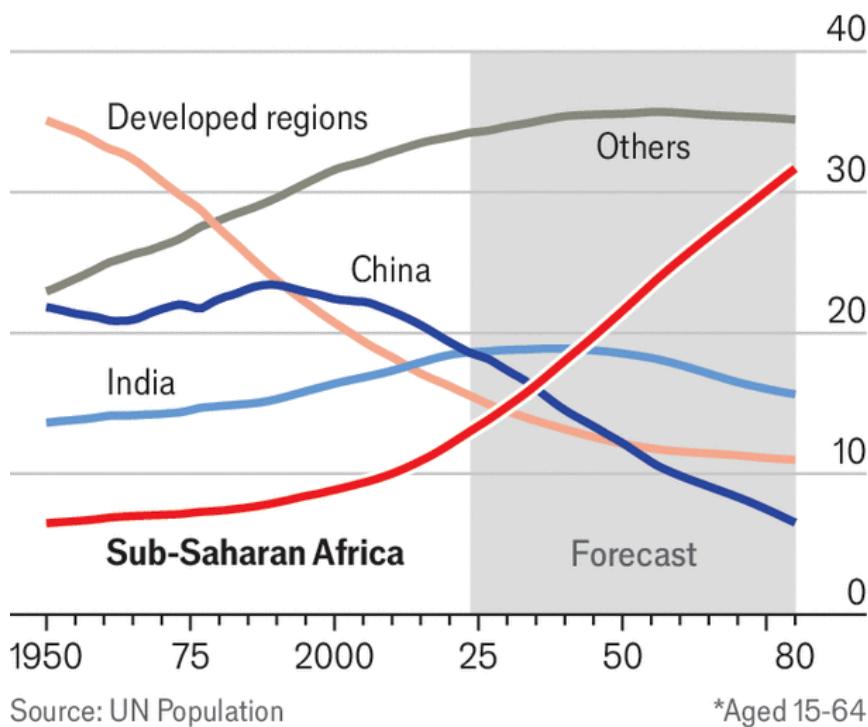
Feb 19, 2025 06:18 PM



HEDGE FUNDS are paid to anticipate the way the world is heading. So it was notable that a few months ago Nir Bar Dea, the boss of Bridgewater, the world's largest hedge fund, was in Abidjan, the commercial capital of Ivory Coast, to co-host a summit calling for more money for the World Bank. For Mr Bar Dea, Africa's population explosion is one of those "long term trends that people don't pay attention to."

## Workers of the world

Working-age population\*, % of world total



By 2030 half of all new entrants into the global workforce will be from sub-Saharan Africa. By 2050 the region's working-age population will still be rising when it will be falling everywhere else. At that point Africa will be home to approximately 2.5bn people, or around a quarter of humanity. And unless Africa finds a way to boost its sagging productivity, it will continue to fall further behind the rest of the world, ensuring an ever greater share of the world's population is left behind. "People aren't looking at the problem," he says.

Heavyweight hedgefunds visiting Abidjan reveal a couple of things. The first is that capitalists, as well as do-gooders and donors, remain Africa-curious. Jamie Dimon, the boss of JPMorgan Chase, visited Nigeria, Kenya and South Africa in 2024 to build networks that can be "a gift to the next generation" of his bank's leadership. The International Holding Corporation, the largest firm in the UAE, is eyeing African assets. So are Saudi and Qatari investment funds.

The second is that, for all the curiosity, those paid to be unsentimental can see that the current trajectory is worrying. The danger is that, rather than driving global growth, its economies will continue to struggle.

The demographic divergence could be a boon. African emigrants will be needed to do jobs in the rest of the world. They will send home remittances, which are already worth almost double the continent's total FDI. African economies will inevitably grow as their populations swell, adding to global demand. If sub-Saharan Africa can repeat Asia's transformation, it "will become the next major engine of global growth", argues a research note by Bridgewater. Today, it says, the region is home to 15% of global population, accounts for just 3% of global output and provides 5% of growth. If sub-Saharan Africa were to raise its productivity growth from around 1% per year to 4% (close to India's recent rate), by 2050 its share of world output would be 10%—and it would account for a fifth of global growth.

The risk, however, is that Africa combines high population growth with low or stagnant productivity growth—and that the Africa gap only widens. If current trends continue unchecked, this is what will happen. The Institute for Security Studies (iss), a South African think-tank, has published scenarios for the future of the continent. These "African Futures" incorporate data on a variety of factors including demography, productivity, financial flows, infrastructure and measures of human capital. Its "current path" makes for sober reading. By 2043, the year its forecasts end, median African GDP per person, adjusted for purchasing-power parity (PPP), will be about a quarter of the rest of the world's, essentially what it is today. And Africa will still have 400m people in extreme poverty, the vast majority of the world's destitute.

This special report has tried to explain the reasons for this disappointing path. These include the scarce use of technology in agriculture, the rise of unproductive, low-end services and the

absence of a manufacturing revolution. Productivity is further hampered by small firms and small markets. Africa has perhaps just half of the investment it needs to close the gap. “Something drastic is needed to change this rather dismal forecast,” write the authors from the iss.

Yet there is a better way forward. The iss also forecasts a “combined scenario”, where it projects what would happen if African countries did most things right. These include making a quicker demographic transition, expanding education, increasing investment in infrastructure, boosting agricultural productivity and manufacturing, encouraging greater financial flows and implementing the African Continental Free Trade Area (Afcfta).

Under its most optimistic scenario the iss reckons the Africa gap would begin to close over the next 20 years. By 2043, gdp per person in ppp terms would be about a third of that in the rest of the world. Just 8% of Africans would live in poverty, rather than the 17% projected on the current path.

Viewed from 2025 that continent-wide tide seems unlikely to rise. More probably the gaps already visible between African countries will widen. Last year it had nine of the 20 fastest growing economies in the world, including Ethiopia, Rwanda and Ivory Coast. “Africa is becoming a split story,” argues Charlie Robertson, author of “The Time-Travelling Economist”. The countries that have seen fertility rates fall below three, as happened in Mauritius in 1979 and Morocco in 1999, have enjoyed demographic tailwinds, he argues, as families have been able to save more money, increasing the overall pool of investment and lowering interest rates. Kenya should pass this threshold in 2029, Mr Robertson points out.

### ***Think bigger***

“You need to discriminate between the different countries on the continent,” cautions Amit Jain, who spent many years in Africa and

is now at the Centre for African Studies at NTU Singapore. He points to how Morocco is developing a commercial-agriculture sector and suggests that east African countries are doing better than their peers in west Africa in educating their children and expanding access to electricity. The likes of Kenya are well located to integrate into Asian firms' supply chains, he adds. "Countries in the region might not hit \$60,000 per capita but \$15,000 is possible and would be a heck of an achievement." Pan-African rapid growth will require co-operation, though. "Africa needs to morph itself into a bigger single market, something like what India is trying to do," argues Mr Jain. If the AfCFTA were fully operational, the World Bank reckons it could lift overall GDP by 7% by 2035 and take 40m people out of extreme poverty.

Everyone with a stake in Africa must think big. Countries need development bargains that allow for the emergence of large firms and productive industries. Africa as a whole must make the AfCFTA a reality, giving it more bargaining power at international forums. Foreign countries need to face up to the reality that their current approach to development financing is nowhere near sufficient for Africa to transform its economies and respond to climate change.

Perhaps most important, Africa needs to recover a sense of ambition. In too many African countries the default approach is what Ken Opalo of Georgetown University calls "low-ambition/muddling-through developmentalism", a "destination anywhere" approach which follows paths defined from outside without a clear sense of the paramount goal. There is an urgent need for African policymakers and business leaders to set their own far-reaching goals for economic transformation and rally their people behind them.

The stakes are high. Africa's demographic boom has led to the idea that the 21st is the African century. It could yet be. But a quarter of the way into it, Africa had better hurry up. ■

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<https://www.economist.com/special-report/2025/01/06/to-catch-up-economically-africa-must-think-big>

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# Business

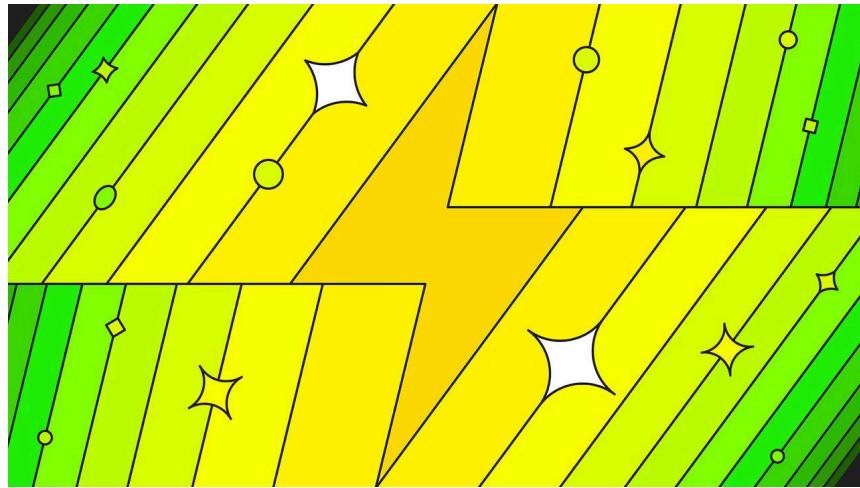
- **A new electricity supercycle is under way**  
It's electrifying! :: Why spending on power infrastructure is surging around the world
- **Will Mark Zuckerberg's Trump gamble pay off?**  
Making friends :: He risks making enemies elsewhere
- **Alcohol-free drinks are becoming big business**  
High and dry :: But will they ever be as good as the real thing?
- **America's internet giants are being outplayed in the global south**  
Southern oscillation :: From e-commerce to online banking, regional competitors are innovating rapidly
- **Foxconn and other gadget-makers are expanding their empires**  
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Alloys and allies :: The faded industrial icon has few good options without a Nippon deal
- **The signals of workplace submissiveness**  
Bartleby :: Deference is all around you, unfortunately
- **Meet the ambitious wolf cubs of Wall Street**  
Schumpeter :: A duo of whippersnappers is taking on Goldman Sachs

It's electrifying!

## A new electricity supercycle is under way

*Why spending on power infrastructure is surging around the world*

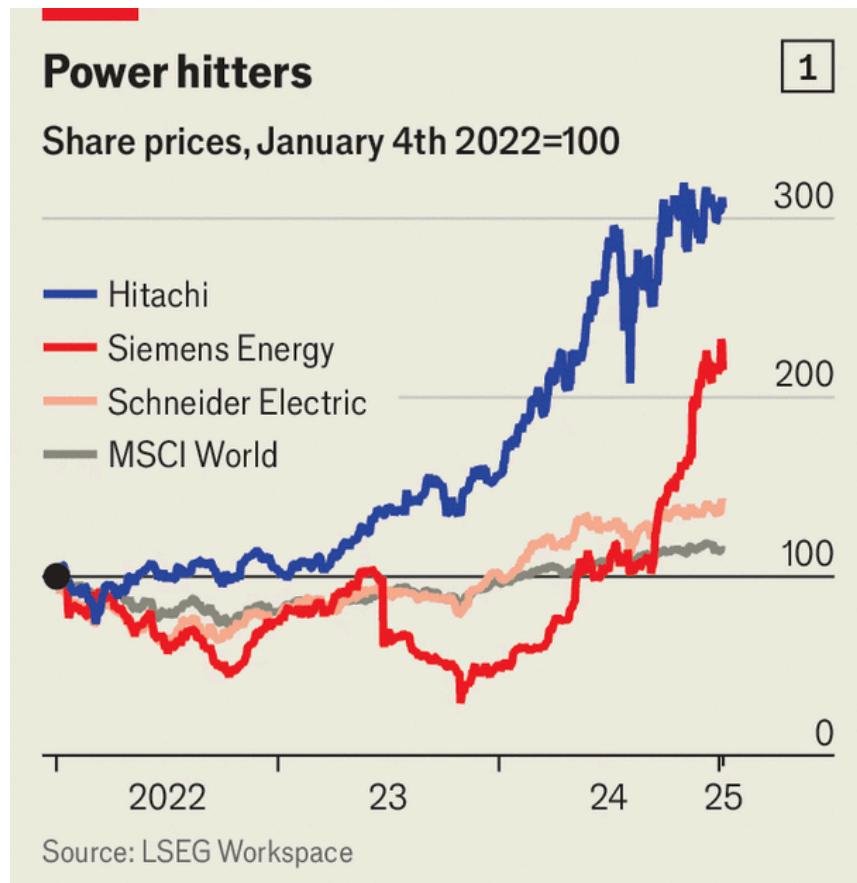
Apr 07, 2025 03:02 PM | Conselve



THE FACTORY floor of Schneider Electric's plant in Conselve, Italy, hums with urgency. Workers at the power-equipment company's facility, which is in the midst of a major expansion, are busily assembling advanced cooling systems for the data centres that underpin the development of artificial intelligence (AI). "The key is the integration of grid to chip and chip to chiller," says Pankaj Sharma, an executive at the French company, referring to a new design it recently developed with Nvidia, an AI chip giant.

Over the past year, Schneider's market value has risen by over a third, to around \$140bn. It is not the only maker of electrical gear that is booming (see chart 1). The market capitalisation of Hitachi, a Japanese conglomerate, has tripled since the start of 2022, thanks in part to the rapid expansion of its power-equipment division. After a difficult 2023, weighed down by troubles in its wind-turbine division, shares in Siemens Energy rose by 300% last year, outperforming even those of Nvidia, thanks to fast-growing sales in

the German firm's grid-technology business. "Electricity is a key driver for us," says Christian Bruch, its chief executive.



Scott Strazik, boss of GE Vernova, a power-equipment business that was spun out from the conglomerate last year, sees a "supercycle" in the making. Demand for everything from transformers and switchgears to high-voltage transmission cables is being turbocharged. The International Energy Agency (IEA), an official forecaster, estimates that global investment in grid infrastructure reached nearly \$400bn in 2024, up from a little over \$300bn in 2020 and reversing a decline that began in 2017 on the back of slowing demand in China (see chart 2). The IEA predicts that spending will rise to around \$600bn annually by 2030. What is behind the surge?

The decarbonisation of electricity generation is one factor. Adding wind and solar power, often in remote locations, requires extending power lines and investing in hardware and software to manage their

intermittency. In Britain the government's ambition to achieve a net-zero grid by 2030 has prompted network operators to submit investment proposals amounting to nearly \$100bn over five years. Even in America, where the incoming president is a climate-change sceptic, investment in renewable energy is expected to continue rising in the years ahead thanks to the plummeting cost of solar and wind power.

Electricity's growing share of energy consumption is a second force propelling investment. The IEA forecasts that demand for electricity, from clean and dirty sources, will increase six times as fast as energy overall in the decade ahead, as it powers a rising share of cars, home-heating systems and industrial processes. California alone will need \$50bn in electricity-distribution upgrades by 2035 to charge its electric vehicles (EVs). Mr Strazik of GE Vernova reckons that this shift from "molecules to electrons" is just getting started.



The world's total energy needs are also continuing to rise—a third force boosting investment in electricity infrastructure. Economic growth, and rising use of air-conditioning, are pushing up demand in developing countries. Goldman Sachs, a bank, estimates that India's grid will require \$100bn of investment between 2024 and 2032 as its economy grows. Rystad, an energy consultancy, forecasts that annual grid investment in China will increase from around \$100bn in 2024 to more than \$150bn by 2030.

Spending by tech giants on AI is contributing to [rising energy demand](#), too, flowing through to increased electricity consumption and investment. Some data centres now gobble up as much energy as a nuclear-power plant generates, requiring network operators to upgrade transformers, power lines and control equipment. To accommodate the growth of data centres, Tokyo Electric, Japan's largest power utility, plans to spend more than \$3bn by 2027 on its infrastructure. The boom in data centres has also caused spending by developers on cooling equipment and other ancillary electrical gear to rocket.

A final force behind the investment surge is grid fortification. Extreme weather events, including deadly storms and [wildfires like the one that began in Los Angeles on January 7th](#), are becoming more common. They caused over \$100bn in damages worldwide in 2023, only about half of which was covered by insurance. Last month America's Department of Energy provided a \$15bn loan guarantee to PG&E, a Californian power utility that has been hit hard by wildfires in recent years, to help it invest in making its infrastructure more resilient. Across much of the rich world, electricity grids are old and creaking. In Europe the infrastructure is over 40 years old, on average. "Grid infrastructure was not built for resilience but for transmission," says Mr Bruch of Siemens Energy.

As [investment in grid infrastructure](#) has soared, various bottlenecks have emerged in the supply chain. Wood Mackenzie, another energy consultancy, estimates that a global shortage of transformers

has led prices to rise by 60-80% since 2020, with waiting times tripling to five years or more. That is spurring both capital spending and innovation among suppliers. Mr Bruch says his firm is investing record amounts to tackle an order backlog that now exceeds €120bn (\$124bn). GE Vernova, whose backlog has reached \$42bn, has said it will put \$9bn into capital spending and research and development by 2028. Hitachi's energy business, which also has a hefty backlog, has invested \$3bn to increase production over the past three years and plans to spend another \$6bn by 2027, including \$1.5bn on transformers.

### ***Current concerns***

Expanding manufacturing capacity will leave these firms exposed if the electricity supercycle turns out to be no such thing. Growth in EV sales has already slowed in many rich countries. The AI boom could yet turn to bust. To reassure shareholders, Andreas Schierenbeck, boss of Hitachi's energy business, says that his company has been getting big customers to reserve capacity with upfront payments, and is shifting from customised orders to framework contracts with standardised product designs. All this makes future revenue more dependable and expanding production capacity less risky.

For now, spending on electricity infrastructure shows no sign of easing, as grid operators grapple with rising power consumption, a changing generation mix and ageing infrastructure. Those pressures will only increase, predicts Mr Bruch. “That is why we are bullish.” ■

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<https://www.economist.com/business/2025/01/05/a-new-electricity-supercycle-is-under-way>

**Making friends**

# Will Mark Zuckerberg's Trump gamble pay off?

*He risks making enemies elsewhere*

Apr 07, 2025 03:03 PM



“IT FEELS LIKE we’re in a new era now,” said Mark Zuckerberg, Meta’s chief executive, as he announced sweeping changes to the firm’s social-media platforms in a video on January 7th. Two weeks ahead of Donald Trump’s presidential inauguration, Mr Zuckerberg outlined an overhaul of Meta’s content-moderation policy that meets many of the demands of American conservatives. The initiative says much about both the future of social media and the relationship between American business and government.

After building probably the world’s largest fact-checking operation, including hiring thousands of content moderators, Meta will stop attempting to verify the truth of posts on [Facebook](#), Instagram and Threads, starting in America. Checking will instead be left to volunteers via “community notes”, a user-run system championed by X, a social network run by Elon Musk, an adviser to Mr Trump.

