

Catch up: trade war escalates; Zelensky tries to mend relations with America



American stocks—including those of **carmakers** such as GM and Ford—fell after **China, Canada and Mexico** retaliated against **America's hefty tariffs** that went into effect on Tuesday. China swiftly responded with 10-15% levies on a range of American agricultural products. Canada followed with an announcement of 25% tariffs on American goods. Claudia Sheinbaum, Mexico's president, said her government would elaborate on its planned "tariff and non-tariff measures" at a rally on Sunday.

Volodymyr Zelensky, **Ukraine's** president, attempted to mend relations with **America** after Donald Trump suspended **military aid** to the country. Mr Zelensky seemingly denied Mr Trump's accusations that Ukraine was not "ready for peace" and reiterated his offer to strike a minerals deal with America. Earlier Marco Rubio, America's secretary of state, said squeezing Ukraine could "get the Russians to a negotiating table".

The parties negotiating **Germany's** next coalition government said they had agreed to set up a €500bn debt-financed fund for

infrastructure. The conservative Christian Democratic alliance and the Social Democrats also plan to exempt defence spending above 1% of GDP from Germany's deficit-limiting [debt brake](#). The outgoing parliament will vote on the deal, which requires a two-thirds majority, this month.

CK Hutchison, a firm based in Hong Kong, agreed to sell two ports along the **Panama Canal** to a group of investors led by **BlackRock**, an American asset manager, for more than \$20bn. The companies announced the deal amid reports that Panama was considering cancelling CK Hutchison's contract under pressure from Mr Trump. America's president has baselessly claimed that the waterway is controlled by China.

The Trump administration moved to cancel a licence that allows **Chevron**, an American oil major, to export crude from **Venezuela**. The Biden administration [issued the licence](#) in 2022, after Nicolas Maduro, Venezuela's dictator, agreed to hold talks with the opposition. Mr Trump announced the reversal last week, saying that Mr Maduro has been too slow in accepting migrants deported from America.

Russia agreed to broker negotiations between **America** and **Iran** concerning the [Iranian nuclear programme](#). The Kremlin's spokesperson, Dmitry Peskov, told Bloomberg, a newswire, that Russia would "do everything in its power" to help the countries "resolve all problems through negotiations". The comments were repeated by Russian state media. Donald Trump has vowed to put "maximum pressure" on Iran by tightening sanctions.

Two suicide bombers attacked a military base in Bannu, a city in northwestern **Pakistan**. At least 12 people, including several children, were killed and 30 injured. The explosions collapsed the roof of a nearby mosque. A group affiliated with the Pakistani Taliban claimed responsibility for the attack—the third by militants in Pakistan since Ramadan began on Sunday.

Figure of the day: 65m, the number of tourists who visited New York in 2024—the second-highest number in the city’s history.

[Read the full story.](#)

China's economy needs to bulk up



Thousands of delegates gathered in Beijing on Wednesday for the week-long annual session of China's parliament, the National People's Congress. Both it and its advisory body, which meets almost concurrently, have little power. But the conclaves will be watched for clues to the [Communist Party's plans](#) for reviving the economy as global trade tensions rise. On the eve of the meeting America placed a 10% [tariff on Chinese imports](#). That comes on top of a 10% levy that Donald Trump's administration had imposed a month ago. China responded with tariffs of 10-15% on American agricultural produce.

As delegates fume, officials will put on a brave face. In his state-of-the-nation address, Li Qiang, the prime minister, predicted that the economy will grow by around 5% this year, the same as in 2024. He also revealed a target of 4% for this year's headline budget deficit, up from 3% last year. That shows a welcome willingness to forgo fiscal piety to raise economic spirits.

