

Catch up: Trump pauses federal grants; investors react to AI turmoil



The **White House** Office of Management and Budget told government agencies to pause almost all grants, loans and other **financial assistance**. The order aims to undermine bugbears of Donald Trump's such as [diversity, equity and inclusion](#) programmes and the Green New Deal. It will affect funding for disaster relief and education, among other things. Chuck Schumer, the top Senate Democrat, said it "disobeys the law".

Mr Trump said that [DeepSeek's AI model](#) should be a "wake-up call" for **American tech firms**. On Monday global stockmarkets slumped as investors panicked over the threat posed by the Chinese firm to Western rivals. Sam Altman, the founder of OpenAI, an American startup, acknowledged that DeepSeek's [low-cost model](#) was "impressive", but insisted that his firm would "deliver much better models".

America's Senate confirmed **Scott Bessent's** appointment as **treasury secretary**. The [hedge-fund titan](#) has a moderate interpretation of Mr Trump's economic agenda. According to the

Financial Times, Mr Bessent wants to impose a universal tariff on imports that would start at 2.5% and rise gradually. But speaking hours after Mr Bessent's confirmation hearing, Mr Trump said he wanted "much, much bigger" tariffs.

Germany's economic output is likely to shrink by 0.1% this year, according to the Federation of German Industries, a lobby group. It predicts the wider euro zone's economy will grow by 1.1%, making Germany a laggard. Ahead of an [election](#) next month the country's economic model is [sputtering](#), thanks in part to high energy costs and a struggling industrial sector.

Denmark announced plans to boost security in the **Arctic**, in partnership with the Faroe Islands and **Greenland**, two of its autonomous territories. The proposed plan, which includes an investment of \$2bn in surveillance, comes after Mr Trump's recent statements about America acquiring Greenland. Denmark's defence minister said his country faces serious security challenges in [the Arctic](#).

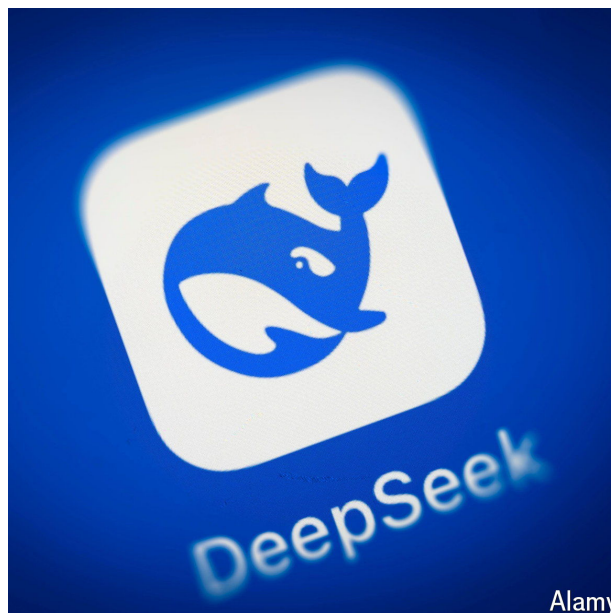
Serbia's prime minister resigned following months of **anti-government protests**. Milos Vucevic is a close ally of [Aleksandar Vucic](#), the right-wing president, who has clung to power for close to a decade despite accusations of election rigging. The latest protests started in November after a canopy collapsed at a railway station in the northern city of Novi Sad, killing 15 people.

China and **India** agreed to resume direct flights to each other for the first time in five years, a further sign that relations between the neighbours are improving. In 2020 dozens of soldiers were killed in border clashes between their armies. But in October last year Narendra Modi and Xi Jinping [held their first official meeting](#) since 2019.

Figure of the day: 92, the number of vessels that navigated Russia's Northern Sea Route last year, up from 19 in 2016. [Read](#)

the full story.

Investors' faith in AI firms is dented



Investors are trying to make sense of the latest developments in artificial intelligence. In recent days excitement about [DeepSeek](#), a Chinese startup, caused a slump in the shares of Western tech companies. The share price of Nvidia, an American chipmaker, fell by over a tenth. The valuations of other tech giants, such as Microsoft, dropped, too. The turmoil has dragged the tech-heavy NASDAQ 100 index down by 3%.