Meta will also “get rid of a bunch of restrictions” on topics such as immigration and gender, on which the firm’s existing rules “are just

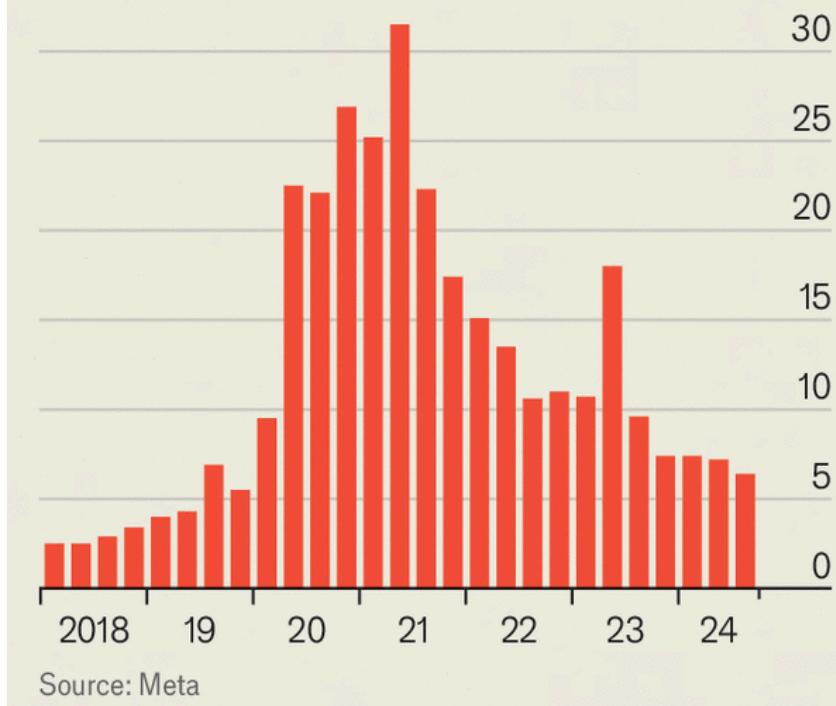
out of touch with mainstream discourse”, Mr Zuckerberg said. Automated filters will no longer weed out minor violations of Meta’s content rules; instead, such posts will be removed only if they attract a complaint from a user. In an accompanying blogpost, Meta said that 10-20% of the content that it has removed until now has been taken down in error.

Mr Zuckerberg was frank about his rationale. “The recent elections also feel like a cultural tipping-point towards once again prioritising speech,” he said. Meta is rejigging its team in a Trump-friendly fashion. [Sir Nick Clegg](#), the firm’s left-leaning global-affairs chief, will be replaced by Joel Kaplan, who worked in the White House under President George W. Bush. [Dana White](#), a Trump ally and boss of Ultimate Fighting Championship, a martial-arts company, will join Meta’s board. (So will John Elkann, CEO of Exor, which part-owns *The Economist*’s parent company.)

Meta is not alone in seeking favour with the incoming government. Tech bosses from Tim Cook to Sam Altman are said to have donated to Mr Trump’s inauguration fund (\$1m appears to be the going rate). Amazon’s streaming studio has just spent a reported \$40m on a flattering documentary about Mr Trump’s wife, Melania. Mr Trump has described Facebook as an “enemy of the people” and threatened to put Mr Zuckerberg in jail for “the rest of his life” if he interferes in elections. The firm also faces an antitrust trial in April that seeks to undo its acquisitions of Instagram and WhatsApp.

## Censoring overload

Facebook, incidents of hate speech censored, m



Yet even before Mr Trump's victory last year, Meta had begun to loosen its approach to moderation. Mr Zuckerberg, formerly a free-speech advocate, launched a crackdown on misinformation around five years ago, amid accusations of Russian interference in Mr Trump's first election and an epidemic of harmful nonsense about covid-19. But lately it has been removing less content (see chart). Its rules on misinformation have also been relaxed. In 2023 Meta decided to allow ads falsely claiming that America's election of 2020 had been "stolen". Mr Zuckerberg was at pains to portray the latest changes as part of a return to business as usual, saying three times in his five-minute video that Meta was "getting back to our roots" on free speech.

The company will need to tread carefully. Mr Zuckerberg acknowledged that a more hands-off approach will mean more "bad stuff" on Meta's platforms. That will not go down well with advertisers. X's worldwide ad revenue fell by more than half during Mr Musk's freewheeling first year in charge, estimates eMarketer, a

research firm. And although users may like the sound of free speech, they may not enjoy its messy reality. X has lost more than a tenth of its users in America since Elon Musk took over, estimates eMarketer.

Loosening up on moderation will complicate Meta's business abroad. The EU's Digital Services Act obliges platforms to limit the spread of misinformation, on pain of steep fines; suspending fact-checking there may prove impossible.

Mr Zuckerberg also promised a revival of “civic” content on Meta's platforms. The company has spent years saying that users are bored and depressed by political news, even turning it off in countries such as Canada, where news publishers have demanded payment in return for their links being shared. If, as Mr Zuckerberg claims, users are once again looking for more news in their newsfeeds, Meta will not find it so easy to dismiss the demands of those publishers. Meta seems to be making progress in keeping Mr Trump and his friends happy. But it risks making its relations with everyone else trickier. ■

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<https://www.economist.com/business/2025/01/08/will-mark-zuckerbergs-trump-gamble-pay-off>

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**High and dry**

## Alcohol-free drinks are becoming big business

*But will they ever be as good as the real thing?*

Apr 07, 2025 03:03 PM

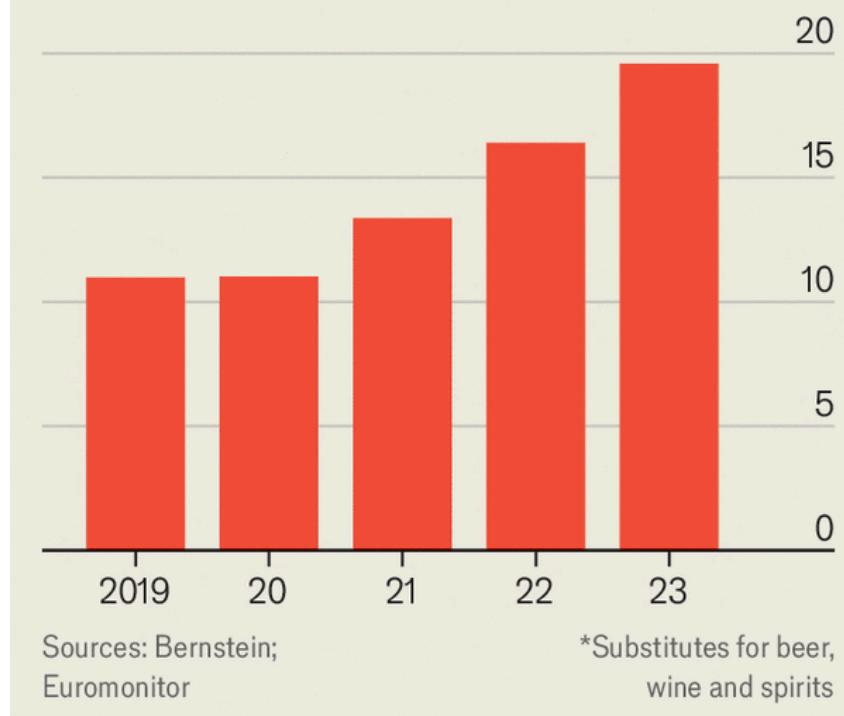


DRY JANUARY is under way. After the excesses of the festive period, nearly one-third of Americans are expected to give up, or at least cut down on, alcohol this month. Many will save money. Some will lose weight. And a growing number will still continue to drink their favourite tipple—or at least something close to it.

The teetotal and “sober curious” are no longer restricted to fizzy drinks, fruit juice or water. The market for alcohol-free beverages—including beer, wine and spirits—has been buzzing of late. Global sales came to \$20bn in 2023, according to data from Euromonitor, a research firm, double the amount from five years before (see chart). The market grew by roughly 20% in 2023, compared with 8% for alcoholic drinks. How big will it get?

## Not legless

World, non-alcoholic drinks sales\*, \$bn



Demand for alcohol-free drinks is not limited to Dry January. A growing number of health-conscious youngsters are going sober all year round. The share of Americans aged 18-34 who drink alcohol has dropped to 62%, according to the latest figures from Gallup, a pollster, compared with 72% two decades earlier. Many who do booze are having fewer drinks. “Zebra-striping”, or alternating between alcoholic and alcohol-free drinks, is in vogue. More people may join the sober trend if America’s surgeon-general gets his way. On January 3rd he called for alcoholic drinks to come with a [label warning of their health risks](#).

In response to all this, booze giants have been developing alcohol-free lines. Diageo, one of the biggest, spent two years experimenting with 400 different recipes for an alcohol-free version of its Captain Morgan Spiced Gold rum. It recently bought Ritual, a non-alcoholic drinks brand. LVMH, owner of Moët & Chandon champagne, has invested in French Bloom, a brand of alcohol-free sparkling wines.

Nadine Sarwat of Bernstein, a broker, reckons that drinks firms are not cannibalising their sales by making alcohol-free products. More than 94% of Americans who buy alcohol-free alternatives still buy alcoholic drinks, too, according to Nielsen, a data company. Some consumers see zero-alcohol alternatives as a substitute for fizzy drinks, rather than booze. The drinks also tend to be more profitable than alcoholic ones, as they are priced only a little lower but are taxed more lightly.

Still, making alcohol-free drinks that taste like the original is not easy. The beer industry, which began producing alcohol-free products in the 1970s, is furthest along in this. That is partly why beer makes up 89% of sales of non-alcoholic drinks, with wine and spirits accounting for just 7% and 4%, respectively, according to Bernstein. Rather than heating beer to evaporate the alcohol, which ruins the flavour, producers have come up with various alternative brewing techniques, many of which are closely guarded secrets. Athletic Brewing, a popular brand in America, is trying to patent parts of its production process.

The race is now on to develop methods for alcohol-free wine. Although there are ways to remove alcohol from wine, including reverse osmosis, which involves filtration, and spinning-cone technology, which uses centrifugal force, these often ruin the taste, too. Wine relies on alcohol for much of its flavour and mouthfeel. “We are 20 years behind beer,” says Moritz Zyrewitz, founder of The Gentle Wine, a German low- and no-alcohol brand.

There are other challenges to further expanding the alcohol-free-drinks business. Some consumers balk at the price of products. Alcohol-free aperitifs, which are mostly a mixture of spices and botanicals, can sell for around \$40 a bottle. In a recent survey of Americans by The New Consumer, a website, and Coefficient Capital, an investment firm, 38% of respondents said that non-alcoholic drinks should cost “a lot less” than alcoholic ones.

Brands are doing what they can to lift the appeal of alcohol-free alternatives. Corona Cero, produced by AB InBev, another drinks giant, was an official sponsor of last year's Olympic Games; Heineken 0.0% sponsors Formula One. Lucky Saint, another alcohol-free beer brand, opened its own pub in central London, which serves both alcoholic and non-alcoholic brews. Celebrity booze startups that offer non-alcoholic alternatives may also help convert drinkers. Blake Lively, an actress, Katy Perry, a singer, and Lewis Hamilton, a Formula One driver, have all launched brands in the past few years that offer alcohol-free drinks.

For now, alcohol sales, which reached \$1.8trn globally in 2023, are hardly slumping. Spending in many developing economies continues to rise along with incomes. And the overall share of Americans who drink alcohol has remained steady at around 60% over the past two decades, according to Gallup. More intemperate older consumers are making up for the sobriety of youngsters. Retail sales at beer, wine and liquor stores in America continue to climb steadily. Plenty of consumers will celebrate the end of Dry January with a full-strength tipple. ■

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<https://www.economist.com/business/2025/01/06/alcohol-free-drinks-are-becoming-big-business>

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**Southern oscillation**

# America's internet giants are being outplayed in the global south

*From e-commerce to online banking, regional competitors are innovating rapidly*

Apr 07, 2025 03:03 PM | Bangalore



IT IS UNUSUAL for Amazon, the world's biggest e-emporium, to be playing catch-up in its own industry. Yet that is exactly what it is doing in India, where last month it began piloting a quick-commerce service in the city of Bangalore, delivering a wide variety of goods in minutes. It is years behind local stars such as Swiggy, Zepto and Zomato, which already offer such a service.

A decade ago Jeff Bezos, Amazon's founder and then boss, stood atop a brightly decorated truck in Bangalore and waved a cheque for \$2bn, determined to dominate India's market. It has been an uphill struggle. The company, which accounts for a quarter of e-commerce sales in India, trails behind Flipkart, a local e-commerce rival that commands a third of the market (and is now owned by Walmart, America's bricks-and-mortar behemoth). Elsewhere Amazon's record has been worse. In South-East Asia it has been bested by local firms such as Shopee, Tokopedia and Lazada. In

Latin America MercadoLibre, an Argentinian firm, is the undisputed leader in e-commerce (see chart).

America's internet champions once seemed destined to conquer the globe. With China off-limits, many turned their attention to expanding in other developing markets. Some of them triumphed, including Google, a search giant, and Meta, a social-media titan. But many did not, particularly in areas such as e-commerce, ride-hailing and digital payments, where local knowledge or physical presence matters. Uber, which once promised to make "transportation as reliable as running water, everywhere, for everyone", withdrew from South-East Asia in 2018 after burning through over \$700m. PayPal, a payments firm, has struggled to make inroads in much of the developing world, even as digital payments have boomed.

## Beating Bezos

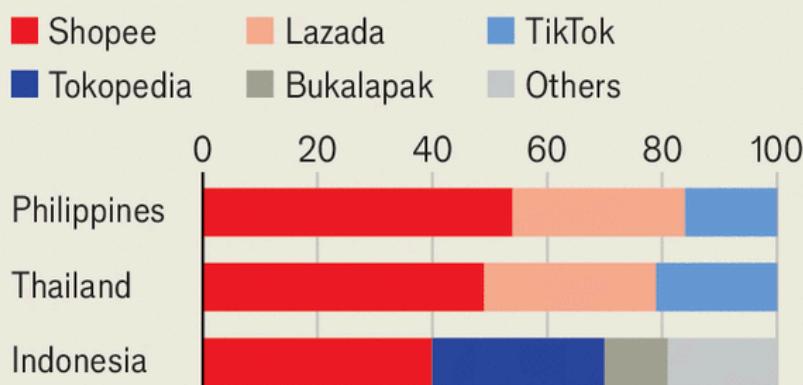
Online retail sales, 2023, % of total

Selected countries

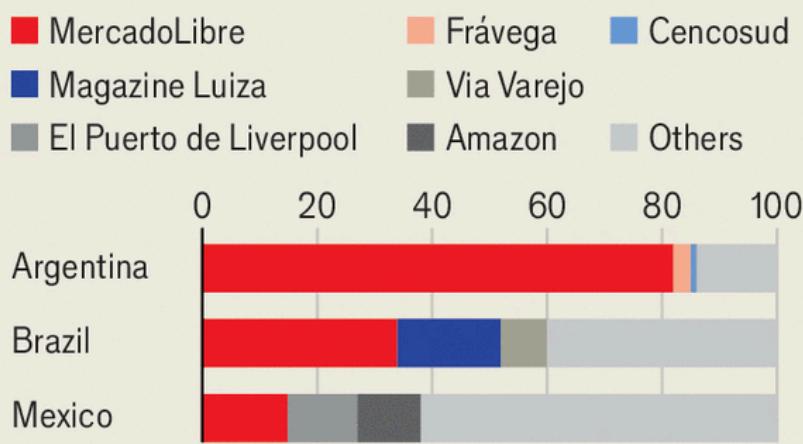
### South Asia



### South-East Asia



### Latin America



Sources: Datum; EuroMonitor; MomentumWorks

Local challengers in the global south once imitated American offerings and competed with clever adaptations for their home

markets. MercadoLibre and Flipkart built logistics networks in places where existing infrastructure was shoddy. MercadoLibre turned to motorcycles for congested cities. Flipkart introduced “cash on delivery” to counter mistrust of online payments. Now internet firms in the global south are moving from adaptation to invention—and teaching American firms a thing or two in the process.

Quick commerce is one example. The pandemic-era frenzy in the West for ten-minute deliveries has largely fizzled out. In India it is [just getting started](#). In its densely populated cities, where roads are often gridlocked, riders on two-wheelers zip around making small deliveries to lots of customers, relying on networks of compact warehouses. The products on offer go well beyond groceries and include everything from clothing and electronics to gold coins. Bernstein, a broker, reckons that quick-commerce sales in India reached \$7.2bn in 2024, up from just \$200m in 2021, and will almost double this year.

Another example is digital banking. Whereas centuries-old banks continue to dominate in the West, digitally native ones have made big inroads in the global south. Nubank, a Brazilian digital lender, has more than 100m customers in its home market, representing over half the adult population, and is expanding quickly across Latin America. Its approach has been to focus on segments of the population that have been underserved by traditional banks, whose reliance on physical branches makes it expensive to serve poorer customers. Having started with credit cards, it now offers bank accounts, insurance and investments. A strategy of targeting underserved customers has also worked well for Meesho, an online marketplace that has focused on India’s smaller cities and is now its third-largest e-commerce firm by sales.

A final example is [social commerce](#), which blends shopping with entertainment. It has taken off in South-East Asia, where most online shopping is done on smartphones (65% of e-commerce sales

in Indonesia are made on mobile devices, compared with 39% in America). Jianggan Li of Momentum Works, a Singaporean research firm, notes that traditional e-commerce sites spend heavily to lure in users. Social selling keeps costs low as users come to be entertained and stay to shop.

In 2021 TikTok, a short-video app owned by ByteDance, a Chinese tech giant, launched TikTok Shop, which lets users buy products while scrolling. In 2023 the app sold \$20bn-worth of products, with three-quarters of that coming from South-East Asia. The model proved so successful in Indonesia that the government banned e-commerce sales on social-media platforms to protect small merchants. TikTok acquired Tokopedia in response, and now offers a similar service through it. In September Shopee announced a partnership with YouTube, an American video site, to develop a rival offering.

Not all these innovations will have a place in the West. Costly labour and lower population densities make quick commerce tricky in America and Europe. It can be tough to find underserved populations in rich countries. Social commerce, though, is gaining momentum. America is now the largest market for TikTok Shop, overtaking Indonesia last year. Although America's Supreme Court is deciding whether to [uphold a ban on the app](#) in the country from January 19th, TikTok continues to expand elsewhere in the West.

That should remind America's tech giants to keep an eye on innovations in the global south. Local ideas often take time to "bubble up" to headquarters in Silicon Valley, notes Kevin Aluwi, co-founder of Gojek, an Indonesian ride-hailing app, who is now a venture capitalist. Those delays could cost America's champions dearly. ■

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**Beyond the iPhone**

# Foxconn and other gadget-makers are expanding their empires

*The world's contract manufacturers are moving into new products and places*

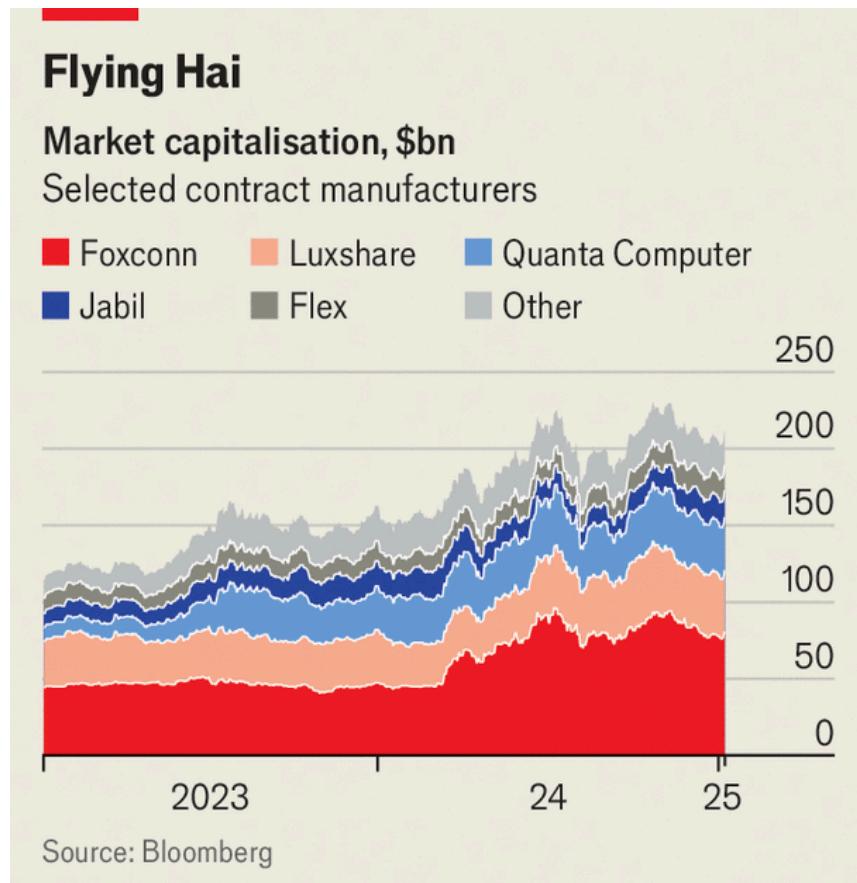
Apr 07, 2025 03:03 PM



FOXCONN, A TAIWANESE electronics manufacturer, is best known for making iPhones in China. Yet in October it announced plans to build a megafactory in Mexico that will churn out servers made with artificial-intelligence (AI) chips from Nvidia, a semiconductor giant. To meet the roaring demand for AI, the plant's capacity will be, as Young Liu, Foxconn's chairman put it, “very, very enormous”.