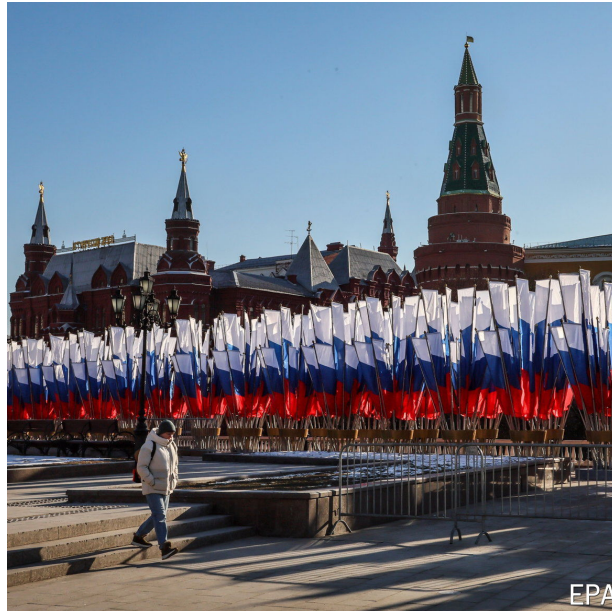
Shovel-seller for the AI gold rush



Marvell reports its annual results on Wednesday. The American semiconductor producer has benefited from the artificial-intelligence boom by designing processors for Amazon. Its chips have helped the tech giant's cloud-computing unit to reduce its reliance on [Nvidia](#), the world's most valuable chipmaker. From 2026 Marvell will also supply AI chips to Microsoft, another big cloud player. Jefferies, a bank, projects that this year Marvell will be the world's third-largest AI chip designer, behind only Nvidia and Broadcom. It is expected to ship 1.7m units. Marvell's market value more than tripled between 2023 and 2025.

But risks loom. The company faces competition from AIchip, a Taiwanese company, for designing Amazon's next-generation AI processors. In January the release of an AI model from DeepSeek, a Chinese startup, prompted fears that AI models may need fewer advanced chips. The shares of Marvell and its rivals tumbled. Investors will be watching its forecasts for clues about AI spending plans by cloud giants.

Is Russia's economy slowing or stalling?



A slew of data released on Wednesday will help answer a crucial question: how is Russia's economy truly faring? In the three years since the country invaded Ukraine, its economy has held up better than most observers had expected. Unemployment fell to just 2%. GDP growth has been decent, thanks in part to oil exports, which were strong despite Western sanctions. And Russian consumers benefited from the knock-on effects of an enormous boost to spending on defence, welfare and infrastructure.

But that could now be changing. In late 2024 the West tightened sanctions on Russia, especially those targeting its financial infrastructure and oil trade. Before Donald Trump's inauguration, on January 10th America hit 143 oil tankers with sanctions. Business confidence has looked more fragile recently. The central bank is struggling to [keep a lid on inflation](#). And GDP growth may be slowing. Some months ago economic weakness might have encouraged Vladimir Putin, Russia's president, to make compromises to end the Ukraine war. Mr Trump's pro-Russia policies may lessen that pressure.

America's sanctuary cities under pressure



On Wednesday the Democratic mayors of Boston, Chicago, Denver and New York City are set to testify before a mostly hostile congressional committee about their cities' [sanctuary-city status](#). They are among the 200 or so cities, counties and states that limit co-operation with federal immigration authorities. James Comer, the head of the Republican-led committee, called the mayors “reckless” and accused them of “shielding criminal aliens”. The committee released a movie-style trailer in the run-up to the hearing portraying the mayors as villains.

President Donald Trump has threatened to withhold federal funding from sanctuary cities. The Justice Department recently filed a lawsuit against Chicago, accusing local officials of impeding enforcement of federal immigration policies. Last month Tom Homan, Mr Trump's "border czar", threatened to bring "hell" to Boston. Eric Adams, [New York City's](#) mayor, may face less hostility from the committee than other mayors. He has agreed to help federal authorities nab undocumented migrants with criminal records.

Floods damage the Great Barrier Reef



By the end of the first week in February, rainfall in parts of Queensland, a state in north-eastern Australia, had broken monthly records. Swollen by rainwater, rivers spewed out murky brown plumes over the region's most famous natural wonder. Extending 100km into the ocean, the currents carry sediment, nutrients and pollutants that starve reefs of light, encourage algae to bloom and inhibit coral growth. This exposes the reefs to other threats, such as [bleaching](#) and disease.

Scientists from James Cook University and the Australian Institute of Marine Science will monitor the environmental damage over the coming months. They will use satellite images to identify sites for sampling water and to assess efforts to prevent riverbanks from eroding and sending sediment downstream. Studies of coral cores, similar to tree rings, have shown that [large floods](#) are becoming more frequent. The reef's resilience may depend on how much land-based waste can be prevented from sweeping out to sea.

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.

Wednesday: Which actress is known for roles in “The Princess Bride”, “Forrest Gump” and “House of Cards”? **Tuesday:** Who briefly replaced Jay Leno as host of “The Tonight Show” from 2009 to 2010?

The longer and more carefully we look at a funny story, the sadder it becomes.

Nikolai Gogol