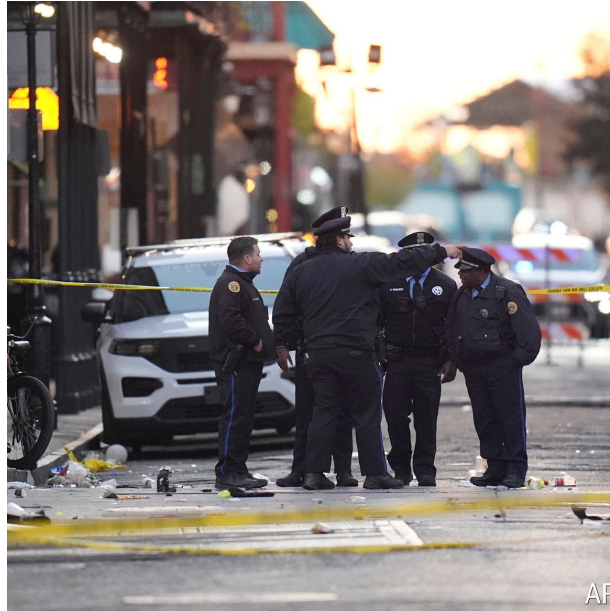


## Catch up: ten killed in New Orleans vehicle attack; Taiwan to spend more on defence



A man drove a pick-up truck into a crowd in **New Orleans**, Louisiana, killing at least 10 people and injuring another 35, according to local officials. The city's mayor, LaToya Cantrell, called the incident a "terrorist attack". The FBI agent in charge of the investigation appeared to contradict that statement, though said officers were investigating "improvised explosive devices" found at the crash site.

**Taiwan's** president, Lai Ching-te, promised more military spending to strengthen the island's defences, citing the danger that China, Russia and North Korea pose to the "international order". China has been increasingly aggressive towards Taiwan, which it lays claim to despite the island enjoying 75 years of autonomy. On Tuesday Xi Jinping, China's leader, said that **no one could prevent** "reunification".

A five-year deal that allowed **Russian gas** to be sent to Europe via **Ukraine** expired. The EU has reduced its imports of Russian gas since the war in Ukraine began, but several member states still rely on [the shipments](#). Volodymyr Zelensky, Ukraine's president, said Russia would not "earn additional billions on our blood". The EU said it had sufficient capacity to cope with the disruption.

**Ivory Coast's** president, Alassane Ouattara, asked the 600 French troops stationed in the West African country to leave. They will begin to decamp this month. Meanwhile Senegal's president, Bassirou Dioumaye Faye, said that "all foreign military presence" in the country, referring to the region's former colonial power, would end "from 2025". France [has been](#) slowly drawing down its military presence in Africa for several years.

**Bulgaria** and **Romania** became full members of the **Schengen** area, allowing passport-free travel across the countries' land borders into the EU. The change is expected to boost GDP by at least 1% in both countries, according to analysts. The Schengen's expansion comes amid tightening restrictions elsewhere in the area. Several EU countries, including founding members of the zone such as Germany, have [extended temporary controls](#) at their borders.

Emmanuel Macron, **France's** president, admitted that his decision to dissolve the country's parliament in June created "more instability than peace". In his annual New Year's Eve address, Mr Macron said he hoped lawmakers would "follow a path of compromise to get things done" [in 2025](#). He also hinted at potential referendums in the coming year.

A power outage plunged most of **Puerto Rico** into darkness on New Year's Eve. Luma Energy, a major supplier of the island's electricity, said it was investigating the cause and that it could take up to 48 hours to fully restore power. The island has suffered a

string of blackouts since 2017, when its power grid was damaged by [Hurricane Maria](#).

**Figure of the day:** 1%, the Nordic region's approximate share of the world's GDP. [Read the full story](#).

# Will India's economy overtake Japan's in 2025?



China overtook Japan in 2010 to become the world's second-largest economy, a title Japan had held for almost 40 years. Its penetration of foreign manufacturing markets was dubbed the “China shock” and its accumulation of foreign assets a “savings glut”. Will the world see such a dramatic rise again?

[India](#) hopes so. In 2025 it could overtake Japan to become the world's fourth-largest economy. India's population is already bigger than China's and its economy is likely to grow significantly faster in the next few years. Manufacturers scared by Sino-American tension see it as a potential refuge.

Yet its rise will be less spectacular than China's—and less likely to provoke a backlash. India's investment needs tend to exceed its own saving rates, so large net capital outflows are unlikely. And India's workforce remains only three-quarters of the size of China's, partly because it includes [so few women](#). That will make it harder for India to become the world's workshop.

# The AI productivity puzzle



Artificial intelligence has already made many people—particularly shareholders in AI firms or chipmakers—very rich. But so far it has had little impact on the global economy. Expect this puzzle to persist in 2025.

Some argue that [AI technology](#) is more significant than electricity or the internet, and so it will spread fast. But there is little sign of this. Only 5-6% of American businesses said they used AI to produce goods and services in 2024, according to the country's Census Bureau. The results for Britain are more impressive, with 20% of firms using AI, though its statisticians ask the question in a different way.

Still, it is hard to pinpoint any economic impact. Britain's GDP growth is hardly stronger than it was in 2022, the year that OpenAI's GPT-3 was released to the public. AI-boosters will tell you that the technology is already transforming the global economy. Don't believe them.



# Trump and the global economy



Donald Trump has promised to [levy significant tariffs](#) on goods imported across America's borders. Economists argue that sweeping tariffs would harm growth and push up prices. But does Mr Trump really intend to go ahead with this plan—and, if so, will he be able to?

Mr Trump's advisers argue that his threats are a bargaining tactic. But some made the same argument about his promises to "build the wall" during his first campaign. In fact, Mr Trump was serious about that—and may be just as serious about imposing tariffs. He did so during his first term under special powers allowing presidents to take action during emergencies or to protect national security.

Yet the most sweeping version of Mr Trump's plans would surely exceed the limits of those powers. Perhaps that is why investors seem to be shrugging off the potential threat to growth. Is that too optimistic? The world will find out in 2025.

# The course of interest rates in 2025



In 2024 predictions that only deep recessions could pull inflation back down to earth proved misplaced. Instead, a sharp increase in interest rates, supply-side improvements and the passage of time were sufficient. Inflation is at or near 2% across the rich world. Unless trade wars or other Trump-related shocks pose problems, it should stay low in most countries.

Job done, then? Well, almost. The economy may be back to normal, but economic policy is not. Interest rates are at their highest since before the financial crisis of 2007-09. Policy should shift closer to normal in 2025. Still, after the economic chaos of the past five years, it's difficult to say what the baseline policy in different countries will drift back to. If rates do fall much further, one risk is that monetary policy will start feeling like the 2010s—when even ultra-low interest rates failed to boost demand.

## 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](mailto:QuizEspresso@economist.com). We'll pick randomly from those with the right answers and crown three winners on Saturday.

**Wednesday:** Which is the second most-used internet search engine?

**Tuesday:** Which Dr Seuss book features the character Sam-I-am?



**Music is the deepest of the arts and deep  
beneath the arts.**

*E. M. Forster*