That phrase could well describe the ambitions of the contract-manufacturing industry as a whole. The firms, which make gadgets for other companies, are on a tear. On January 5th Foxconn, also known as Hon Hai, announced record fourth-quarter sales of \$65bn, up by 15%, year on year. Its smaller rivals, such as Quanta Computer and Jabil, have also reported solid results recently. In the past two years the combined market value of the eight biggest contract manufacturers has roughly doubled (see chart). Buoyed by

their impressive performance, the companies are busy expanding into new products and places.



Much of their recent success is down to AI. Whereas demand for smartphones and PCs has stagnated, for data centres it has ballooned. On January 3rd Microsoft said that it would splurge \$80bn on AI infrastructure this year. For Foxconn, a big supplier to the software giant, AI servers will make up about a quarter of total sales in 2025. For Quanta that share could be half, according to Mizuho, a Japanese bank. Other contract manufacturers, such as Luxshare, a Chinese supplier to Apple, and Compal, a Taiwanese one, are hoping that AI will revive sales.

Contract manufacturers have also been expanding into new industries. In October Foxconn unveiled [two new electric-vehicle designs](#), to add to the six other models which it will build for companies. Competitors such as Pegatron are now making gear for private 5G networks. Quanta is expanding into wearable medical

devices and smart-home gadgetry. Foxconn has blasted two prototype satellites into space.

The firms are trying to control more of the value chain as well. Foxconn wants to provide parts, such as liquid-cooling technologies, for the server racks it assembles. Luxshare, which began life as a maker of components for smartphones, is doing more assembly. On December 31st it announced it would acquire the assembly division of Wingtech, another Chinese supplier to Apple.

At the same time, a geographic shift is under way, precipitated by Donald Trump's first round of tariffs in 2018. According to Counterpoint, a research firm, the production of smartphones and PCs mostly remains in China, though there has been some relocation to places like India and Vietnam. But the manufacturing of other products has moved closer to customers. About two-fifths of Taiwanese contract manufacturers' server production now takes place in Mexico, reckons JPMorgan Chase, a bank. That cuts the cost of shipping to the American cloud-computing giants, which are their biggest customers.

For all the expansion, contract manufacturers face a number of risks. One is competition. The firms are constantly invading each others' turf. Luxshare was founded by two former factory workers at Foxconn, with which it now vigorously competes. Tata, an Indian conglomerate, bought the local iPhone operations of Wistron, a Taiwanese manufacturer, in 2023, and is acquiring a majority stake in the Indian operations of Pegatron.

Another risk is customer concentration. Around 70% of Luxshare's business comes from Apple. Foxconn gets about 60% of its revenue from the iPhone-maker. Booming sales related to AI mean some contract manufacturers now rely heavily on Nvidia for their growth.

A final risk is trade. Mr Trump has said he will slap tariffs on Canada, China and Mexico. Their dependence on a few customers suggests that contract manufacturers may struggle to pass on higher costs. That could mean thinner margins as gadget-makers absorb the levies or plants are moved to tariff-free countries. During Mr Trump's first term Apple and Samsung successfully lobbied for exemptions for their supply chains. Contract manufacturers will be hoping for a repeat, perhaps with support from the cloud giants. Despite their best efforts at diversification, Foxconn and friends are still at the mercy of big tech. ■

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<https://www.economist.com/business/2025/01/09/foxconn-and-other-gadget-makers-are-expanding-their-empires>

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**Alloys and allies**

## What next for US Steel?

*The faded industrial icon has few good options without a Nippon deal*

Apr 07, 2025 03:03 PM



TO MAKE STEEL pliant enough to be shaped into parts for cars and planes, it must first be heated until it glows cherry red. That, incidentally, may have been the colour of David Burritt's face when Joe Biden blocked the purchase of us Steel by Nippon Steel, a Japanese firm, on January 3rd. Mr Burritt, the American steelmaker's boss, issued an incandescent statement calling the president's decision "shameful and corrupt" and accusing him of helping China ("Chinese Communist Party leaders in Beijing are dancing in the streets").

That the purchase was supported both by us Steel's management and many of its employees was not enough to win over Mr Biden. Nor were Nippon's pledges to hand out \$5,000 each to workers and give the American government a decade-long veto on production cuts. Selling America's third-largest steelmaker to a rival from an allied country would hardly have posed a [threat to national security](#), as Mr Biden claimed. But the decision to block the

takeover is entirely consistent with the protectionist mood in Washington that is set to intensify under Donald Trump, who also vowed to block the deal. Where does that leave US Steel?

The company's first response has been to call the lawyers. On January 6th US Steel and Nippon jointly announced two lawsuits. One asks the court to overturn Mr Biden's decision on the basis it was done for "purely political reasons", rather than for national security. It also accuses the Committee on Foreign Investment in the United States, America's inbound-investment watchdog, of not conducting a lawful review (the committee had failed to reach a consensus on whether the deal posed a national-security threat, referring the decision to Mr Biden).

The second lawsuit is aimed at Cleveland-Cliffs, a rival American steelmaker, and the United Steelworkers union, alleging that they colluded to torpedo Nippon's bid (a claim they call "baseless"). Cleveland-Cliffs narrowly lost to Nippon in a bidding war for US Steel last year.

Overturning Mr Biden's decision in court will be tough. Judges give wide latitude to the executive on matters of national security, and allegations of insufficient due process will be a hard sell, says Jonathan Gafni of Linklaters, a law firm.

US Steel's prospects as a standalone company, though, look bleak, even with a \$565m break-up fee from Nippon. It has long struggled to compete with imported steel and "mini-mills" that use electricity to melt scrap metal. Nippon had promised to invest billions upgrading its tired kit, and the deal offered an opportunity to learn from a far more efficient partner (the Japanese firm earns more profit per tonne of crude steel than any of its big rivals).

If it fails in court, US Steel may therefore seek another buyer. But finding one could be tricky. Other foreign steelmakers will probably steer clear. Even if Cleveland-Cliffs still has its heart set

on a deal, it may struggle to find the cash: its balance-sheet is already stretched owing to slumping steel prices and its acquisition last year of Stelco, a Canadian steelmaker. Antitrust regulators might also have something to say about a tie-up between the two; American carmakers have complained that the combined company would produce 65-90% of the steel they use to make vehicles.

Mr Burritt may now pin his hopes on America's next president. Higher tariffs, which Mr Trump has promised, could help shield the firm (at the expense of customers). Mr Burritt has also appealed to the president-elect to save the Nippon deal. The lawsuits may buy time for Mr Trump, who fancies himself America's dealmaker-in-chief, to eke out a few more concessions and declare victory. He will have to decide whether he wants US Steel to be part of a vibrant, global firm, or carry on as a declining, all-American one. ■

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<https://www.economist.com/business/2025/01/09/what-next-for-us-steel>

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Bartleby

# The signals of workplace submissiveness

*Deference is all around you, unfortunately*

Apr 07, 2025 03:02 PM



ANIMALS HAVE evolved many different ways to signal submissiveness to their more powerful counterparts. Lower-ranking chimpanzees might greet a dominant chimp by producing a breathy sound known as a pant-grunt. Hanuman langurs present their hindquarters. Spotted hyenas of both sexes (yes, both) have a habit of displaying erections to acknowledge that they sit lower down the pecking order. Chickens invented the very concept of pecking orders.

The spotted hyena would not survive for long in most organisations. But patterns of deference and dominance are as natural for humans as they are for other animals, and the workplace is no exception. Most companies have org charts that show who outranks whom. Job titles are used to advertise not just what a person does but also where they sit relative to others. Sometimes hierarchies are obvious. In the armed forces, people must salute their superior officers. But deference shows up in other, less explicit ways, too.

Seating arrangements are a good example. Imagine entering a meeting room first. You know that lots of people are going to be sitting around the table, some more senior than you, and that the meeting will be chaired by the chief executive. Your task is to work out where to sit. Chances are that you will not take a seat at the head of the table or midway along either side: these are places where the boss would naturally sit. Somewhere along the sides and towards the end are the safest places to head.

If the CEO is already sitting there when you arrive, your choice now becomes simpler: anywhere but the adjacent chairs. Unless you are very senior yourself, sitting too close to the alpha executive risks being a transgressive act. If someone has an empty chair on either side of them at a boardroom table they either have halitosis or the top job. (Something similar is at work in conference halls: the front rows remain stubbornly empty for a reason.)

Another form of deference has more obvious roots in the animal kingdom. In his book “Mama’s Last Hug”, Frans de Waal, a primatologist and author, describes how monkeys and apes use a teeth-baring grin as a signal of submissiveness to a dominant animal. The office equivalent is observable when the most senior person in the room makes a joke and everyone laughs. Seen from a distance, it might look like the filming of a Netflix special. Inside the room it’s much more likely to be a display of deference than an outbreak of genuine hilarity.

The language of the workplace is also suffused with an awareness of hierarchy and territoriality. People will say things like “this is above my pay grade” to preface conversations where they want to be clear that they are not challenging anyone’s authority even as they explain why things would be so much better if they were running things.

Deferential language is not just used when underlings communicate upwards; it is also a way for peers to signal that they are not going

to trample on each other's turf. A paper published in 2012 by Alison Fragale of the University of North Carolina and her co-authors analysed email communications within organisations for signs of verbal deference—imagine the use of a qualifying phrase like “I’m not 100% sure I agree” to mean “I totally disagree but am not intending to threaten your status.” The authors found that this kind of language was more common between people at similar levels in an organisation than between its junior and senior members.

Hierarchies are useful. They incentivise people to aim higher in their careers, they enable co-ordination and they mean that decisions are taken and then stick. When someone higher up the food chain has the power to promote or sack you, a bit of deference is not just inevitable but also wise. But hierarchies can also cause a lot of damage, by quelling debate, gumming up decision-making and reducing autonomy.

This is why it is worth being alert to quietly submissive workplace behaviours. Their pervasiveness is a reminder to managers that power is always likely to distort interactions—in ways that are subtle as well as obvious, small as well as large. If you hear someone say “that’s above my pay grade”, then your attempts to instil a sense of ownership have a long way to go. If your employees express mild concern about a decision of yours, it is probably best to assume they are really worried about it. And if someone laughs at your jokes, don’t start planning a career in stand-up.■

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<https://www.economist.com/business/2025/01/09/the-signals-of-workplace-submissiveness>

**Schumpeter**

## Meet the ambitious wolf cubs of Wall Street

*A duo of whippersnappers is taking on Goldman Sachs*

Apr 07, 2025 03:03 PM



THE MASTERS of the universe will have hoped for some peace and quiet over Christmas. The holiday period was the last time for Wall Street financiers to catch a breath before Donald Trump is handed the keys to the White House on January 20th. Even if he does not make Canada the 51st state or annex Greenland, his second term promises lots of excitement. Currency traders are watching the Canadian dollar, Danish krone and other monies—though this has less to do with Mr Trump's territorial ambitions and more with the tariffs he has vowed to slap on allies and foes alike. Stockpickers are waiting to see which firms find favour with the mercurial president and which fall foul.

Yet it is investment banks' rainmakers who expect to be the most hyper-caffeinated. President Joe Biden's zealous trustbusters, with their mantra that "big is bad" and novel ideas about what mergers and acquisitions (M&A) count as anticompetitive, are out. Their Trumpian replacements, though as leery of big tech, look more relaxed about most other transactions, so long as these do not raise

prices for consumers. Mr Trump himself has declared he wants “clear rules that facilitate, rather than stifle, the ingenuity of our greatest companies”. Translation: deals, deals, deals.

With rising corporate profits (which fill prospective buyers’ coffers with cash), easing monetary policy (which makes it cheaper for them to borrow more) plus high stockmarket valuations (which strengthen the currency of their shares), before long boards will be asking CEOs, “What’s your M&A strategy?” sums up Ryan Kenny, a banking analyst at Morgan Stanley. Mr Kenny’s employer and its investment-banking arch-rival, Goldman Sachs, stand to benefit from this dealmaking FOMO. Their market values hit records in late November, each surpassing \$200bn (if briefly, in Goldman Sachs’s case).

Impressive. But look at growth and it is two independent competitors, Evercore and Jefferies, that have really set investors’ pulses racing. Their share prices have more than doubled in the past two years, roughly twice the gains of the industry giants. Evercore is now worth over \$10bn. Jefferies is closing in on \$17bn.

Both are rising up various league tables. Last year Jefferies came seventh in Dealogic’s latest ranking of banks by investment-banking revenue, up from tenth in 2023. On January 8th it reported total revenues of \$7bn in the 12 months to November, compared with \$4.7bn the year before. Net profit more than doubled to \$669m. If analysts are right, in 2024 Evercore surpassed Morgan Stanley in terms of global advisory revenues, behind only JPMorgan Chase and Goldman Sachs.

The two firms, with headquarters on opposite sides of the intersection of 53rd Street and Madison Avenue, represent distinct visions of high finance. Evercore makes little use of its balance-sheet and earns most of its money from fees clients pay it to advise on transactions. Its founder, Roger Altman, a former Treasury official, created it in 1995, when standards on Wall Street in

matters such as treatment of confidential information and conflicts of interest were slipping. Mr Altman stresses his firm's "fanatical commitment to quality and integrity". Corny? Sure, he concedes. But also good business.

Where Evercore is genteel, Jefferies looks, in the words of a hedge-fund admirer, "swashbuckling". Its CEO of 24 years, Rich Handler, posts photos on Instagram of himself wielding a laser-tag gun. Its \$64bn in assets is wee and unleveraged next to Goldman Sachs's and Morgan Stanley's trillion-dollar balance-sheets, and it relies on a joint-venture with SMBC, a giant Japanese bank, to fund some of its activities. But it seems risk-tolerant in other ways. In 2009 aggressive recruitment tactics led UBS, a Swiss lender, to sue it for poaching a star rainmaker. After the Adani Group, an Indian conglomerate, was attacked by a short-seller in 2023 over alleged fraud, Jefferies stood by its client as others steered clear. It reportedly began reviewing its ties only once American prosecutors charged the founder, Gautam Adani, with bribery in November. (The Adani Group and Mr Adani deny all charges.)

Yet Evercore and Jefferies share commonalities, too, and not just their address. Both fetishise talent even more than their industry as a whole. "I spend a tremendous amount of time recruiting," says John Weinberg, Evercore's chief executive. Its ranks of senior investment bankers rose by 27% in the past three years. Relative to size, it was out-hired only by Jefferies, whose equivalent head count rose by 46% in the period.

Both display an aversion to middle management. Just two layers separate a managing director from Mr Handler and Brian Friedman, Jefferies' president. "Managers are player-coaches," explains Mr Friedman. "Everyone is on the field and leading by example." Evercore is similarly flat. Goldman Sachs and Morgan Stanley have at least one more layer.

### ***Spot the next Goldmen***

In some ways the two starlets are becoming more alike. Jefferies is raising its advisory revenues, paring back some capital-intensive activities such as buying stakes in companies, and wants a bigger slice of the company mega-mergers that are Evercore's forte. Evercore, for its part, is increasingly helping clients raise capital, on top of offering deal counsel, and is eyeing the not-so-mega-deals involving private-equity investors, which Jefferies dominates. Both are sizing up advisory opportunities in private credit, which is replacing bank lending in many mergers and buy-outs.

Both must also prove they can put their highly paid hires to work. Their dealmakers are the most productive among listed rivals, last year bringing in an estimated \$10m each in fees at Jefferies and \$18m at Evercore. To ensure this continues, Messrs Handler and Weinberg had better keep those coffee cupboards full. ■

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<https://www.economist.com/business/2025/01/09/meet-the-ambitious-wolf-cubs-of-wall-street>

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**Falling stars**

# Europe could be torn apart by new divisions

*The continent is at its most vulnerable in decades*

Apr 07, 2025 03:03 PM



EUROPE'S DIVISIONS were once simple. Fiscal policy and sunshine? That was a north-south carve-up: grey, abstemious north; sparkling, spendthrift south. Migration and wealth? Newcomers were mostly tolerated in the rich west and despised in the poor east. Only the wine-beer-vodka spectrum, which produced a twice-diagonal split, was more complex. When crisis struck, these familiar dividing lines helped. Predictable splits are easier to manage.

Europe also had plenty of reason to unite. Trade talks are less complicated for a single market if 27 countries find a common position, even if doing so sometimes means compromising on national interests. A euro crisis would hit all members of the currency area. When Russia invaded Ukraine, most of Europe reacted with instinctive horror. Sanctions on Russia and cash for Ukraine swiftly followed.

The next crisis will be harder, in part because the nature of the threats facing Europe has changed. America and China will soon share disdain for the EU and global rules. Their leaders will have no problem tying together economic and security matters for

maximum leverage, as is illustrated by Donald Trump's promise to use tariffs and possibly even force to induce Denmark to hand over [Greenland](#). International security has deteriorated to the point where European armed forces are being re-engineered, with bigger budgets. And Europe is acting from a position of weakness. Germany, its biggest economy, is entering its third year in recession. These threats and problems are dividing Europe along new lines.

To see how, start with the continent's economic difficulties. Weak economies are more likely to make poor geopolitical decisions. During the euro crisis of the early 2010s, it was Europe's periphery that was struggling. Southern European countries flogged visas to investors indiscriminately. Central and eastern European countries were more than happy to work with China in its "16+1" initiative, which sought to draw the region into Xi Jinping's orbit. Now Europe's core is suffering. It is not just Germany; the IMF also forecasts meagre growth for France and Italy (see table). Europe's biggest countries will therefore have to steer the EU through dangerous times while trying to reform their own economies. In September Mario Draghi, a former president of the European Central Bank (ECB) and prime minister of Italy, laid out an ambitious reform agenda. Without agreement between France and Germany there is little hope for even the most modest of his proposals.

## Europa league

Selected EU27 countries

GDP, 2019-28 forecast, % increase



Exports to non-EU countries,  
2023, % of GDP



Fiscal consolidation required\*, % points



\*Difference between current budget balance as a share of GDP and the level needed for constant debt-to-GDP ratio

Sources: Eurostat; IMF; *The Economist*

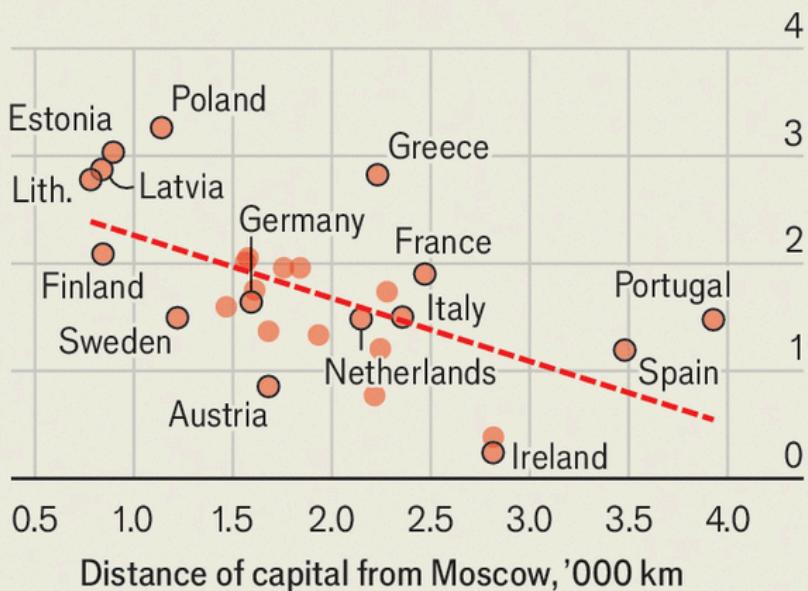
The EU's members never saw eye-to-eye on trade, but there was a balance. A free-trade bloc, with Britain at its heart, helped contain the protectionist instincts of France. A strong internal market with limits on industrial policy, and global trade largely on the World Trade Organisation's terms, kept all parties broadly satisfied. Now that Britain is out, the balance has shifted in favour of those who want to use tariffs and subsidies for political aims. The WTO has few friends left outside of Europe and has lost a few inside the bloc as well.

