

Catch up: Trump's tariff U-turn; Europe's new era of defence



Donald Trump said he would pause tariffs on imports from Mexico that comply with its trade agreement with America. The reprieve lasts until April 2nd. America's president did not mention tariffs on Canada, which is part of the same trade pact. Earlier **America's** commerce secretary, Howard Lutnick, said that [tariff](#) exemptions could be extended to all goods that fall under the America-Canada-Mexico deal.

Ukraine's president, **Volodymyr Zelensky**, thanked European leaders for "[staying](#)" [with his country](#) as they gathered for a defence summit in Brussels. **Kaja Kallas**, the European Union's top diplomat, said that "all options are on the table" to boost the continent's military spending. That includes grants, reallocation of European cohesion funds and changing fiscal rules. Earlier this week Germany's probable next chancellor announced a [fiscal revolution](#) to revamp its defences.

The **European Central Bank** lowered interest rates by a quarter of a percentage point, to 2.5%. It was the bank's sixth cut since June. The euro zone's annual inflation rate was 2.4% in February, according to an initial estimate. But the ECB's governor, Christine Lagarde, hinted that the bank could be more cautious about future cuts.

Mr Trump issued a “last warning” for **Hamas** to release all hostages held in Gaza. In a break with longstanding policy, the White House started direct engagement with the [militant group](#) that it deems to be a terrorist organisation. Hamas said that the threats amounted to support for Israel, encouraging the country to back out of the [fragile Gaza truce](#).

France offered to share intelligence with **Ukraine** a day after America suspended its co-operation. France’s defence minister, Sébastien Lecornu, said his country had “resources” to help Ukraine fight off Russia’s invasion; he noted that Britain’s situation was “more complicated” as the country is in an “intelligence community” with America. On Monday America [suspended military aid](#) to Ukraine to pressure the country to negotiate with Russia.

Lithuania became the first country to withdraw from an international convention banning [cluster munitions](#). The controversial weapons scatter hundreds of smaller “bomblets” over a large area. The Baltic country’s parliament approved the decision last July citing fears about Russia, which is not a signatory and has deployed the weapons in Ukraine. Dovile Sakaliene, the defence minister, said the move was intended as a “strategic message”.

Cyclone Alfred continued its passage across the Pacific, and is forecast to hit Brisbane, on Australia’s east coast, over the weekend. Though cyclones are not uncommon in Australia, Alfred—a category-two storm—stands out for its southern trajectory. A cyclone has not struck that part of Australia since 1974. An estimated 20,000 homes could be affected by flooding.

Figure of the day: 3.6m. The numbers of cars that America imported from Canada and Mexico last year. [Read the full story.](#)

Europe regroups and rearms



Leaders from the European Union's 27 member states are meeting in Brussels on Thursday to find ways to succour Ukraine—and to rethink some of its own security arrangements. Europe is hastily adjusting its thinking on defence as American policy under President Donald Trump looks [ever-less predictable](#). A plan will be presented for the EU to help member states borrow from a fund of €150bn (\$161bn) to spend on defence, some of which would be used to boost Ukraine's war effort.

EU fiscal rules that constrain spending also look likely to be relaxed so that national governments can splurge up to 1.5% of GDP more on defence. The star of the show will be Friedrich Merz, the presumed future chancellor of Germany. Though he will not attend the summit (lacking thus far a coalition agreement to take power) he will meet some of his counterparts in Brussels ahead of the main meeting.

Can Costco raise its fees—and profits?



The world's third-largest retailer announces quarterly results on Thursday. Unlike rivals who mark up prices to boost profits, Costco makes most of its money from the membership fees that its 137m customers pay to shop at its stores. In 2024 these netted \$4.8bn, more than half of Costco's operating profits. In September the company increased the annual fees by \$5 in America, the first rise in seven years. In Britain, where the company operates 29 stores, fee rises take effect this month.

But [shoppers aren't flinching](#). With inflation squeezing budgets, more consumers are flocking to the warehouse giant for deals. Analysts expect revenue from membership fees to rise by 8.5% to \$1.2bn this quarter from a year ago. Investors are buying in too—Costco's share price is up 13% this year, while the S&P 500 has slumped by almost 2% during that time. As the company reports its results, investors will also be watching for signs of any impact of tariffs on its growth.

What Germany's fiscal U-turn means for the euro



On Tuesday Germany's chancellor-in-waiting, Friedrich Merz, delivered a bombshell announcement. Even before formal coalition talks had started, the probable coalition partners agreed to bypass [longstanding debt rules](#). The shift added to the headache at the European Central Bank as its top brass met on Thursday to decide interest rates.

They decided to cut interest rates yet again, to 2.5%. Euro-zone inflation has come down recently. The decline in services inflation to 3.7% in February is especially good news. But Germany's big fiscal boost, while welcome for the economy, will force the bank to be more cautious. The country's ten-year yields, the euro zone's benchmark, shot up by more than 0.2 percentage points to almost 2.8%, following Mr Merz's announcement in Berlin. Thursday's may be the last ECB cut for some time.

Rwanda pushes into Congo



The government of the Democratic Republic of Congo is refusing to enter into talks with [Rwanda-backed M23 rebels](#), even though they [control](#) the two largest cities in eastern Congo, Goma and Bukavu. The rebels have threatened to march on the capital, Kinshasa. Congo's army in the east is in tatters; after losing control of two strategic airports, it is unable to bring in supplies. Still, Congo's president, Felix Tshisekedi, will only consider talks with Rwanda, which he calls M23's "masters".

UN experts report that Rwanda has deployed up to 4,000 troops to support M23. Regional African organisations have called for an immediate ceasefire. The UN has urged the M23 to lay down arms. America has imposed sanctions on one of Rwanda's top officials, and Britain and Germany have suspended some aid. But the diplomatic pressure on Rwanda may be too little, too late. Its government, which doesn't admit involvement, shows no sign of recalling its troops.

Another lap from Femke Bol



One of the best moments of the Paris Olympics last year was the mixed 4x400m relay. With 250 metres left on the final lap the Americans led, followed by the British and the Belgians. Then Femke Bol of the Netherlands began an extraordinary surge. She moved into third place with 150 metres to go, passed Amber Anning of Britain with 50 metres left and eased past the exhausted American, Kaylyn Brown, in the final ten metres. Her languid style stood out—at no point in the chase did she look hurried.

Ms Bol thus arrives as the headline act of the European Athletics Indoor Championships, which begin in Apeldoorn in the Netherlands on Thursday. After a sparkling 2024, she is competing only in the women's and mixed 4x400 relays. Nonetheless, Ms Bol's participation makes the Dutch favourites in both events. The championships will also feature other Olympic gold medallists, including Norwegian runner Jakob Ingebrigtsen, German shot-putter Yemisi Ogunleye and Greek long-jumper Miltiadis Tentoglou.

Daily quiz



The Economist

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 QuizEspresso@economist.com. We'll pick randomly from those with the right answers and crown three winners on Saturday.

Thursday: Which French group is generally regarded as one of the world's energy supermajors?

Wednesday: Which actress is known for roles in "The Princess Bride", "Forrest Gump" and "House of Cards"?

Youth is the gift of nature, but age is a work of art.

Stanislaw Jerzy Lec