Investors are worried by [the efficiency](#) of DeepSeek's AI models. They perform roughly as well as Western rivals but are cheaper to train because they use less computer power. That may seem like a good thing for AI's prospects. But if the cost of training falls, firms that sell AI's picks and shovels (such as Nvidia) and those that have already bought them (such as Amazon and Microsoft) could suffer. There are still plenty of unknowns, including how China's progress will affect demand for AI and whether America will impose further restrictions on sales of advanced chips.

Trump's search for a Ukraine ceasefire



A week into Donald Trump's second presidency neither Ukraine nor Russia is clearer about how [his administration](#) intends to push for [a ceasefire](#), let alone a lasting peace. Mr Trump appears to agree with Vladimir Putin, Russia's dictator, that NATO expansion was the cause of the war, but he doesn't buy his claim to be winning. He has accused Mr Putin of "destroying Russia by not making a deal" and on social media last week threatened the country with fiercer sanctions if it doesn't "STOP this ridiculous war".

Ukraine is interested in a ceasefire but emphasises the need for security guarantees. But America's new administration has reportedly ruled out NATO membership for Ukraine or providing American boots on the ground as part of a peacekeeping force. Neither Ukraine nor Russia will want the blame for scuppering talks, but Mr Trump may find that with the stakes so high for both sides, ending the war will be harder than he imagined.

Boeing's bruising year



Boeing's preliminary fourth-quarter results revealed that losses were bigger than expected, at almost \$4bn, capping another tough year for the American aerospace giant, which unveils full annual results on Tuesday. The troubles started in January with a mid-flight blow-out of a panel from the fuselage of a 737 MAX jet that curtailed plane production, continued with an embarrassing failure of its Starliner rocket in June that [stranded astronauts](#) in space, and ended with a seven-week strike that halted assembly lines. Boeing delivered around 350 planes in 2024, compared with some 530 the year before and nearly 770 by Airbus, its European arch-rival.

Maybe 2025 will be the [start of a rebound](#). Kelly Ortberg, who took over as boss in August, is cutting 17,000 jobs and has raised capital. He has also promised to focus on engineering excellence rather than the financial engineering that is the root cause of Boeing's damaged reputation. The firm it is puttering along at low altitude; perhaps it cannot fall any further.

A man, a plan, a canal: Panama



Mr Trump is proving a pain in the back-passage for [Panama](#). America's president thinks that Panama has violated the terms of the treaty, signed in 1977, that transferred the Panama Canal from American to Panamanian control. He also claims that China dominates the trade route (it does not, though the Chinese government has increased its influence in Panama recently). In December Mr Trump said that American vessels were being "ripped off" by high fees to traverse the waterway. "We are taking it back," he promised during his inauguration.

Many Republicans in Congress support him. On Tuesday senators will hear from maritime and legal experts about the importance of the canal to national security. Republican senators have introduced a resolution calling on Panama to cut its ties with China; a bill in the House of Representatives would empower Mr Trump to negotiate "repurchasing" the canal. Panama's government, as well as authorities in [Greenland](#), which the president also covets, are watching nervously.

Israel's eviction of UNRWA



Crossings into Gaza have reopened for humanitarian aid convoys following the [ceasefire](#) signed by Israel and Hamas. But one of the main international organisations co-ordinating relief efforts faces crippling challenges. The United Nations Relief and Works Agency has been told by the Israeli government to leave its headquarters in Jerusalem by Thursday under a law that bans the agency from operating in Israel's territory.

Israel [accuses some UNRWA employees](#) of taking part in the massacre of Israelis on October 7th 2023. It says that it is willing to work with other relief organisations instead, though many rely on UNRWA's aid-distribution networks inside Gaza. Even without access to Israel, the agency can continue operating in Gaza and the West Bank. A bigger threat is the withdrawal of donors. Sweden has already pulled its support and Donald Trump's administration (which has paused most foreign aid) intends to do so, too. America, UNRWA's biggest funder, gave \$371m in 2023, almost 30% of governments' contributions to the agency.

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.

Tuesday: African trypanosomiasis is a disease that is commonly known by what name?

Monday: Which on-screen character was the most regular alter ego of Charlie Chaplin?

“Wonder is the desire of knowledge.”

Thomas Aquinas