## Bear hunt

EU27 countries

Defence spending, % of GDP

2023



Bilateral military aid to Ukraine, % of annual GDP

Jan 24th 2022-Oct 31st 2024



Sources: European Defence Agency; Eurostat;

Google Maps; Kiel Institute

In the debate over the future of industrial policy and how best to respond to the provocations of Mr Trump, the big countries have very different incentives. Germany and the Netherlands conduct a lot of trade beyond the EU's borders (see table). The former continues to reject tariffs on Chinese-made electric vehicles for fear of retaliation against its carmakers; the latter had to be strong-armed by America into restricting exports of chipmaking equipment to China. By contrast, France, Spain and Poland are much less exposed to international commerce, and as a consequence are more willing to sacrifice the gains of trade. Although the European Commission has agreed a trade deal with Mercosur, a South American group, it has not yet been ratified, and is being opposed by France and Poland. Such countries are also much more likely to argue in favour of European production of "strategic goods" and "buy European" clauses.

At first glance, the continent appears unified on defence. After Russia's invasion of Ukraine and the re-election of Mr Trump, few are under any illusion about military spending. In 2023 EU countries spent 1.6% of GDP on defence—"not that much more than the roughly 1% limit the allies set for Germany after the first world war to prevent the country from being able to defend itself", notes Moritz Schularick of the Kiel Institute, a research outfit. Now everyone agrees spending will have to rise beyond 2% or even 3% of GDP. That is a sizeable increase for a continent used to outsourcing its security to America.

But even here there are differences: not all countries are equally worried by Russia. Generally speaking, the closer a country's capital is to Moscow, the higher both its military aid to Ukraine and defence spending (see chart). These differences will become a source of tension. Mr Trump has made clear that he expects NATO members to raise spending to 5% of GDP if they wish to continue to benefit from American protection. The EU budget may need a large pot of €100bn (\$103bn) for common outgoings on defence, up from €8bn at present, Andrius Kubilius, the EU's first-ever

commissioner for defence, has argued. An increase of that size would entail cuts to the bloc's other spending commitments, or bigger contributions from all members.

### ***Cost a bomb***

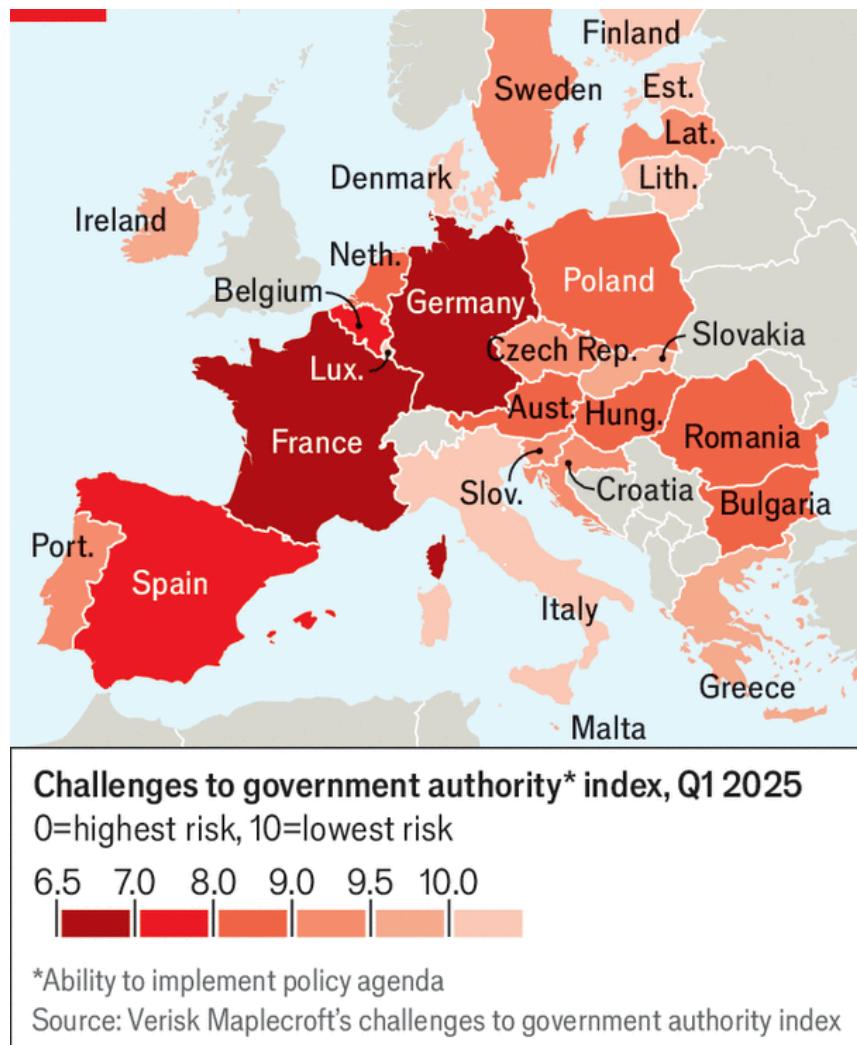
Security will also complicate other matters. Countries with an especially strong interest in retaining American military support, such as the Baltic states, may reject retaliatory tariffs against Mr Trump. They may also side with America on measures against China, as they did last year when voting in favour of EU tariffs on Chinese electric vehicles. Even free-trading Nordic countries either supported the measures (in the case of Denmark) or abstained (Finland and Sweden).

Funding is another problem. Even before armed forces get their extra money, public debt in France, Italy and Spain exceeds 100% of GDP. Last year France ran a deficit of more than 6% of GDP; it aims merely to bring this down to around 5% in 2025. We have calculated how much countries would need to reduce their primary deficit—that is, deficits before interest payments—to keep their debt ratios at current levels (see table). Unsurprisingly, France stands out, requiring spending cuts or tax rises worth 4% of GDP. Poland and Italy would also face tough measures.

In April the EU changed its fiscal rules. It now requires each country to put together plans for a more balanced budget, via either lower spending or higher taxes. The ECB, which is ultimately the backstop for all euro-zone government debt, has indicated that compliance with such rules is mandatory for any country hoping for its support. France, Italy and Spain will all have to adjust by about 0.5% of GDP a year, according to Bruegel, a think-tank. Arguments are on the way.

An economic downturn would make the arguments even more heated. The ECB is still battling inflation—with prices for services a

particular problem, at 4% above a year ago—and as a result is reluctant to cut interest rates sharply. Euro-area household savings have risen to 16% of disposable income, up from 13% before the covid-19 pandemic, hurting consumption. Businesses are braced for the impact of Mr Trump, amid already intense competition from China. The euro zone may soon return to a familiar debate: should deficit spending be used to prop up an economy?



During the euro crisis, the EU overcame problems through deeper integration. Unthinkable policies, such as the ECB standing behind government debt and EU countries incurring common debt, became reality. “The good thing is that the EU’s team is the best it has been in decades,” says Mujtaba Rahman of Eurasia Group, a consultancy. Ursula von der Leyen, president of the European Commission; Kaja Kallas, the Commission’s lead on foreign

policy; and António Costa, head of the European Council, are all adroit, ambitious politicians. They will be ably supported by Mark Rutte, NATO's new secretary-general.

Yet Europe's politics is being pulled to the extremes. Germany will be consumed by an election until late February, with the likely result another constrained centrist coalition. In France Emmanuel Macron is struggling to form a stable government. Spain's minority government cannot pass a budget. Indeed, in an unusual reversal, Italy is the bloc's most stable big country, according to Verisk Maplecroft, another consultancy (see map). On top of this, many of the EU's problems touch upon matters at the heart of national politics: security, the state's role and taxation. Mr Draghi's grand plans increasingly look like a wishlist for another world. For Europe, this will be a year of crisis management. ■

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<https://www.economist.com/finance-and-economics/2025/01/09/europe-could-be-torn-apart-by-new-divisions>

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**Labour the point**

## Can America's economy cope with mass deportations?

*Production slowdowns, more imports and pricier housing could follow*

Apr 07, 2025 03:03 PM | Washington, DC



Many people are leaving

WHEN DONALD TRUMP takes office on January 20th, deportations will be a priority. The president-elect has promised the [biggest removals in American history](#), with workplace raids and the revocation of parole programmes. Stephen Miller, his deputy chief of staff, and Tom Homan, his border tsar, want to use the armed forces to get the job done. Mr Trump has cited “Operation Wetback”, a controversial campaign in the 1950s under President Dwight Eisenhower, which threw out around 1.1m people, as an inspiration.

What economic consequences might follow a [large-scale crackdown](#)? According to the Pew Research Centre, a think-tank, some 11m unauthorised migrants lived in America in 2022, of whom 8.3m were in the workforce. A recent surge means the number will now be higher. Experts estimate there may be 10m

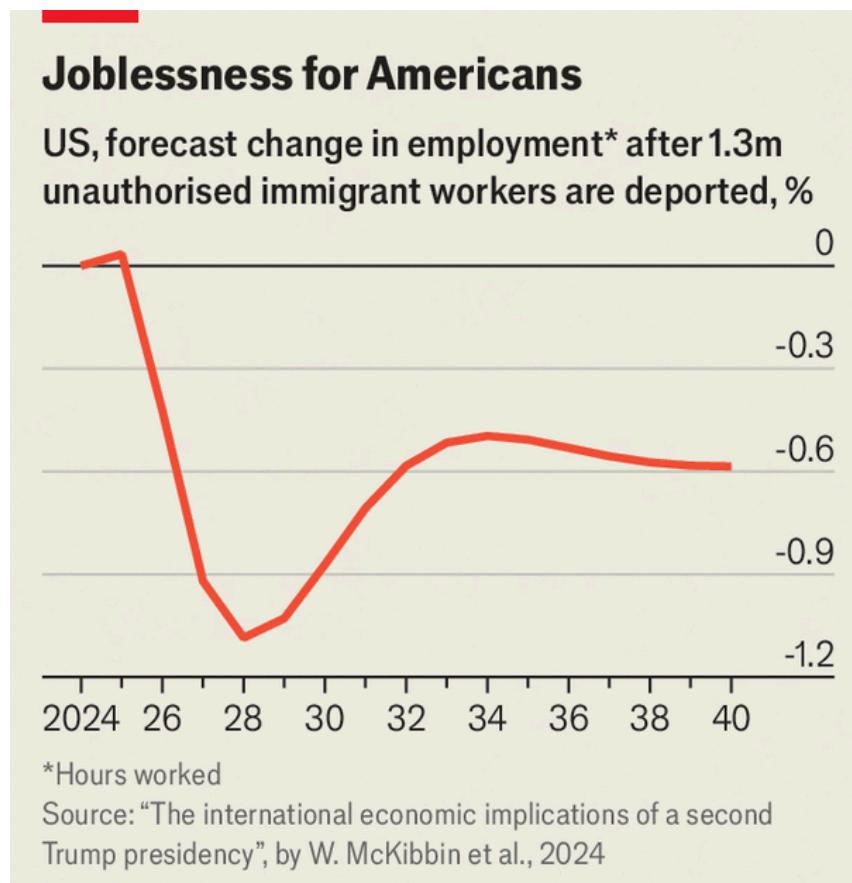
unauthorised workers, representing 6% of the labour force. Many work on building sites and farms, as well as in restaurants.

California, Florida, New York and Texas are home to nearly half of them. The economic fallout from a deportation of this population—whether full or, [as is more likely, partial](#)—can be assessed across three dimensions: employment, consumer prices and public finances.

Deportations are often discussed as a boon for American workers. Mr Miller, for example, has said that mass removals would create jobs for Americans and increase wages. Whether that proves to be the case depends on whether unauthorised immigrant labour substitutes for, or complements, native-born labour. The evidence suggests the latter. A study by Chloe East of the University of Colorado Denver and co-authors found that deportations under President Barack Obama led to the loss of one native-born job for every 11 migrants thrown out of the country. A paper from the Peterson Institute for International Economics, a think-tank, has similar findings. The authors estimate that deporting just 1.3m workers would cause employment to permanently fall by 0.6%. Production would take an even bigger hit.

“Unauthorised immigrants do not just supply labour for a fixed demand,” explains Michael Clemens of George Mason University, “they are a crucial ingredient for production.” After all, someone must pack seafood to make lobster salads and hand-harvest cucumbers destined for Greek salads. Yet Americans are seldom willing to take such jobs at the wages on offer. During the covid-19 pandemic, the National Council of Agricultural Employers ran a survey to find out how many out-of-work Americans would take nearly 100,000 seasonal farm jobs that were advertised for guest workers via a federal programme. At the height of the crisis, just 337 applied. With the employment rate among 25- to 45-year-old native-born workers at a decades-long high and the population ageing, labour shortages will only worsen.

Supply bottlenecks tend to push up prices, but the impact varies by sector. Agriculture is especially vulnerable. A report by the Migration Dialogue at the University of California, Davis, estimates that almost 1m of America's 2.5m farmworkers are unauthorised immigrants. Dairy and poultry farms, which cannot make use of seasonal guest-worker visas, are particularly reliant on them. The loss of this labour could be offset by ramping up automation, through more guest workers or by consumers relying more on imports. Mr Clemens, Ethan Lewis of Dartmouth College and Hannah Postel of Duke University have found that excluding 500,000 temporary Mexican labourers from farms in the 1960s led mostly to more mechanisation. However, robots remain no match for humans when it comes to picking strawberries. Today the consequence would either be higher costs, or another unpalatable outcome for the Trump administration, such as a wider trade deficit.



Housing costs are also likely to be pushed up. Unlike food-production firms, which can sometimes turn to automation or imports, construction companies have fewer alternatives. Some 1.5m unauthorised migrants toil in the industry, accounting for about a sixth of the workforce, as well as just under a third in trades such as drywall installation and roofing. Housebuilding is already under pressure from higher interest rates; further supply-chain disruptions could worsen shortages. Although deportations should mean less housing demand, recent research by Troup Howard of the University of Utah and others finds that removals during the Obama administration exacerbated housing shortages. The supply-side impact of lost labour dominated the fall in demand.

Then there is the fiscal cost. Mass deportations would not just shrink the labour force; they would also strain public finances. Unauthorised immigrants are ineligible for most direct federal benefits, such as Obamacare subsidies, public housing and welfare programmes. But despite being ineligible they still pay into public coffers via sales and payroll taxes for Social Security and Medicare. Many also pay property taxes indirectly through rent payments.

The fiscal effects of immigration extend beyond direct contributions. Migrants boost labour supply and economic output, lifting taxable income and business profits. The Congressional Budget Office expects the recent surge in migration to reduce federal deficits by \$900bn from 2024 to 2034, owing to higher tax revenues and economic growth. Removing these workers would shrink the tax base and leave spending obligations intact—a recipe for unbalanced books. ■

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<https://www.economist.com/finance-and-economics/2025/01/06/can-americas-economy-cope-with-mass-deportations>

**Dark humour**

## China's markets take a fresh beating

*Authorities have responded by bossing around investors*

Apr 07, 2025 03:03 PM | Shanghai

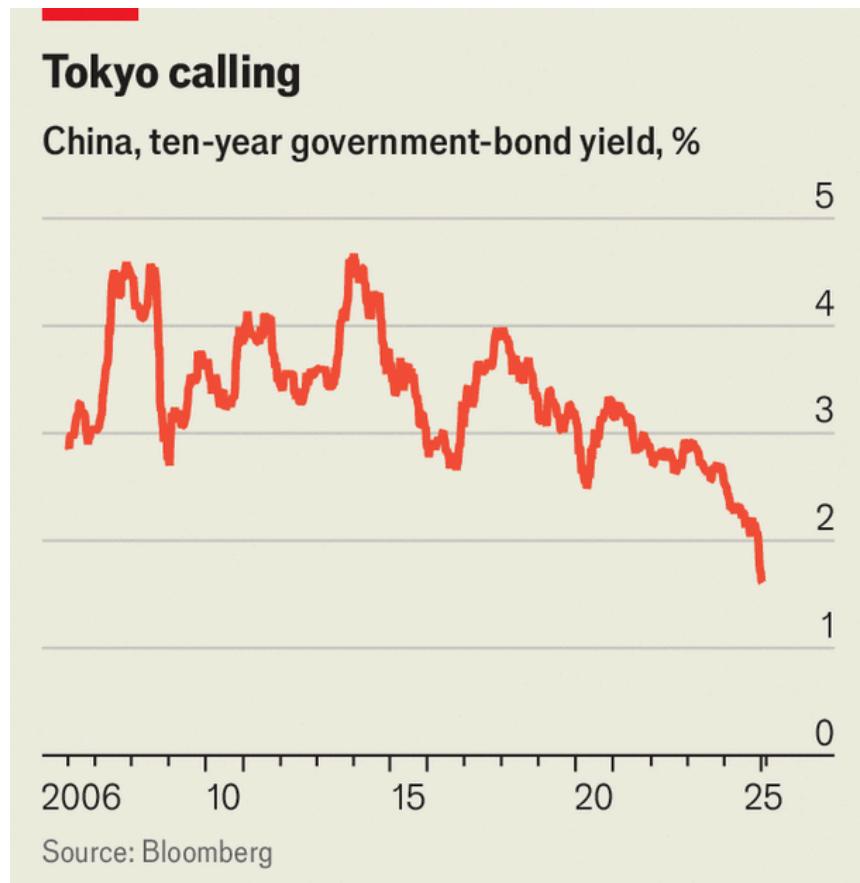


AS CHINESE MARKETS came crashing down at the start of 2025, a joke circulated among investors: “What is the most valuable asset in the market?” The answer, they replied with a chuckle, was “retail investors”. [China](#)’s stockmarkets are dominated by amateurs. They buy high and sell low, helping the professionals eke out a living. They also seem to be in endless supply, no matter how much money is lost. “They get cut down like chives but grow right back,” goes a popular saying.

Although retail investors will have suffered most in the recent sell-off, others are being cut down, too. [Chinese](#) stockmarkets experienced their worst first day of trading since 2016 as the CSI 300, a benchmark index, fell by 2.9% on January 2nd. During the first four trading days in 2025 it was down by over 3.5%. More striking still, yields on long-dated government bonds have cratered. Those on ten- and 30-year government bonds hit record lows on

January 6th. On the same day the yuan sank to 7.33 to the dollar, a 15-month low.

There is no shortage of explanations for the gloom. One is uncertainty linked to the fast-approaching second term of Donald Trump, which starts on January 20th and brings with it the possibility of new tariffs on Chinese exports. The American defence department's recent decision to add Tencent, one of China's most valuable tech firms, to a list of companies working with China's armed forces has not helped. Another is that patience with a state bail-out is evaporating. In September regulators promised to take swift action to solve China's biggest problems, such as a property crisis and highly indebted local governments. Talk of a hefty stimulus package at the time pushed up the CSI 300 by more than 25% in a week or so of trading.



Yet the state's delivery has since been underwhelming. In December consumer inflation fell towards zero, China's statistics

authority announced on January 9th. The biggest component of stimulus has gone to paying off local-government debt. Although home sales in a few big cities rebounded in the final weeks of 2024, compared with the previous year, the vast housing inventory in smaller cities means national prices will probably continue to decline. As long as the housing market struggles, sentiment among ordinary folk will be tough to revive. Goldman Sachs, a bank, has suggested that investors look to Japan's "lost decade" as a guide to the future of the Chinese stockmarket.

