

# The world in brief

Catch up quickly on the global stories that matter

The **Federal Reserve** held its benchmark interest rate steady, at 4.25-4.5%. In its statement—the first since **Donald Trump** announced his “[Liberation Day](#)” [tariffs](#) on April 2nd—America’s central bank warned of growing economic uncertainty. The Fed’s dual mandate is to keep inflation and unemployment low; it said that America faced higher risks of both rising.

**Pakistan** shot down 12 drones that entered its airspace from **India**, warning that its neighbour would “pay dearly for this naked aggression”. Earlier Shehbaz Sharif, Pakistan’s prime minister, vowed to “avenge each drop of blood” after India [launched air strikes](#) on Pakistan and Pakistan-administered Kashmir. India was responding to an attack in Indian-administered Kashmir last month. Pakistan denies involvement.

The Trump administration plans to scrap rules put in place by the Biden administration to [limit exports](#) of **artificial-intelligence chips**. The plan—due to take effect on May 15th—was to split countries into three tiers that would determine how many [chips](#) they could buy. An American official said the regulation was “overly complex” and would be replaced “with a much simpler rule”.

Mr Trump promised an imminent **trade deal** with “A BIG, AND HIGHLY RESPECTED, COUNTRY”, presumed to be Britain. It could be announced on Thursday. Given the speed of the negotiations, the agreement is unlikely to be comprehensive, though no details were forthcoming. America is currently [discussing deals](#) with 17 countries. On Tuesday Britain agreed to its biggest post-Brexit trade agreement, [with India](#).

Black smoke emerged from the Sistine Chapel—meaning that the 133 cardinals sequestered inside did not elect a new [pope](#) on the **conclave's** first ballot. Voting will resume in the Vatican on Thursday. The punters' [favourite](#) is Cardinal Pietro Parolin, right-hand man to the late Pope Francis, although conclaves often produce surprises. The 70-year-old Italian is also presiding over the vote.

**Xi Jinping** arrived in **Moscow** for talks with Vladimir Putin. They are expected to discuss the [war in Ukraine](#), energy co-operation and relations with America. Ukraine condemned the visit. Mr Xi will also attend Russia's Victory Day parade on Friday, along with several other leaders, including Brazil's president, Luiz Inácio Lula da Silva.

**Disney** reported strong second-quarter results and boosted its forecast for its full-year earnings, driven by better-than-expected performance in its streaming and theme parks businesses. It also announced a whole new world in Abu Dhabi—a theme park that will be its first in the Middle East. Shares jumped by more than 10%. But the firm warned of “uncertainty” around the impact of Mr Trump's tariffs.

**Figure of the day:** \$50,000, the amount it can cost to train a guide dog. [Read the full story.](#)



Photograph: Getty Images

## **Can America beat China in the AI race?**

Sam Altman, chief executive of [OpenAI](#), is among the tech bosses due to testify before America's Senate on Thursday. The hearing, titled "Winning the AI Race", has been convened by Ted Cruz, a Republican senator. Lawmakers are expected to question the bosses on how to deregulate the industry. Mr Cruz has argued that to get ahead of China on AI, America must facilitate innovation, not "saddle AI developers with European-style regulations".

America knows it needs a new plan. So far it has attempted to hobble China's progress in the AI race by controlling access to advanced semiconductors, which are used to train AI models. That has so far failed to stop such chips getting into the hands of Chinese developers: a shadowy supply chain has sprung up to cater to their demand. Chinese chipmakers are also improving their capabilities. Thus, America wants to outpace China through innovation, not just trade restrictions.



Photograph: Alamy

## The Bank of England's tariff test

For the first time since Donald Trump's tariff shock rattled the global economy, the Bank of England's Monetary Policy Committee will meet to set interest rates. Markets expect it to cut the benchmark rate by a quarter of a percentage point, to 4.25%. Less sure are the three more cuts projected for later in the year.

The main question for policymakers is how the tariff fallout will affect inflation. If global disruption weakens demand and floods [Britain](#) with cheap goods redirected from America, price pressures could ease—giving the bank cover to cut. But if supply chains seize up, shortages may push prices higher. Domestic inflation could also prove stickier than hoped.

That leaves the bank in a bind: ease policy and risk fuelling inflation, or hold firm and watch the economy weaken further. The MPC's report, published alongside the decision, will offer clues as to which the bank fears more.

## Sticky situation

Britain, consumer prices  
% increase on a year earlier



Source: LSEG Workspace



Illustration: David Simonds

## Nintendo's countdown to the Switch 2

Gamers are counting down the days until the launch next month of the Switch 2, the successor to Nintendo's most successful home console. Investors are just as excited: Nintendo's share price is at an all-time high, pushing its market value above \$100bn. The company's quarterly report, to be published on Thursday, will be nothing special—gamers are saving their pocket money for next month—but may offer guidance on how pre-orders are going.

America's tariffs threaten sales of the console, whose supply chain runs through Asia. Nintendo has kept the price of the Switch 2 at \$450 in America, but raised the price of some accessories. It has two reasons to feel confident. One is that demand for the console is outpacing supply. The other is that President Donald Trump has a habit of backing down when faced with the consequences of his tariffs. Smartphones got an exemption. He may consider one for consoles, rather than be the president who [ruined Christmas](#).





Photograph: The Economist/Alamy/Getty Images

## Looking back on VE Day

Eighty years ago Berlin lay in ruins and [Adolf Hitler](#) was dead. Soon fighting between the Allies and Nazi Germany would cease. On May 7th 1945 Germany's leaders surrendered. The following day [Winston Churchill](#), Britain's prime minister, declared victory in Europe.

At the time *The Economist* reflected: “where so recently there stood the most powerful and resourceful military tyranny the world has ever seen, there is now nothing but the emptiness of sorrow and silence.” The war against Japan still raged. VE Day celebrations had poignant undertones.

Few of the war's veterans who commemorate VE Day this year will live to mark the next big anniversary in 2035. Europe is in the midst of its biggest war since 1945 and transatlantic alliances are fraying. This year's commemorations will also stir mixed feelings.

To mark the anniversary, we are publishing [Archive 1945](#), which tells the story of the end of the war, week by week, through our contemporary reporting.







Illustration: The Economist

## Daily quiz

We will serve you a new question each day this week. On Friday your challenge is to give us all five answers and, as important, tell us the connecting theme. Email your responses (and include mention of your home city and country) by 1700 GMT on Friday to [\[email protected\]](#). We'll pick randomly from those with the right answers and crown three winners on Saturday.

**Thursday:** Which Shakespeare play features the line “Cry ‘Havoc!’ and let slip the dogs of war”?

**Wednesday:** What was Rocky Balboa’s nickname in the boxing movies?

*Originality is the one thing which  
unoriginal minds cannot feel the  
use of.*

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***John Stuart Mill***