Movements in the bond market have worried global investors. China's regulators have been dealing with falling yields for months as local investors scramble for a haven, with many piling into government bonds. Cuts to the deposit rate have prompted people to shift their money from banks to fund managers. This trend is one factor that prompted investment funds to become the biggest buyers of bonds last year, according to Standard Chartered, another bank. Some investors speculate that the yield on the ten-year government bond could even fall below 1% this year.

Authorities have homed in on market players, rather than economic fundamentals, as the source of the problem. They have told analysts and economists working at banks to avoid topics such as deflation and comparisons with Japan's stagnation. As bond investors search for safe investments, regulators have instructed them to stop driving down yields. Some small banks have been banned outright from buying government bonds or had purchases cancelled. On January 3rd the central bank called a meeting with fund managers to tell them to reduce bond buying, according to Reuters, a news agency. Stock exchanges have also called meetings with international investors in the hope of calming nerves. A Shanghai-based portfolio manager notes that many of these moves have only increased the sense of panic.

The state has not been stingy when shoring up the stockmarket. China's central bank has offered up some 800bn yuan (\$110bn, or

0.6% of GDP) in relending for stock purchases and swap facilities since September. State-owned firms, collectively known as the “national team”, probably spent over 700bn yuan in 2024 to prop up share prices. This type of state intervention may be dialled up. Rumours of a “national stabilisation fund”, or a centrally controlled investment vehicle for buying stocks, circulated last year. When local traders are not swapping jokes, they are sharing tips on how and when state capital might come pouring into the market. ■

**Correction (January 8th 2025):** This article previously misstated the share of Chinese GDP represented by 800bn yuan as 4% rather than 0.6%. Sorry.

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<https://www.economist.com/finance-and-economics/2025/01/07/chinas-markets-take-a-fresh-beating>

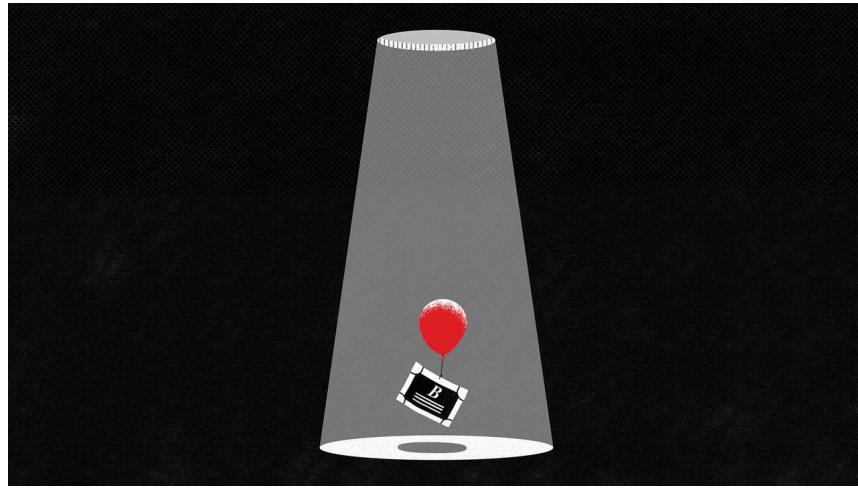
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**Buttonwood**

## How corporate bonds fell out of fashion

*The market is at its hottest in years—and a shadow of its former self*

Apr 07, 2025 03:03 PM



THERE ARE normally few thrills to be had from investment-grade bonds, which is just the way it should be. After all, this is lending to the very safest companies. Just now, however, bondholders are throwing a veritable rave.

To gauge their mood, look at the “credit spread”, or additional interest they charge corporate borrowers over and above the yield on equivalent government bonds. At 0.8 percentage points, the average credit spread on American investment-grade bonds was last this low in 2005, amid a lending surge that helped set the stage for the global financial crisis. Asian spreads are similar, and European ones not much higher. The bankers who help companies issue new bonds have not been so busy since policymakers flooded markets with liquidity during the covid-19 pandemic.

Interest rates spent much of the past two decades on the floor. Now they have increased sufficiently that, even when accounting for

razor-thin credit spreads, the all-in yields on plenty of high-grade corporate bonds are well above 5%. That looks rather good compared with the 4% earnings yield which is implied by the ratio of American share prices to underlying profits expected in 2025. Small wonder investors are keen on bonds, or that companies are exploiting their enthusiasm to issue more.

Yet in another sense, today's seemingly red-hot market comes as a shock. Racier forms of corporate debt, ranging from risky "junk" bonds to modish private credit, have been booming for decades. In contrast, the stature of the bog-standard corporate bond has trended firmly in one direction—down—for not just decades but centuries.

First issued by municipal Venice in the 1100s, bonds once made up the entirety of capital markets. Companies started selling them in the 1600s, around the same time as they began selling shares. Although stocks stayed grubby for aeons, corporate bonds became respectable more quickly. In the 19th century they were the least volatile securities on the Paris bourse; in America they outperformed shares for decades. Long after the Wall Street crash of 1929, investors still spurned stocks. As late as the 1950s they were happy to accept yields of 3% on corporate bonds, while demanding shares offer earnings yields close to 10%.

Then something in the collective psyche shifted and the cult of equity took off. Shares' promise of dizzying profits trumped the fixed income on bonds; investors poured money into the stockmarket; valuations soared and so did returns. The ballooning venture-capital industry vividly demonstrated the riches early ownership of high-growth firms could bring. Since 1900, crashes notwithstanding, the annualised real returns on American shares have been 6.5%, compared with 5.3% for corporate bonds.

Over the past ten years the divergence of the two markets has continued apace. Investment-grade bonds issued by American firms were worth \$7.5trn in 2014, compared with \$19trn for shares in

firms in the s&p 500 index. Now the two figures are \$11trn and \$52trn, respectively. The bond market's value, then 39% of that for stocks, is now 22%. Issuance volumes hint at a continuing decline. Although 2024 was the busiest year in several, in real terms its \$1.6trn of newly minted bonds was below the annual average for the preceding decade. The market is less attractive than it appears.

This is down to more than changing tastes among investors in recent decades. The tech titans that have sent share prices soaring are less suited to issuing bonds than the corporate behemoths that preceded them. They generate torrents of cash, so have less need to raise capital from debt. What is more, their assets are largely intangible rather than the tangible sort against which bonds can be secured: intellectual property as opposed to factory machinery.

Could the corporate bond rise again? It is only natural that, as young and innovative companies have come to dominate markets, investors have wanted equity stakes in their growth. As such firms mature, and their profits rise more slowly, maybe their debt will look comparatively more attractive. They might also have more cause to issue it, as they plough ever more capital into the infrastructure that powers artificial intelligence. Last year Meta, the social-media conglomerate, sold bonds worth \$10.5bn, its biggest issuance to date. Maybe investors will regain the enthusiasm they held for the asset class in decades gone by. More likely, though, they will hunt for the shares of tomorrow's giants.■

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<https://www.economist.com/finance-and-economics/2025/01/09/how-corporate-bonds-fell-out-of-fashion>

**Free exchange**

# An American purchase of Greenland could be the deal of the century

*The economics of buying new territory*

Apr 07, 2025 03:03 PM



ALTHOUGH AMERICA has a history of taking a commercial approach to international relations, purchases are rarely made without controversy. When Thomas Jefferson bought Louisiana in 1803, doubling the size of the country, he had to set aside his zest for constitutional constructivism, which would have ruled out such bold federal action. Sixty-four years later, when William Seward, then secretary of state, purchased [Alaska](#) from Russia for \$7.2m (\$162m today), the move was dubbed “Seward’s folly”. Now the Alaska deal is seen as a masterstroke and the Louisiana purchase the greatest achievement of one of America’s greatest presidents. In hindsight, both look extraordinarily good value.

History will not be as kind to [Donald Trump](#) if he coerces Denmark to give up [Greenland](#). On January 7th the president-elect declined to rule out using military might or economic warfare in his pursuit of Greenland (and of the Panama Canal). America will lose friends if it bullies one into ceding territory. But Mr Trump’s provocations

are also foolish because an agreement to buy Greenland, made freely and in good will, could indeed be another deal of the century. Such a deal would increase America's security, and perhaps that of its NATO allies, too. Autocrats would be dispirited. And a purchase could also benefit the inhabitants of the island, who must—and surely would—have the final say.

What, then, is Greenland worth? One starting point is the island's annual GDP. At last count, in 2021, it was \$3bn, or one seven-thousandth of America's. Only 56,000 people live in Greenland, despite the fact it is bigger than any American state. Much of the territory's output is the work of the 43% of the labour force employed by the state (against 15% in America). Over half the government's bills are paid by Denmark, which gives the territory \$500m a year. The biggest industry is fishing. Removing the public sector, ignoring other spending commitments, assuming Greenland's long-run growth continues and America's federal government receives 16% of GDP in tax (the national average), as well as discounting using America's 30-year Treasury yield, produces a valuation of \$50bn, or a twentieth of America's annual defence spending.

Yet Mr Trump covets Greenland for its strategic and economic potential, rather than its puny output. The island sits between America and Russia in a part of the world that is becoming more navigable as Arctic ice melts. Although America's Pituffik Space Base on the territory's north-west coast already provides the armed forces with missile-warning sensors, an American Greenland might better monitor the Greenland-Iceland-UK (GIUK) gap, a strip of the Atlantic Ocean that is the access route for Russian submarines to America's east coast, and to the North Atlantic.



On top of this, Greenland's resource wealth is immense. It has known reserves of 43 of the 50 minerals deemed "critical" by America's government, including probably the largest deposits of rare earths outside China. These are crucial to military kit and green-energy equipment. Wells off Greenland's coast could yield 52bn barrels of oil, about 3% of the world's proven reserves, according to an estimate in 2008 by the US Geological Survey.

Greenland's resources have gone relatively unexploited owing to the difficulty of operating in the territory's harsh, remote areas. Four-fifths of the island is covered by ice. There are not even roads linking settlements. And the government banned oil exploration in 2021. But as the climate warms, the minerals become both more accessible and more valuable. Already, perhaps the greatest resource rush ever seen, on a per-person basis, is under way. Firms are drilling at around 170 sites, up from 12 a decade ago.

From whom could the island be bought? In 2009 Denmark all but granted Greenland the right to declare independence should its people choose such an option in a referendum. The island's nationalist government would very much like to exercise this right. At the same time Denmark granted the territory control of its own natural resources (though as its revenues go up, its block grant from Denmark goes down). Any purchase, therefore, should not be from Denmark, which really would be colonialist, but from the islanders themselves. If America offered merely our crude valuation of the flow of future taxes, it would amount to nearly \$1m per inhabitant. Given the territory's riches and importance, America could probably make every Greenlander a multimillionaire and still benefit enormously from the purchase.

### ***Cold feet***

Romantics and nationalists would doubtless call such an arrangement grubby. Couldn't the island go it alone? After all, the 380,000 citizens of Iceland manage well enough. Greenland could host more American military bases at the same time as exploiting its natural resources on its own terms. Why abandon your identity and subject yourself to political control from Washington?

But natural-resource bonanzas bring risks, too. One is corruption that prevents the benefits from being divided fairly. It is unclear whether 56,000 people can govern effectively in the presence of an immense windfall: imagine an English town council being given Saudi Arabia's oilfields. Extracting minerals means mass immigrant labour. National security is no longer just about the risk of invasion but also forestalling hybrid warfare, from sabotage to propaganda on TikTok. Selling to America up front would bring the full might of America's administrative and security apparatus to the territory, while guaranteeing—if your columnist's advice was followed—an equal distribution of the windfall.

Respecting Greenland's right to self-determination means respecting its citizens' right to consider such an offer, which could be put to a referendum. For the choice to be free, Mr Trump would have to retract his threat of force. He should do so—and then try putting some red meat in front of the polar bear. ■

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<https://www.economist.com/finance-and-economics/2025/01/08/an-american-purchase-of-greenland-could-be-the-deal-of-the-century>

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# Science & technology

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**Return of the House of Wisdom**

## How the Gulf's rulers want to harness the power of science

*A stronger R&D base, they hope, will transform their countries' economies. Will their plan work?*

Apr 07, 2025 03:03 PM | Dubai

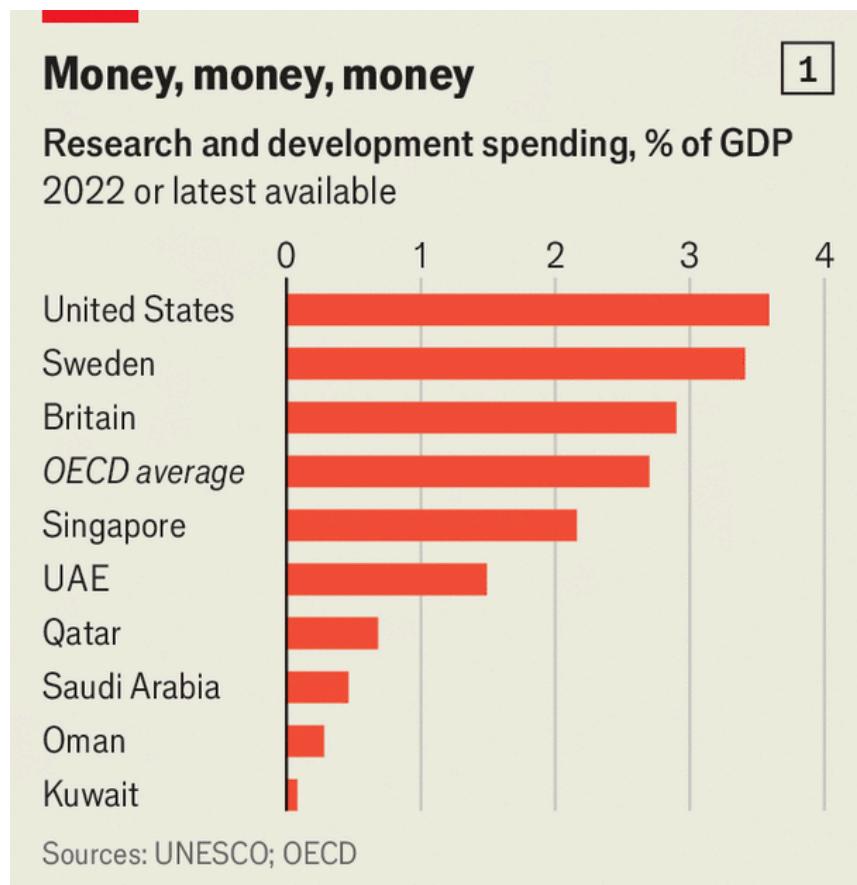


**BAYT AL-HIKMA**, or the House of Wisdom, in Baghdad emerged in the ninth century—even before the Accademia dei Lincei in Rome, widely considered the first academy of sciences. The Banu Musa brothers, sons of an astronomer in Baghdad, created the first machine with a stored program there and scientific textbooks from the institute were translated and made their way to Europe.

That marked a high point. Amid the siege of Baghdad in 1258, the Mongols destroyed the institute and threw all the texts into the Tigris river. Scientific discovery in the Middle East waned and has never returned to the heights of the Islamic Golden Age, as the era was known. Of all the Nobel prizes for the sciences handed out since 1901, only two have gone to recipients from the region.

The Gulf's rulers want to do better than that in future. Keen to diversify their economies away from fossil fuels, the governments

of Qatar, Saudi Arabia and the United Arab Emirates (UAE) are turning to scientific research.



The UAE launched a policy for science, technology and innovation in February 2024 and, seven months later, opened the research-led National University of Dubai. In Saudi Arabia Muhammad bin Salman, the crown prince, has launched a revamped strategy for the King Abdullah University of Science and Technology (KAUST), the kingdom's science hub, which is modelled on Western universities, to focus on research aligned with his "Vision 2030" economic blueprint. The kingdom has also struck a co-operation agreement with Britain. Qatar's third national strategy, which covers the six years to 2030, contains targets for patents, publications and R&D spending by scientific foundations and the private sector.

Currently, the UAE spends just 1.5% of its GDP on R&D, Qatar only 0.7% and Saudi Arabia 0.5% (see chart 1). This is well short of the 2.7% average among OECD countries, but that is partly because the

region is not taking a “kitchen-sink” approach and spreading its funding across every imaginable project, says Sarah al-Amiri, chair of the Emirates Science Council and the UAE’s minister of state for public education.

### ***Golden dreams***

Nevertheless, the Research Development and Innovation Authority in Saudi Arabia, set up in 2021, hopes to invest 2.5% of the kingdom’s GDP on research, development and innovation by 2040. Qatari officials plan to double their country’s current spending levels by the end of this decade, with about three-fifths coming from businesses. R&D is no longer just a “nice-to-have”, says Hilal Lashuel, a neuroscientist and an adviser to Sheikha Moza, the chair of the Qatar Foundation, a body that oversees that country’s universities and scientific research.

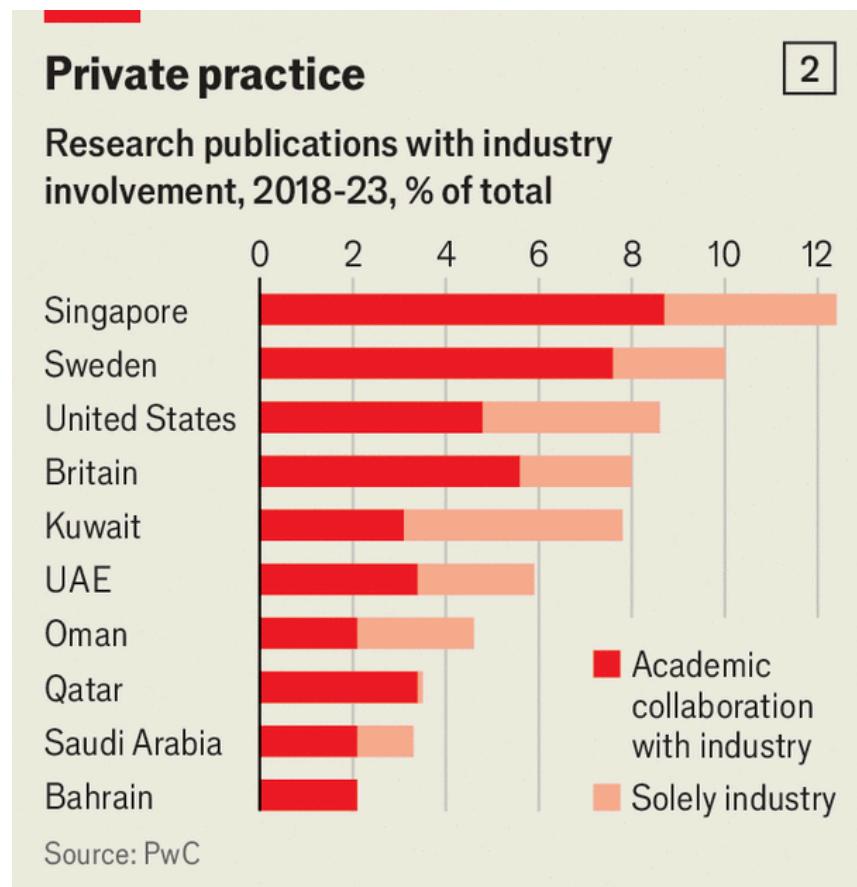
The Gulf’s new approach to building its science and technology prowess has three distinct characteristics: a focus on domestic problems; a preference for applied research; and a careful choice of international partnerships. Researchers in the region focus on practical topics such as food security, energy efficiency and health. Scientists at KAUST, for example, are using the fibrous structure of oyster mushrooms to create a membrane that can simultaneously absorb oil and repel water, useful in mopping up oil spills.

Researchers at the UAE’s Khalifa University are focusing on graphene membranes to improve water desalination. At New York University’s campus in Abu Dhabi, scientists have developed nanoparticles that could improve treatment of an aggressive form of breast cancer, the most frequently diagnosed cancer in the Gulf.

“The first priority is to have an impact in the country,” says Dr Lashuel. He gives the example of rare diseases, where the Gulf has, until now, focused solely on identifying genes that contribute to causing them. Those have then been studied further by researchers

elsewhere but now, he says, Gulf scientists will look for ways to use those discoveries to develop drugs or companies in the region.

Commercial successes are not unheard of: the Khalifa University's graphene research centre has tied up with a Swiss maker of pipes to work on high-performance pipelines for oil and gas. But there is scope for plenty more. In Saudi Arabia, for example, tie-ups between universities and companies—including such firms as Aramco, the oil giant, and SABIC, a chemicals champion—account for only 2% of scholarly output (see chart 2), compared with the average of 6% for countries in the OECD.



Aware that there are still gaps between academia and businesses, though, governments are stepping in with initiatives like the Qatar Research, Development and Innovation Council. "You need to teach the private sector the R&D mentality, and that is lacking," says Abeer al-Hammadi, the director of the innovation centre at Qatar's Hamad Bin Khalifa University. In the UAE, the government is

helping companies to assess where they could better use technology. To accelerate progress, a financing agreement worth 5bn dirhams (\$1.4bn) has been set up with the Emirates Development Bank. Hassan Arafat of Khalifa University, who leads the Research and Innovation Centre for Graphene and 2D Materials, says that companies in the region have long imported technology through licences and franchises. Building it from the ground up is a “huge change”, he says.

Emirati, Qatari and Saudi officials also want to improve foreign collaborations. That means no longer being seen as just a pool of readily available funds for Western universities. “We want equal participation and benefits,” says Ms Hammadi.

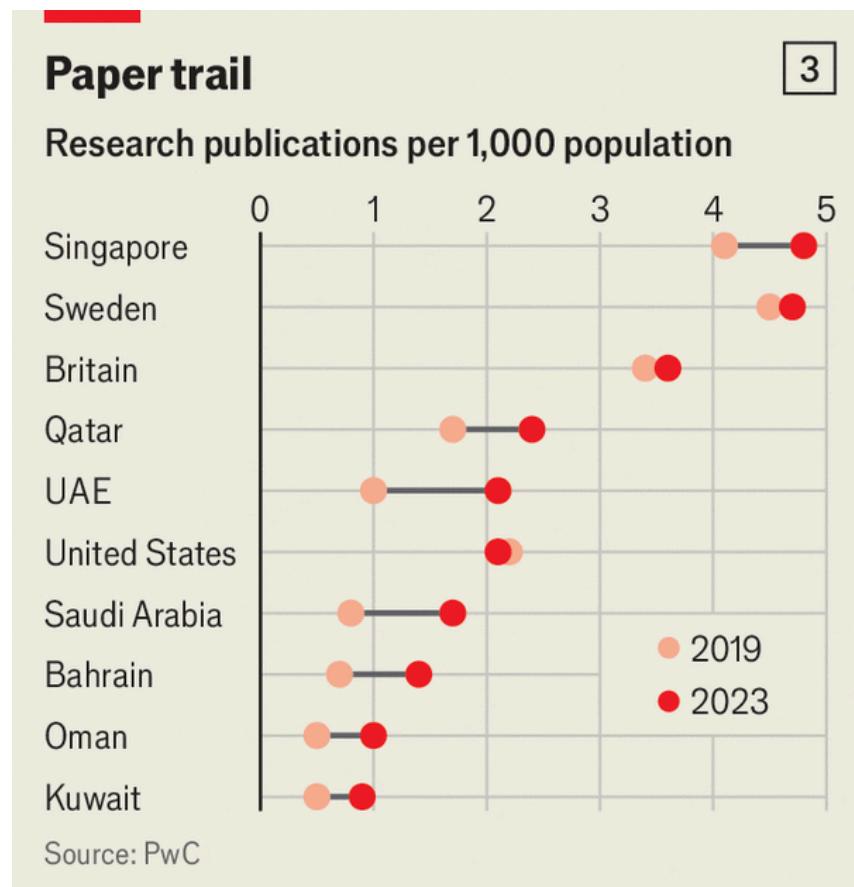
Here the Gulf authorities have learned from past mistakes. Two decades ago Qatar and the UAE brought in the likes of Carnegie Mellon and New York University to set up campuses in Doha and Abu Dhabi. In 2015 the UAE announced a science and technology policy that covered 100 national initiatives and had a budget of more than \$82bn. At one point, the UAE was home to a fifth of all international university branches. Saudi Arabia formed partnerships with over two dozen universities, including one between Imperial College London and KAUST. Between 2008 and 2014 Saudi Arabia allocated more than \$6bn to its science policy.

Despite the investment, the Gulf’s economies were not transformed. The Masdar Institute of Science and Technology, for example, was created in 2007 with hopes that it would become a global leader in research on renewables and alternative energy, with help from the Massachusetts Institute of Technology; a decade later its academic arm was dropped and the remainder was merged with the Petroleum Institute and became part of the newly formed Khalifa University.

Collaborations such as these are more dicey in the modern day, in any case, complicated by geopolitical wrangling. In February Texas

A&M University abruptly announced it was shutting down its campus in Doha, which has been profitable and running for over two decades. Students and researchers are now in limbo. The closure has left a “big shadow” over such foreign partnerships, especially with America, one academic says.

Home-grown universities are therefore now much higher on the Gulf’s agenda. A large proportion of academics in these universities still come from overseas so, to hedge the risks to their economic-transformation efforts, the region’s leaders increasingly want to bring back more Arab scientists from top global universities.



They are also diversifying their research partners. The UAE’s universities are seeking collaborations with European centres like CERN in Geneva, the world’s biggest particle-physics laboratory. Saudi Arabia’s top collaborator in 2024, as measured by co-written research, was China, ahead of America; KAUST’s biggest partner was the Chinese Academy of Sciences. Emirati officials say China

has been a keen collaborator, especially because of its desire to globalise its education system. The Chinese are willing to bring more resources and talent to the table than the Americans are and collaborations do not come with “an invoice or bill attached”, says one professor at an Emirati university.

The Gulf’s approach to research may not bring the international kudos of fundamental scientific breakthroughs, even though the volume of patents and research citations coming out of the region is rising (see chart 3). But the technocratic approach could solve its own problems, says Khaled Machaca, a physiologist at Weill Cornell Medicine’s Qatar centre. And a more dynamic approach to research and innovation could be the Gulf’s biggest contribution to global science. ■

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<https://www.economist.com/science-and-technology/2025/01/07/how-the-gulfs-rulers-want-to-harness-the-power-of-science>

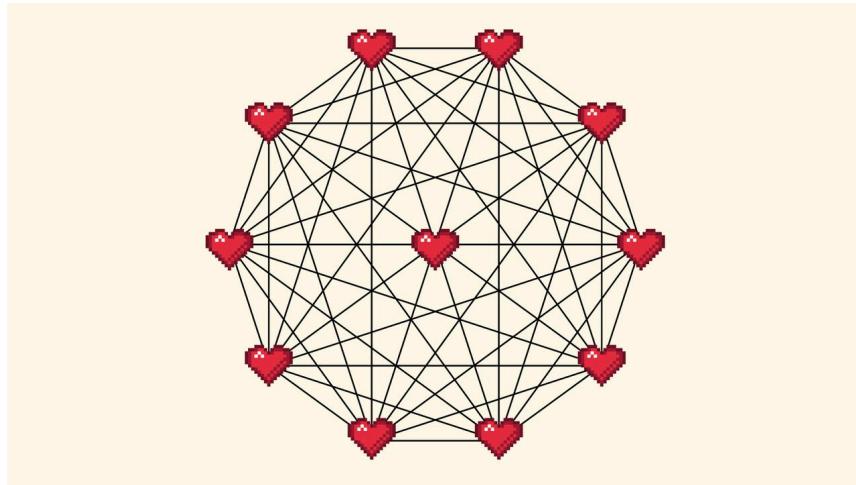
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I can do it with a distributed heart

## Training AI models might not need enormous data centres

*Eventually, models could be trained without any dedicated hardware at all*

Apr 07, 2025 03:02 PM



ONCE, THE world's richest men competed over yachts, jets and private islands. Now, the size-measuring contest of choice is clusters. Just 18 months ago, OpenAI trained GPT-4, its then state-of-the-art large language model (LLM), on a network of around 25,000 then state-of-the-art graphics processing units (GPUs) made by Nvidia. Now Elon Musk and Mark Zuckerberg, bosses of X and Meta respectively, are waving their chips in the air: Mr Musk says he has 100,000 GPUs in one data centre and plans to buy 200,000. Mr Zuckerberg says he'll get 350,000.

This contest to build ever-bigger computing clusters for ever-more-powerful artificial-intelligence (AI) models cannot continue indefinitely. Each extra chip adds not only processing power but also to the organisational burden of keeping the whole cluster synchronised. The more chips there are, the more time the data centre's chips will spend shuttling data around rather than doing

useful work. Simply increasing the number of GPUs will provide diminishing returns.

Computer scientists are therefore looking for cleverer, less resource-intensive ways to train future AI models. The solution could lie with ditching the enormous bespoke computing clusters (and their associated upfront costs) altogether and, instead, distributing the task of training between many smaller data centres. This, say some experts, could be the first step towards an even more ambitious goal—training AI models without the need for any dedicated hardware at all.

Training a modern AI system involves ingesting data—sentences, say, or the structure of a protein—that has had some sections hidden. The model makes a guess at what the hidden sections might contain. If it makes the wrong guess, the model is tweaked by a mathematical process called backpropagation so that, the next time it tries the same prediction, it will be infinitesimally closer to the correct answer.

### ***I knew you were trouble***

The problems come when you want to be able to work “in parallel”—to have two, or 200,000, GPUs working on backpropagation at the same time. After each step, the chips share data about the changes they have made. If they didn’t, you wouldn’t have a single training run, you’d have 200,000 chips training 200,000 models on their own. That data-sharing process starts with “checkpointing”, in which a snapshot of the training so far is created. This can get complicated fast. There is only one link between two chips, but 190 between 20 chips and almost 20bn for 200,000 chips. The time it takes to checkpoint and share data grows commensurately. For big training runs, around half the time can often be spent on these non-training steps.

All that wasted time gave Arthur Douillard, an engineer at Google DeepMind, an idea. Why not just do fewer checkpoints? In late 2023, he and his colleagues published a method for “Distributed Low-Communication Training of Language Models”, or DiLoCo. Rather than training on 100,000 GPUs, all of which speak to each other at every step, DiLoCo describes how to distribute training across different “islands”, each still a sizeable data centre. Within the islands, checkpointing continues as normal, but across them, the communication burden drops 500-fold.

There are trade-offs. Models trained this way seem to struggle to hit the same peak performance as those trained in monolithic data centres. But interestingly, that impact seems to exist only when the models are rated on the same tasks they are trained on: predicting the missing data.

When they are turned to predictions that they’ve never been asked to make before, they seem to generalise better. Ask them to answer a reasoning question in a form not in the training data, and pound for pound they may outclass the traditionally trained models. That could be an artefact of each island of compute being slightly freer to spiral off in its own direction between checkpointing runs, when they get hauled back on task. Like a cohort of studious undergraduates forming their own research groups rather than being lectured to en masse, the end result is therefore slightly less focused on the task at hand, but with a much wider experience.

Vincent Weisser, founder of Prime Intellect, an open-source AI lab, has taken DiLoCo and run with it. In November 2024 his team completed training on Intellect-1, a 10bn-parameter LLM comparable to Meta’s centrally trained Llama 2, which was state-of-the-art when released in 2023.

Mr Weisser’s team built OpenDiLoCo, a lightly modified version of Mr Douillard’s original, and set it to work training a new model using 30 GPU clusters in eight cities across three continents. In his

trials, the GPUS ended up actively working for 83% of the time—that’s compared with 100% in the baseline scenario, in which all the GPUS were in the same building. When training was limited to data centres in America, they were actively working for 96% of the time. Instead of checkpointing every training step, Mr Weisser’s approach checkpoints only every 500 steps. And instead of sharing all the information about every change, it “quantises” the changes, dropping the least significant three-quarters of the data.

For the most advanced labs, with monolithic data centres already built, there is no pressing reason to make the switch to distributed training yet. But, given time, Mr Douillard thinks that his approach will become the norm. The advantages are clear, and the downsides—at least, those illustrated by the small training runs that have been completed so far—seem to be fairly limited.

For an open-source lab like Prime Intellect, the distributed approach has other benefits. Data centres big enough to train a 10bn-parameter model are few and far between. That scarcity drives up prices to access their compute—if it is even available on the open market at all, rather than hoarded by the companies that have built them. Smaller clusters are readily available, however. Each of the 30 clusters Prime Intellect used was a rack of just eight GPUS, with up to 14 of the clusters online at any given time. This resource is a thousand times smaller than data centres used by frontier labs, but neither Mr Weisser nor Mr Douillard see any reason why their approach would not scale.

For Mr Weisser, the motivation for distributing training is also to distribute power—and not just in the electrical sense. “It’s extremely important that it’s not in the hands of one nation, one corporation,” he says. The approach is hardly a free-for-all, though—one of the eight-GPU clusters he used in his training run costs \$600,000; the total network deployed by Prime Intellect would cost \$18m to buy. But his work is a sign, at least, that training capable AI models does not have to cost billions of dollars.

And what if the costs could drop further still? The dream for developers pursuing truly decentralised AI is to drop the need for purpose-built training chips entirely. Measured in teraflops, a count of how many operations a chip can do in a second, one of Nvidia's most capable chips is roughly as powerful as 300 or so top-end iPhones. But there are a lot more iPhones in the world than GPUs. What if they (and other consumer computers) could all be put to work, churning through training runs while their owners sleep?

The trade-offs would be enormous. The ease of working with high-performance chips is that, even when distributed around the world, they are at least the same model operating at the same speed. That would be lost. Worse, not only would the training progress need to be aggregated and redistributed at each checkpoint step, so would the training data itself, since typical consumer hardware is unable to store the terabytes of data that goes into a cutting-edge LLM. New computing breakthroughs would be required, says Nic Lane of Flower, one of the labs trying to make that approach a reality.

The gains, though, could add up, with the approach leading to better models, reckons Mr Lane. In the same way that distributed training makes models better at generalising, models trained on “sharded” datasets, where only portions of the training data are given to each GPU, could perform better when confronted with unexpected input in the real world. All that would leave the billionaires needing something else to compete over. ■

**Editor’s note:** This article has been updated to include a more accurate description of how large language models are trained on GPUs. We originally used “checkpointing” to describe the entire process whereby GPU clusters share intermediate progress during training. In fact “checkpointing” only refers to the first step of that process. The article has now been amended to reflect this.

enormous-data-centres

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**Well informed**

## Does melatonin work for jet lag?

*It can help. But it depends where you're going*

Apr 07, 2025 03:03 PM



DROP INTO any pharmacy in America and you will find jars of melatonin promising to relieve you of dreaded jet lag. There are tablets, pink gummies, potent-looking capsules—whatever appeals. But all you want to know is: does it work?

Melatonin is known as the “darkness hormone”. When the sun goes down, it is released by the pineal gland in the brain. Production peaks in the middle of the night before slowly falling as the morning light returns. Although driven by the biological clock, rather than darkness itself, the emergence and disappearance of light helps regulate the clock each day and keeps melatonin production synchronised to the day-night cycle. The night-time increase in melatonin puts people into a pleasant state that makes it easier for them to fall asleep. And when people are given melatonin during the day, [they get sleepy then, too](#).

Disrupted melatonin production can lead to sleep disorders. People who are blind, for example, do not have their biological clocks set

by the changing light. Because the natural clock runs a little slower than the 24-hour cycle, [their melatonin production can diverge](#) from the external day-night cycle. Drifting melatonin peaks eventually make them sleep during the day, even against their best intentions.

Jet lag, similarly, can cause melatonin disruptions. One reason is that sleep is interrupted by the bright lights of the plane cabin, but the much more detrimental effect comes from arriving at a destination with a day-night cycle out of sync with your biological clock. The clock, and the melatonin, can take days to catch up.

Managing jet lag with melatonin supplements, therefore, has become popular. But understanding whether or not they work is hard. Experiments that mess with people's biological clocks in a controlled way, and which also recreate real-life scenarios, are not easy to do. [Many studies](#), for instance, have kept people from sleep by exposing them to bright lights all night. But that is not only a little cruel, it is not an ideal way to model sleep disruption.

Instead, scientists have given melatonin to people who were travelling anyway, such as air cabin staff, soldiers and scientists travelling to conferences. In those cases, the supplements do seem to work. A [landmark paper](#) that pooled the results of five randomised controlled trials in 2002 found that people given melatonin rate their jet-lag experience as half as bad as those who are given a placebo, on a scale from zero to 100.

“Melatonin is quite effective if you have to speed up your clock,” says Derk-Jan Dijk, director of the Surrey Sleep Research Centre. “It’s not good at slowing down your clock.” That means taking melatonin may be more useful after eastward flights, when you have to go to bed sooner than your body wants to, than after westward flights, when you have to stay up. Fortunately for those with westward travel plans, there are other things you can do to help your biological clock adjust—gradually shifting the wake-

sleep cycle in the days before the flight, for example, and getting natural sunlight and exercise during daytime hours at the destination, which helps adjust melatonin production. ■

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<https://www.economist.com/science-and-technology/2025/01/08/does-melatonin-work-for-jet-lag>

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**Into the woods**

## Sex and Snow White: how Grimm should children's books be?

*The German authors suggest very, but today trends run the opposite way*

Apr 07, 2025 03:03 PM



**The Brothers Grimm.** By Ann Schmiesing. *Yale University Press*; 360 pages; \$35 and £25

ONCE UPON a time there were two little boys who lived in a deep, dark forest. Their name was Grimm, and so was their life. Their father died, and their mother was poor. She slaughtered pigs, while their aunt castrated cocks with a knife. When the boys grew up Napoleon invaded, and one brother travelled to war. He saw villages burned, girls raped and piles of corpses so big the villagers could not bury them.

But this story has a happily ever after. Because when the boys grew up they wrote down stories. They penned “Snow White” and “Cinderella” and indeed the line “happily ever after”. There were hints of their life in their tales, though, as a new book by Ann Schmiesing, an academic, shows. For they also wrote a tale called

“How Some Children Played at Slaughtering”. In it, one boy slits another’s throat; his brother drowns in the bath; his mother hangs herself with guilt; his father dies of grief. A forgotten children’s classic.

This is a story about children’s stories. It is about what stories should include—sugar, spice and all things nice, or frogs, snails and incest?—and how dark their telling should be. In the Grimms’ day, the answer was very. In these stories fathers abuse daughters, Rapunzel falls pregnant and Red Riding Hood is duped into bed (“My, how hairy you are, granny!”) and raped. In a Swiss telling of “Snow White”, the girl is a “slut”, the seven dwarves are murdered and their house is burned down. Disney did not go with that version.

This debate still matters now. Children’s books cause conniptions. In Britain [Roald Dahl was edited](#) to remove words such as “fat” that, to some modern eyes, seemed objectionable and (as Dahl might have put it) fizzwiggling. In 2023, 17 American states tried to censor more than 100 books. “There is a sort of tug-of-war through the history of children’s writing between instruction and delight,” says Sam Leith, author of “The Haunted Wood”, a book about children’s literature.

The debate is fraught partly because the stakes—and the sales—are high. The personal stakes are high, too. Reading is dangerously independent. It offers children their first escape from their parents. Go into Narnia or Neverland or Wonderland and you—like Lucy or Peter Pan or Alice—go alone. And what you see there will shape you: for ever after you will know what lies behind the wardrobe door (furs and firs), what eating Turkish delight leads to (trouble) and what to do with bottles saying “DRINK ME” (don’t).

When [Martin Amis](#), a British novelist, said that he would write a children’s book only if he “had a serious brain injury”, he distilled centuries of disdain. Until the 18th century there was no distinct

children's literature. Though not everyone was so dismissive: John Locke argued that, since children's minds were "as easily turned this or that way, as water", books should be written specially for them to guide them. And, sounding slightly less like Britain's foremost political philosopher and slightly more like someone's six-year-old, they should have "as many pictures of animals...as can be found".

Publishing eventually caught up. "The New England Primer", first published in the 17th century, promised young readers illustrated alphabets, a "pleasant guide" to reading—and an arguably muted idea of what constitutes pleasure. From its syllabic spelling guides (three-syllable words offered "Ho-li-ness" and "God-li-ness"), to its illustrated alphabet ("Y" glumly informed readers that "No Youth we see / From death is free"), the tone was sober—though it did brighten for some three- and four-syllable words ("Drunk-en-ness" and "For-ni-ca-tion").

By comparison, the arrival of the Grimms—with their slaughter, torture and violent animal deaths (a wolf drowns, a hare dies an agonising death)—was almost larky. Though, as Ms Schmiesing points out, their stories were not really intended for children. The Grimms were linguists, not novelists; their aim was preservation, not entertainment. Industrialisation had started to creep through the ancient forests of Germany, destroying habitats, species and stories as it went. Narrative naturalists, they wanted to pluck Germany's native species of story from its fields and press them between the pages of their anthology before such tales went extinct.

The aim might have been scholarly, but the result was an unexpected children's bestseller. Not everyone approved: early readers complained about the darkness. Even the very structure of these stories was gloomy: the famous "happily ever after" ending alternated with the glummer "And if they haven't died, they're still alive." The Grimms responded briskly: take the nasty bits away

from children's books and you may as well "blindfold" youngsters so they cannot see at all.

A look at the bestseller chart shows that books that sell sweetness do well. One ever-popular title is "Guess How Much I Love You" (1994), in which Little Nutbrown Hare spends his days trying to tell Big Nutbrown Hare how much he loves him and does not, alas, experience an agonising death. The [bestselling book](#) in America in a recent ten-year period was not Shakespeare or even Dan Brown but Dr Seuss's "Oh, the Places You'll Go!". Silly, scatological tomes, such as "The Fart that Changed the World", are also in vogue.

Children's literature has never been just for children: adults happily read "Harry Potter" and Philip Pullman. All good children's writers know that they are "writing for a double audience", says Cressida Cowell, a former children's laureate in Britain and the author of the "How to Train Your Dragon" series. There is the child being read to and the adult doing the reading: "The very best children's books... work on both levels."

Fashions in children's literature tend to have great "swerves" says Mr Leith, followed by "massive over-compensation". After a recent testy period, tensions have calmed a little: attempts to censor books fell in America from January through August 2023. Penguin, after noisy complaints, reinstated the fizzwiggling parts of Dahl. Children's books are certainly not as dark as they were in the Grimms' time (incest sells less well these days), nor do they need to be. But perhaps more parents will crave books for their children that better balance dark and light, happily ever afters with big bad wolves. ■

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**Going soft**

## Millennials and Gen Z are falling hard for stuffed animals

*Plushies are cute, cuddly and costly*

Apr 07, 2025 03:03 PM



Some like them soft

IT LOOKED LIKE a typical fish-and-chip shop. Aproned chefs tended to frying baskets and wrapped orders in newspaper. But the catch of the day came with a catch of its own: at Selfridges, a department store in London, patrons were buying toys rather than trawl. Cuddly cod were garnished with fuzzy lemons and served with plushy peas. The cheapest item cost \$25, twice the cost of an actual meal. Jellycat, the British brand behind the pop-up shop, invited everyone to play with their food.

The world has gone soft for soft [toys](#). On TikTok videos tagged #Plushies, featuring various stuffed creatures and objects, have been viewed around 8bn times. Stampedes have broken out at shops. The Jellycat pop-up required visitors to book a slot. Labubu dolls—elfin figures in fluffy outfits made by Pop Mart, a Chinese toy company—are popular across Asia.



Melissa Symonds of Circana, a consumer-insights firm, says that soft toys are the second-largest category in the British toy market; sales have increased by around 58% since 2021. The global market was worth almost \$12bn in 2023 and is expected to grow at an annual rate of 8% until 2030. So lucrative are these playthings that Warren Buffett bought the parent company of Squishmallows, an American purveyor of rotund stuffed animals, in 2022, calling it a money-making “gem”.

It is not young kids driving the demand but “[kidults](#)” (those aged 12 and above). Kidults now account for over a quarter of sales and, in 2023, surpassed preschoolers for the first time as the biggest age cohort for toys overall.

The craze began during the pandemic, as teenagers and young adults, stuck at home amid a global upheaval, sought succour in cute playthings. Lucy Dray, the owner of an online soft-toy shop called Baby Beans, says that plushies “bring people happiness and comfort”—two states that “can be quite hard to find in the world we live in”. Pop psychologists on social media have also preached the benefits of [reconnecting with your younger self](#). One influencer suggested that collecting luxury teddy bears was “healing [her] inner child”.



And as many defer [having children](#) until their late 20s or early 30s, kidults have more money to splurge on themselves. Soft toys are an everyday indulgence: you can spend anywhere between \$10 and \$250 on a Squishmallow. (Or, if you want a limited-edition black cat, you can buy one on eBay for more than \$1,500.)

Collectors are not put off by such steep prices: if anything, they only add to the allure. Like obtaining a [concert ticket](#) or a sports trading card, getting your hands on a rare plushie gives you bragging rights. Celebrity endorsements have heightened their desirability further. Kim Kardashian and Lady Gaga are avowed fans.

Some will argue that the plushie craze is another sign of an “[infantilised](#)” generation. But trivial treasures have thrived in many eras. In the 1980s it was Cabbage Patch Kids; in the 1990s it was Beanie Babies. In due course “fading novelty could occur with specific toys”, says Dave Neale of Cambridge University, who studies games. “But I don’t see it as possible for play more generally because it’s so broad and varied.”

For the time being, plushies are staying put in bedrooms everywhere. When Paco the Salamander, a toy influencer, joked on TikTok that she was “ready to grow up” and get rid of her sizeable plushie collection, her followers insisted that “you’re never too old” to own them. For toymakers, it is all about the soft sell. ■

No crime, plenty of punishment

## Jimmy Lai's trial is a headline-worthy example of injustice

*A new biography aims to keep the public's attention on the pro-democracy tycoon*

Apr 07, 2025 03:03 PM



Keeping a close eye on Jimmy Lai

**The Troublemaker.** By Mark Clifford. *Free Press; 288 pages; \$28.99 and £20*

SPECTATORS MIGHT have expected him to be dispirited. But Jimmy Lai grinned from the stand in late November 2024; spotting loved ones in the public gallery, he waved and blew kisses. The pro-democracy media tycoon was testifying in his national-security trial, which [began in December 2023](#). Already the 77-year-old has been locked behind bars for more than four years, mostly in solitary confinement. This was a show of defiance from a man who has spent his life defending freedom—and will probably die doing so.

“The Troublemaker” recounts the vertiginous rise and fall of Hong Kong’s most famous tycoon-turned-political prisoner. For decades

Mr Lai symbolised the island's promise, having arrived as a 12-year-old refugee from China. As the city's economy boomed, he worked his way up from the floor of a garment factory to establish a retail empire. An outspoken critic of communism, he wrote a column in 1994 calling Li Peng, then China's prime minister, "a turtle egg" (which is far more insulting in Mandarin than it sounds in English).

Facing pressure from Chinese authorities, he sold his stake in his clothing company for \$185m in 1996 (\$345m in today's money). He used the proceeds to fund his pro-democracy media business, Next Digital, with titles such as *Next Magazine* and *Apple Daily* (a nod to the forbidden fruit). Both peddled a curious mix of free thinking and sex. *Apple Daily* featured restaurant-style reviews of Hong Kong's prostitutes; the author was "Fei Long" (Fat Dragon), a popular nickname for the treasury secretary. When the feature was paused temporarily, circulation dropped by 30%.

After people took to the streets for pro-democracy protests in 2003, 2014 and 2019, Mr Lai's papers championed the demonstrations. He protested, too, always peacefully, and held meetings with foreign officials to enlist their support, including Mike Pence, America's vice-president under Donald Trump from 2017-21.

After the government in Beijing imposed a [draconian national-security law](#) on Hong Kong in June 2020, Mr Lai knew he would be one of its first targets. The following month 250 police raided and frogmarched him through *Apple Daily*'s offices in handcuffs. The paper responded by splashing a photograph of Mr Lai across its front pages with the headline "*Apple* will definitely keep fighting." He was released on bail but soon detained again. *Apple Daily* was closed the next year.

Mark Clifford, the book's author, has written a compelling biography and shows an eye for detail. He depicts a bullish and generous man who was as uncompromising in business as in

politics. Mr Clifford is a former board director at Next Digital and a friend of Mr Lai's, which has given him privileged access to his subject's personal life and professional endeavours. (His name was also mentioned at the trial.)

Such closeness is both the book's strength and its weakness. At points "The Troublemaker" verges on hagiography. Unfavourable incidents are skated over, such as how Mr Lai could be very harsh and tough on his employees, prompting some to call their boss "Chairman Mao who speaks English" behind his back. But if this frustrates a nuanced understanding of the man, it frees up the narrative to focus on the collapse of civil liberties in Hong Kong.

The most moving passages reflect on Mr Lai's decision to stay. As a billionaire with British citizenship, he had every opportunity to flee. "I must face the consequences of my actions, just or unjust," he wrote from prison. "It is also a way to uphold the dignity of Hong Kong people, as one of the leaders for the fight of freedom."

Mr Lai faces a maximum sentence of life imprisonment for supposed collusion with foreign forces and a separate charge of sedition. His supporters argue his only crime is pro-democracy journalism. Mr Lai is likely to be found guilty: [national-security trials](#) have a 97% conviction rate. He is sustained by his faith and love for his wife. Like [Alexei Navalny](#), a dissident who returned to Russia despite obvious peril, Mr Lai sacrificed his liberty for his beliefs.

"The Troublemaker" has little hope of changing Mr Lai's fate. But it does aim to keep public attention on the trial, despite its agonisingly slow pace. (Critics of the national-security law claim delays are a way to punish defendants before conviction and curtail media attention.) "Authorities want to erase him," Mr Clifford writes. His book sets down the story of his colleague's life using ink and paper, Mr Lai's own weapons of choice. ■

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<https://www.economist.com/culture/2025/01/09/jimmy-lais-trial-is-a-headline-worthy-example-of-injustice>

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**Thinking outside the God complex**

## Are mystics kooks or valuable disrupters?

*A realist's refreshing take on mysticism*

Apr 07, 2025 03:03 PM



**Mysticism.** By Simon Critchley. *NYRB*; 336 pages; \$18.95.  
Published in Britain as “On Mysticism”; *Profile*; £18.99

THE TRAVALS of Christina the Astonishing, a Belgian Christian in the 12th century, were astonishing indeed. At her funeral, Christina, just 21 years old, revived and levitated. She then fled into the wild, ate rubbish and drank her own (virgin) **breast milk**. Or so it was claimed.

The actions of others may also defy belief. Catherine of Siena, who died in 1380, imagined **marrying Christ** and wearing his foreskin as a wedding ring. Around a century earlier Agnes Blannbekin had visions of tasting the Holy Prepuce (as it is called) and swallowing it a hundred times.

With such religious peculiarities as these, little wonder mysticism gets a bad rap. Simon Critchley, a philosopher at the New School for Social Research in New York, provides an accessible

assessment of the subject that is usually treated in a maddeningly esoteric or academic way.

Today many people are abandoning religion (the bureaucratic institutionalisation of faith) but embracing spirituality (a personal sense of transcendence), so it is a good moment to look at those on the outer fringes of the sacred. As the author wryly puts it: “God might be ineffable, but the mystics are constantly effing the ineffable, for as long as it effing takes.”

The term “mystical” comes from the ancient Greek *mystikos*, which means hidden. Though the idea is old, the word “mysticism” was coined only in the 17th century, marking a shift in Western attitudes towards religion from a sacred mystery to a practice. A mystic is someone who feels they have had a direct experience of the divine that leads to personal transformation. They “did not see themselves as enemies of reason. Neither did they think of themselves as heretics,” Mr Critchley writes. Though charlatans existed in every age, many self-professed mystics were sincere. Rather than seeking attention with frequent visions, they often had just one or a few that touched them so deeply that they spent the rest of their lives trying to understand the experience.

Mystics challenged the power of the church. By claiming a direct line to God, they threatened to make priests less important. They also usually wrote in the vernacular, not Latin, making their ideas more accessible. Margery Kempe, a British mystic, wrote what is considered the first autobiography in English. Many [medieval](#) mystics were women, at a time when only men were theological leaders. Mystics were religious entrepreneurs of their era, rivalling the incumbent powers. It was dangerous work. Marguerite Porete’s writing, for example, was burned twice as a warning before she herself was burned at the stake in Paris in 1310.

Mr Critchley believes “Mysticism lives on in the modern world as aesthetic experience,” found in poetry and notably music, that

touches something deep within. Many artists and writers have such encounters. William Blake saw angels as a child; William Wordsworth felt transcendence climbing Mount Snowdon. Mr Critchley displays strong scholarship, citing a letter from [T.S. Eliot](#) —whose poem, “Four Quartets”, is as deeply Christian as the poet —in which he acknowledges: “You must not think of me as a mystic or a contemplative. I have had a few flashes during my life, though there must be many people whose experience has taken them further.”

“Mysticism” does a good job of explaining the basics and the arcane, including apophatic theology (where insight comes from the absence of words, since they are from the material world and cannot convey the immensity of the immaterial one). Yet some readers may feel they are left in search of more. The book focuses on just a few Christian thinkers and contemporary writers. It barely mentions other traditions, such as Sufism or Jewish Kabbalah, and there is too little on more modern mystics, such as Carl Jung and [Simone Weil](#). But the book’s power is that it treats the topic with rigour and rationality, even if it does not completely transcend. ■

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<https://www.economist.com/culture/2025/01/09/are-mystics-kooks-or-valuable-disrupters>

**Free speech in France**

# Ten years after the Charlie Hebdo attack, satire is under siege

*Public support is waning for the right to offend*

Apr 07, 2025 03:03 PM | PARIS



ON THE MORNING of January 7th 2015 two men, Chérif and Saïd Kouachi, stormed the offices of *Charlie Hebdo*, a French satirical newspaper. Armed with Kalashnikovs, the pair murdered 12 people, including eight editorial staff, in less than two minutes. The perpetrators, who were linked to al-Qaeda, did not pick *Charlie Hebdo* by chance. For years the irreverent newspaper had poked fun at religion, including Islam. It was the start of the worst-ever year of Islamist terrorist attacks in Paris, which killed nearly 150 people.

A decade on, *Charlie Hebdo* is unbowed and unrepentant, turning out a weekly as tasteless, silly and provocative as ever. But the paper now operates from a secure and undisclosed location. Laurent Sourisseau, a cartoonist known as Riss, survived the massacre and took over the editorship after the attack. Radical Islamists have called for his death, and he lives under police

protection. *The Economist* met him at an unmarked third-party office.

Nothing has since been quite the same for *Charlie Hebdo*. Yet the paper has nurtured a new generation of cartoonists and published every week since that awful winter morning. Its circulation today is some 50,000—over 25% higher than before the attack. “We think about it all the time, but we don’t talk about it all the time,” says Riss. “You can’t be crushed by this history.”

To mark the anniversary, *Charlie Hebdo* has published a book entitled “Charlie Liberty”. It is a way for survivors to pay tribute to former colleagues, five of them cartoonists: Cabu, Charb, Honoré, Tignous and Wolinski. *Charlie Hebdo* has continued a French tradition of political caricature, often scurrilous and obscene, which has deep roots. Bawdy, anti-royalist cartoons ridiculed Marie-Antoinette and Louis XVI in the 18th century. Over 1,500 satirical engravings were produced in the decade following the revolution in 1789.

The merit of drawings, says Riss, is that they are a “simple visual language, understood by everyone, to speak about difficult things”. Founded in 1970, *Charlie Hebdo* spares nothing and no one. Its caricatures range from the irreligious (the Prophet Muhammad displaying his pimply bottom) to the political ([Marine Le Pen](#) shaving her pubic hair). The paper regularly irks the regimes in [Iran](#) and [Turkey](#), either for mocking their leaders or for joking about Islam.

*Charlie Hebdo*’s detractors, though, are not only religious rulers. Shortly after the attack in 2015, a handful of American writers boycotted a gala dinner in New York at which the French paper was getting an award for courage, on the ground that its caricatures humiliate Muslims.

In secular France, the law forbids hate speech or incitement to violence but protects blasphemy. Yet *Charlie Hebdo* is still controversial in its home country. *Mediapart*, a left-wing newspaper, recently denounced a caricature of the conflict between secular France and hard-line Islamism, which *Charlie Hebdo* represented as a woman wearing a burqa and a bearded man. It was, said *Mediapart*, a “sinister” form of Islamophobia lifted straight from the far-right playbook. (*Charlie Hebdo* dismisses such charges as absurd.)

Today French support for the defiant *Charlie Hebdo* spirit—known as “Je suis Charlie”—seems more fragile. It was strong in 2020 after [Samuel Paty](#), a school teacher, was decapitated by a terrorist. (He had shown pupils caricatures of Muhammad in a class about free speech.) Yet by 2023 only 58% of the French told a poll “Je suis Charlie”, down from 71% in 2016.

This may reflect a general trend in the West of growing intolerance for causing offence. American stand-up comics including [Dave Chappelle](#) have criticised censorious attitudes towards satire. “We can’t say anything anymore!” laments a character in a cartoon in the latest issue of *Nouvel Obs*, a French magazine; “You can’t say that!” replies his companion. In 2019, after a caricature of Binyamin Netanyahu, Israel’s prime minister, prompted an outcry, the *New York Times* stopped publishing political cartoons. On January 3rd a cartoonist resigned from the *Washington Post* after the paper rejected her depiction of its owner, Jeff Bezos, and other bosses kneeling before a statue of Donald Trump.

Self-censorship, rather than the law, now tempers satire. Plantu, a cartoonist at *Le Monde*, has argued that *dessinateurs* “no longer [have] the same freedom”. Riss suggests that *Charlie Hebdo* is “not extraordinarily provocative”, but seems so because “the margin of tolerance” is narrowing. Ten years on, the paper’s voice is gross but precious. “We’re doing exactly the same thing we did before,” Riss insists. “But around us people are much more timid.” ■

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<https://www.economist.com/culture/2025/01/04/ten-years-after-the-charlie-hebdo-attack-satire-is-under-siege>

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## Ovation inflation has spread from Broadway to London's West End

*Why do dud plays get standing ovations?*

Apr 07, 2025 03:03 PM



AT THE END of “The Tempest”, Prospero steps forward to solicit applause. Shakespeare’s magician will be marooned on her island, unless she is freed “with the help of your good hands”, pleads Sigourney Weaver in a cross-dressed production at the Theatre Royal Drury Lane in London. The film star is a bland passenger in a play her character should command. Yet, on cue, the audience rises as one to acclaim her.

These days, they all do, even when the show is a dud. Back Story saw three plays of wildly varying quality in London over the holidays, each culminating in a knee-jerk standing ovation. This trend has been gathering for decades but in the past few years has conclusively swept the West End. The irrational exuberance—baleful to some observers, harmless to others—reflects changes in the mood outside the theatre as much as the drama within.

Standing ovations come in two sorts, the spontaneous and the staged. The unplanned kind can be powerful, even reckless expressions of feeling. Think of the indignant crowds which in 1997 stood to cheer Earl Spencer's eulogy for Princess Diana, with its digs at the British media and royal family. "Who organised the standing ovation?" asked ever-paranoid Josef Stalin after an audience in Moscow rose in appreciation of Anna Akhmatova, a dauntless poet.

In London theatres, standing ovations were once remarkable and rare. Even when a few enthusiasts got up to honour great performances, they were typically left exposed by the doggedly seated majority. When Dustin Hoffman starred in "The Merchant of Venice" in the West End in 1989, the audience bestirred itself only on the night he announced the death of [Laurence Olivier](#). "You have to die, you have to fucking die," Mr Hoffman reputedly growled. Now the ovation seems part of the script.

Why? It's a crossover from TV talent shows, runs one analysis, on which studio audiences are out of their seats with aerobic regularity. Alternatively, blame [Broadway](#), which succumbed to the same tendency years ago and has exported it to London (and, say locals, to Berlin). The standing ovation "has become a reflexive social gesture, like shaking hands with the host at the end of a party", griped a critic at the *New York Times* in 2012.

Rocketing ticket prices are part of the story, too. Forking out a small fortune ought to make people more demanding. Instead, through a process of auto-suggestion, many seem determined to vindicate their outlay by having the time of their lives (the ecstasies at "Hamilton" epitomised this syndrome). The routine casting of celebrities is another factor. Fans of "[Alien](#)" who splash out on "The Tempest" may be keener on seeing Ms Weaver in the flesh than on critiquing her blank verse.

But, in London at least, the real turning-point was the pandemic. The punters who returned to reopened theatres from 2021 have behaved differently from their forebears. A few go in for raucous behaviour that miffs traditionalists, from singing and dancing to boozing and fighting. Many were so thrilled by the rebirth of live performance that they leapt up in elation. The habit has stuck.

Ovation inflation troubles aficionados for two reasons. First, it is coercive. Social scientists have studied standing ovations as examples of group decision-making and game theory in action. As the vertical momentum builds, the peer pressure becomes hard to resist. If you stubbornly sit out the curtain call, you look like a curmudgeon, and moreover can no longer see the cast.

Second, when standing ovations are ubiquitous, they are meaningless—an empty ritual rather than a benign insurrection, like the indiscriminate euphoria at film premieres or the partisan raptures at state-of-the-union speeches. In the grumpiest view, ovation inflation is part of a wider culture of incontinent overpraising, in which standards are ditched and hype conquers discernment. An unearned ovation is less a salute to the actors' craft than to the audience itself for being there.

All true. Still, a bit of self-congratulation may be a permissible indulgence in a gloomy world. Decorum can be overrated; communal whooping is a harmless catharsis. And the post-pandemic cherishing of theatre is deserved: at its best it is indeed a form of magic, a nightly alchemy of art and imagination. If the spell fails, word always seeps out. Lots of tickets for “The Tempest” remain unsold. Its audiences may be rising dutifully to their feet, but other theatre-goers are voting with theirs.■

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# Economic & financial indicators

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Indicators ::

## Indicators

# Economic data, commodities and markets

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## 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	2.7	Q3	3.1	2.7	2.7	Nov	2.8	4.2 Nov
China	4.6	Q3	3.6	4.9	0.2	Nov	0.3	5.0 Nov‡§
Japan	0.5	Q3	1.2	-0.2	2.9	Nov	2.6	2.5 Nov
Britain	0.9	Q3	0.1	0.9	2.6	Nov	2.9	4.3 Sep††
Canada	1.5	Q3	1.0	1.3	1.9	Nov	2.4	6.8 Nov
Euro area	0.9	Q3	1.7	0.8	2.4	Dec	2.4	6.3 Nov
Austria	-0.6	Q3	-0.5‡	-0.9	2.2	Dec	2.9	5.0 Nov
Belgium	1.2	Q3	1.3	1.1	4.4	Dec	4.3	5.8 Nov
France	1.2	Q3	1.6	1.1	1.8	Dec	2.3	7.7 Nov
Germany	-0.3	Q3	0.4	-0.1	2.8	Dec	2.4	3.4 Nov
Greece	2.5	Q3	1.1	2.2	3.0	Nov	3.0	9.6 Nov
Italy	0.4	Q3	nil	0.6	1.4	Dec	1.1	5.7 Nov
Netherlands	1.7	Q3	3.3	0.9	3.9	Dec	3.4	3.7 Nov
Spain	3.3	Q3	3.2	3.0	2.8	Dec	2.9	11.2 Nov
Czech Republic	2.1	Q3	2.1	1.0	2.8	Nov	2.4	2.8 Nov‡
Denmark	2.9	Q3	3.6	1.8	1.6	Nov	1.3	2.9 Nov
Norway	3.5	Q3	-7.1	1.7	2.4	Nov	2.2	3.9 Oct‡‡
Poland	2.7	Q3	-0.4	2.3	4.8	Dec	3.8	5.1 Dec§
Russia	3.1	Q3	2.7	3.5	8.9	Nov	8.5	2.3 Nov§
Sweden	0.6	Q3	1.1	0.7	1.6	Nov	1.8	7.4 Nov§
Switzerland	2.0	Q3	1.7	1.2	0.6	Dec	1.2	2.6 Nov
Turkey	2.1	Q3	-0.8	2.9	44.4	Dec	57.7	8.5 Oct§
Australia	0.8	Q3	1.3	1.1	2.8	Q3	3.1	3.9 Nov
Hong Kong	1.8	Q3	-4.2	2.5	1.4	Nov	1.9	3.1 Nov‡‡
India	5.4	Q3	3.0	6.6	5.5	Nov	4.8	7.8 Dec
Indonesia	4.9	Q3	3.8	5.0	1.6	Dec	2.3	4.9 Aug§
Malaysia	5.3	Q3	6.3	5.1	1.8	Nov	1.9	3.2 Oct§
Pakistan	3.2	2024**	na	3.2	4.1	Dec	12.6	6.3 2021
Philippines	5.2	Q3	7.0	5.5	2.9	Dec	3.3	3.9 Q4§
Singapore	4.3	Q4	0.4	3.8	1.6	Nov	2.4	1.9 Q3
South Korea	1.6	Q3	0.4	2.2	1.9	Dec	2.3	2.2 Nov§
Taiwan	4.2	Q3	0.9	5.0	2.1	Dec	2.2	3.4 Nov
Thailand	3.0	Q3	4.9	2.6	1.2	Dec	0.4	0.9 Nov§
Argentina	-2.1	Q3	16.4	-2.6	166	Nov	220	6.9 Q3§
Brazil	4.0	Q3	3.7	3.4	4.9	Nov	4.4	6.1 Nov§‡‡
Chile	2.3	Q3	2.7	2.2	4.5	Dec	4.0	8.2 Nov§‡‡
Colombia	2.0	Q3	0.8	1.6	5.2	Nov	6.6	8.2 Nov§
Mexico	1.6	Q3	4.4	1.5	4.5	Nov	4.7	2.7 Nov
Peru	3.8	Q3	2.8	3.1	2.0	Dec	2.4	6.2 Nov§
Egypt	3.5	Q3	38.0	2.4	25.5	Nov	28.7	6.7 Q3§
Israel	-1.0	Q3	3.8	0.3	3.4	Nov	3.0	2.7 Nov
Saudi Arabia	-0.8	2023	na	1.3	2.0	Nov	1.7	3.7 Q3
South Africa	0.3	Q3	-1.4	0.8	2.8	Nov	4.4	32.1 Q3§

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 <sup>†</sup>	Budget balance % of GDP, 2024 <sup>†</sup>	Interest rates 10-yr govt bonds latest, %	change on year ago, bp	Currency units per \$ Jan 8th	% change on year ago
United States	-3.4	-7.1	4.7	66.0	-	
China	2.1	-4.4	1.4	-\$	7.33	-2.3
Japan	4.2	-4.7	1.1	51.0	158	-9.2
Britain	-2.9	-4.0	4.6	79.0	0.81	-3.7
Canada	-1.0	-1.2	3.3	4.0	1.44	-7.0
Euro area	3.4	-3.1	2.5	38.0	0.97	-6.2
Austria	2.2	-2.3	2.9	24.0	0.97	-6.2
Belgium	-0.5	-4.6	3.1	31.0	0.97	-6.2
France	-0.4	-6.2	3.4	69.0	0.97	-6.2
Germany	6.3	-1.6	2.5	38.0	0.97	-6.2
Greece	-6.4	-1.3	3.4	-1.0	0.97	-6.2
Italy	1.3	-4.1	3.7	-12.0	0.97	-6.2
Netherlands	9.9	-2.0	2.8	29.0	0.97	-6.2
Spain	3.4	-3.2	3.1	nil	0.97	-6.2
Czech Republic	1.1	-2.4	4.1	27.0	24.4	-8.5
Denmark	10.8	2.1	2.2	-15.0	7.24	-6.2
Norway	17.3	12.5	3.9	55.0	11.4	-9.2
Poland	0.4	-5.7	6.0	75.0	4.15	-4.8
Russia	3.3	-1.7	15.1	327	105	-13.6
Sweden	6.5	-0.9	2.4	14.0	11.2	-8.5
Switzerland	7.4	-0.9	0.4	-40.0	0.91	-6.6
Turkey	-0.9	-4.1	26.7	233	35.4	-15.4
Australia	-0.6	-1.0	4.4	41.0	1.61	-7.5
Hong Kong	12.2	-3.2	4.0	41.0	7.78	0.4
India	-0.5	-4.9	6.8	-44.0	85.9	-3.2
Indonesia	-0.2	-2.4	7.1	56.0	16,195	-4.1
Malaysia	1.4	-4.5	3.8	-3.0	4.50	3.3
Pakistan	0.5	-6.7	12.1	+++	-294	279
Philippines	-2.8	-6.1	6.2	-4.0	58.4	-4.6
Singapore	19.6	0.2	3.0	17.0	1.37	-2.9
South Korea	4.1	-1.8	2.8	-54.0	1,455	-9.6
Taiwan	13.5	0.5	1.7	43.0	32.9	-5.8
Thailand	2.2	-3.7	2.3	-44.0	34.6	1.2
Argentina	0.4	0.3	na	na	1,036	-21.4
Brazil	-2.1	-7.5	14.6	399	6.12	-20.4
Chile	-2.4	-2.2	6.0	40.0	1,003	-9.8
Colombia	-2.8	-5.7	11.3	137	4,342	-10.8
Mexico	-1.0	-4.9	10.3	117	20.4	-17.5
Peru	1.7	-3.9	6.7	-4.0	3.78	-1.6
Egypt	-5.2	-3.7	na	na	50.6	-38.9
Israel	4.6	-7.3	4.5	37.0	3.67	1.1
Saudi Arabia	0.4	-2.5	na	na	3.75	nil
South Africa	-1.9	-5.2	9.1	-74.0	18.9	-1.5

Source: Haver Analytics. §§5-year yield. +++Dollar-denominated bonds.

## Markets

	Index Jan 8th	% change on: one week Dec 29th 2023	
In local currency			
<b>United States S&amp;P 500</b>	5,918.3	0.6	24.1
<b>United States NAS Comp</b>	19,478.9	0.9	29.8
<b>China Shanghai Comp</b>	3,230.2	-3.6	8.6
<b>China Shenzhen Comp</b>	1,873.4	-4.3	1.9
<b>Japan Nikkei 225</b>	39,981.1	0.2	19.5
<b>Japan Topix</b>	2,770.0	-0.5	17.1
<b>Britain FTSE 100</b>	8,251.0	1.0	6.7
<b>Canada S&amp;P TSX</b>	25,051.7	1.3	19.5
<b>Euro area EURO STOXX 50</b>	4,996.4	2.1	10.5
<b>France CAC 40</b>	7,452.4	1.0	-1.2
<b>Germany DAX*</b>	20,329.9	2.1	21.4
<b>Italy FTSE/MIB</b>	35,108.7	2.7	15.7
<b>Netherlands AEX</b>	889.0	1.2	13.0
<b>Spain IBEX 35</b>	11,798.1	1.8	16.8
<b>Poland WIG</b>	81,250.7	2.1	3.6
<b>Russia RTS, \$ terms</b>	880.1	0.4	-18.8
<b>Switzerland SMI</b>	11,876.2	2.4	6.6
<b>Turkey BIST</b>	9,890.8	0.6	32.4
<b>Australia All Ord.</b>	8,599.4	2.1	9.8
<b>Hong Kong Hang Seng</b>	19,279.8	-3.9	13.1
<b>India BSE</b>	78,148.5	-0.5	8.2
<b>Indonesia IDX</b>	7,080.4	nil	-2.6
<b>Malaysia KLSE</b>	1,614.8	-1.7	11.0
<b>Pakistan KSE</b>	114,148.4	-2.4	82.8
<b>Singapore STI</b>	3,887.0	2.6	20.0
<b>South Korea KOSPI</b>	2,521.1	5.1	-5.1
<b>Taiwan TWI</b>	23,407.3	1.6	30.5
<b>Thailand SET</b>	1,387.7	-0.9	-2.0
<b>Argentina MERV</b>	2,782,477.0	9.8	199.3
<b>Brazil BVSP*</b>	119,624.5	-0.5	-10.9
<b>Mexico IPC</b>	49,634.3	0.2	-13.5
<b>Egypt EGX 30</b>	29,785.9	0.2	19.6
<b>Israel TA-125</b>	2,480.6	1.7	31.5
<b>Saudi Arabia Tadawul</b>	12,088.7	0.1	1.0
<b>South Africa JSE AS</b>	83,152.6	-1.1	8.1
<b>World, dev'd MSCI</b>	3,733.5	0.7	17.8
<b>Emerging markets MSCI</b>	1,080.1	0.3	5.5

### US corporate bonds, spread over Treasuries

		Dec 29th
Basis points	latest	2023
<b>Investment grade</b>	96	154
<b>High-yield</b>	313	502

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. \*Total return index.

## Commodities

The Economist commodity-price index

2020=100	Dec 31st	Jan 7th*	% change on	
			month	year
<b>Dollar Index</b>				
All items	134.9	133.5	-2.0	4.4
Food	153.7	151.9	0.8	18.1
<b>Industrials</b>				
All	119.3	118.2	-4.9	-7.1
Non-food agriculturals	132.7	129.7	-3.3	2.1
Metals	115.9	115.2	-5.4	-9.5
<b>Sterling Index</b>				
All items	138.4	137.2	-0.1	6.1
<b>Euro Index</b>				
All items	148.9	147.0	-0.8	9.9
<b>Gold</b>				
\$ per oz	2,625.3	2,648.4	-1.5	30.6
<b>Brent</b>				
\$ per barrel	74.7	76.9	6.0	-1.2

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/2025/01/09/economic-data-commodities-and-markets>

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# Obituary

- **Chiung Yao taught the Chinese all about romantic love**

Listening to the heart :: The bestselling novelist and screenwriter died on December 4th, aged 86

**Listening to the heart**

## Chiung Yao taught the Chinese all about romantic love

*The bestselling novelist and screenwriter died on December 4th, aged 86*

Apr 07, 2025 03:03 PM



“SO WE MUST break up?” he asked her. “Yes,” she said. His face darkened, and he jammed on the brakes. The car screeched to a halt. Without warning, he flung the door open. “Then get out!” he cried. They were on a narrow mountain road, with desolate wilderness all around. Did he really mean to abandon her? But as soon as she left he slammed the door, revved up the engine and aimed for the cliff-edge. Instinctively, she hurled herself onto the bonnet to save him. At the very edge, he stopped and got out. As she almost slid off, into the abyss, he pulled her into his arms.

To cut a long story short, she married him, and they were together for 40 years. But this was not one of Chiung Yao’s 65 novels; it was a scene from her own life. She was the passionate heroine, torn between obeying her lover and living freely. He was Ping Hsin-tao, head of the Crown publishing company. In 1963 he had published her first novel, “Outside the Window”, a huge success all over the

Chinese-speaking world. After that, remorselessly, he ordered her to write more, even two at once. When she told him she couldn't, he shouted that she could, and she succeeded. She and Hsin-tao adapted most of them for film and television, and in 1998 her adaptation of "My Fair Princess", an imaginary saga of the Qing dynasty, became the most-viewed TV series in China.

At the height of her success in the 1970s and 80s it seemed that everyone, female at least, was reading her books. ("That's so Chiung Yao!" people would say of anything romantic.) They offered stories of love that triumphed despite differences of wealth or class, parental disapproval, etiquette or stifling tradition. There were many, many ups and downs, much pain, many tears (she loved to cry herself, the sign of a softening heart). Both her book titles and the names of her heroines, which became popular too, suggested something beautiful but fragile: "Dream", "Cloud", "Rain". Yet despite their apparent weakness or submissiveness, these were women who insisted on loving as they chose.

As did she. She took "Chiung Yao", "beautiful jade", as her pen-name, pretty but adamant. And from early childhood she was already in love, with words. Her mother taught Chinese literature in primary school, to which girls in conservative Sichuan were not allowed to go. But she would sit by the door, listening. When she was six she startled her mother by correctly reading the characters for "night" in a wistful poem of the Tang era. Both the melancholy, and Tang poetry, stayed with her. From that point, she read and read. At school in Taiwan, to which the family fled in 1949 from the communist revolution, she realised that all she wanted to do was write. Rather than retake the college entrance exam, which she had twice failed, she bought manuscript paper, ink and pens and began her life in earnest. This was not a career, her parents told her. But then, to her, neither was marriage.

Instead, at 18, she fell for the literature teacher at her high school. He was 25 years older, widowed and lonely, but, as in "My Fair

Princess”, they could watch “the snow, the stars and the moon” together, and talk poetry. So the affair began, and went on even when the school learned of it and dismissed him for seducing a minor. When she realised she would have to give him up, she was devastated. Even the success of “Outside the Window”, her account of it all, could not dull the pain of losing him.

Yet she fell for a writer again. His clothes were worn almost to romantic rags, and his shack had just a bed, a table and chair, a pen and paper; but that, he said, was all a writer needed. She loved him for that. It was a disaster. He was jealous of her ever-growing success, especially as his attempt to write the Great Chinese Novel was not going well. He called her works shallow and sentimental; she was just “telling stories”. In one of their epic rows, she shot back that yes, she was telling stories. She loved telling stories! He should leave her alone to go on writing her shallow lowbrow stuff!

It was true that, as a writer, she was not a great wife. She could sew, but her kitchen skills ran mostly to rice and fried eggs. She controlled the family budget, but was saving for things, like a refrigerator, whose hidden purpose was to save her shopping and extend her writing time. They had a little son, Xiaoqing, whom she adored, but she wrote in every spare moment when the baby was not crying, or wrote with him in her arms, and sent him to nursery as soon as she could. That marriage could not last; this was not how wives and mothers were supposed to behave.

Nor was a woman supposed to fall for a married man, as she did afterwards. She tried not to, but Hsin-tao insisted, and his insistence had proved right before. So after eight years of wrangling over his divorce they got married. They were discreet; it was billed as a lunch party. They became, officially, a power couple on the literary scene, and she became a model of rebellious, dramatic or improper love, whichever way people saw it.

By far the most dramatic episodes, however, had happened long before, as she and her family struggled across China in the war. Disguised as peasants, they lodged in farmhouse after farmhouse that was torched by the advancing Japanese. When they fled, they narrowly escaped being shot as they hid in woodsheds and ravines. Her brothers went missing, presumed dead; at which point her parents rolled into the Dong'an river to drown themselves. She followed, terrified, and her cries revived their love for her. Having seen death up close, she realised both the fragility of life and the endurance of love. That was her real education.

Life, she learned, was a spark that should blaze, not miserably fade. Twice, in the throes of love, she had taken overdoses. She had watched Hsin-tao, felled by a stroke, linger for three years. As she aged, she vowed to control her own death. Once she had been fiery enough to fling herself on her lover's moving car. Now, in a poem she left before turning on the gas, she was a snowflake flying lightly away to dance with the sparks of the stars. ■

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***Correction (January 9th 2025): A previous version of this article said that Chiung Yao's family fled to Taiwan from the Sino-Japanese war, rather than the communist revolution. Sorry.***

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<https://www.economist.com/obituary/2025/01/09/chiung-yao-taught-the-chinese-all-about-romantic-love>